

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SAN JOSE MINETA INTERNATIONAL AIRPORT



San José, California

A Department of the City of San José
Fiscal Years Ended June 30, 2025 and 2024

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Interim Deputy Director

SJC  **SAN JOSE MINETA
INTERNATIONAL AIRPORT**

**San José Mineta International Airport
(A Department of the City of San José)
Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2025 and 2024**

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INTRODUCTORY



Passengers totaled 11.4 million in FY 25. In May 2025, Delta added a daily nonstop route to Las Vegas after a five-year hiatus. In June 2025, Southwest added a seasonal daily nonstop route to Baltimore, which last operated in 2020. Several routes returned to SJC, including Frontier's daily nonstop service to Denver in July 2024 and Las Vegas in August 2024.

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GEOGRAPHIC LOCATOR MAP



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

SAN JOSE MINETA INTERNATIONAL AIRPORT

San José, California

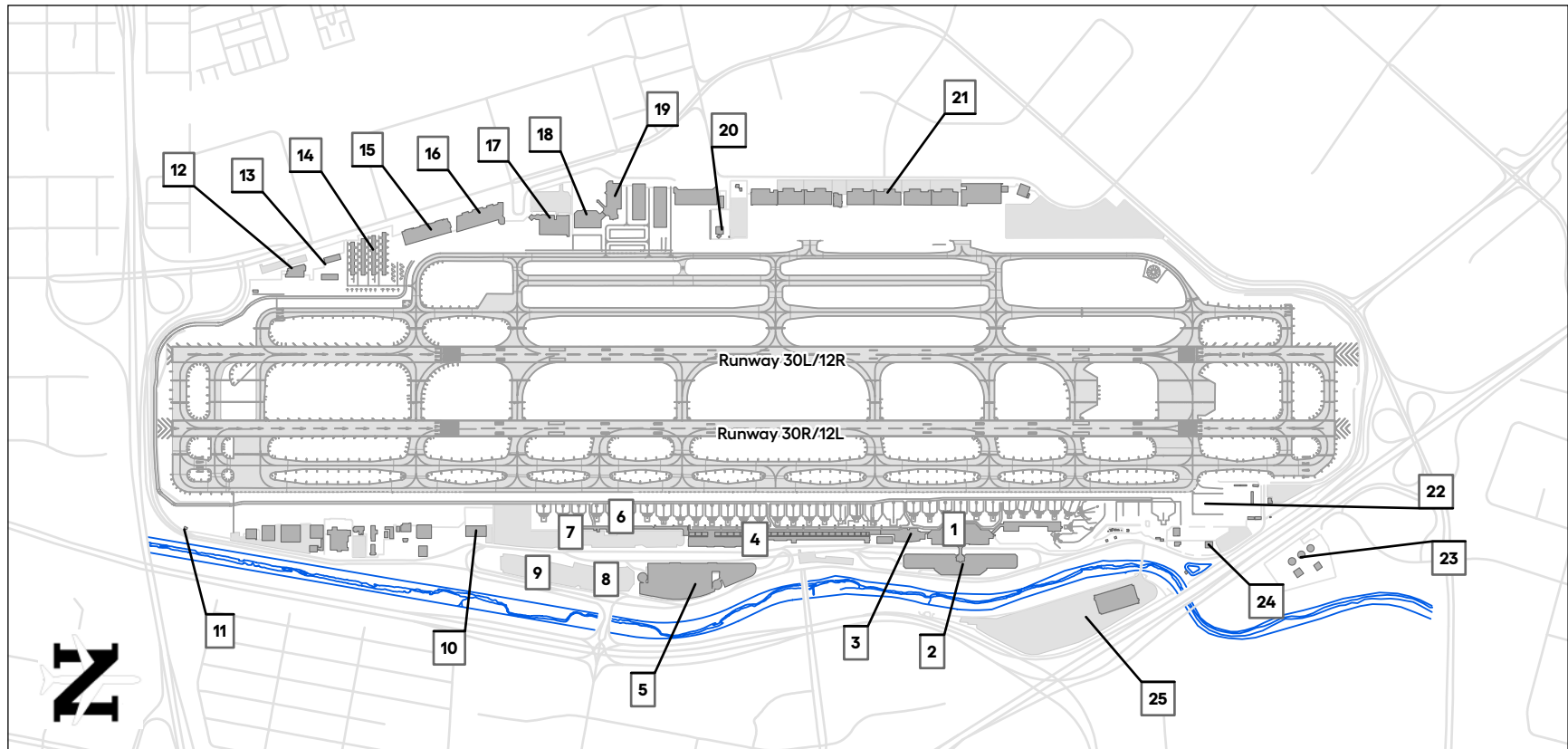
A Department of the
City of San José

Fiscal Years Ended
June 30, 2025 and 2024



● Reduced View
of Service Areas

San José Mineta International Airport



Map Legend

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

LOCATOR MAP

JUNE 2025

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



November 12, 2025

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

The Annual Comprehensive Financial Report (ACFR) of the San José Mineta International Airport (Airport or SJC), a department of the City of San José (City), for the fiscal years ended June 30, 2025 and 2024, 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 (MGO), Certified Public Accountants. The audit firm issued an unmodified opinion on the Airport's financial statements for the fiscal year ended June 30, 2025 and fiscal year ended June 30, 2024. In addition to meeting the requirements set forth in the City Charter, the City's audit was also designed to meet the requirements of the Federal Uniform Guidance for federal awards. The Airport's federal awards programs are included in the Citywide Single Audit Report. The auditor's report on the Airport's financial statements is included in the Financial Section of this report.

REPORTING ENTITY

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

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

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

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 San Francisco Bay 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 demand, airfare levels, and population for the passengers who produce its revenue base. Airport management closely monitors its operating budget cost and continues to look for ways to increase non-airline revenues. Capital projects to implement the Airport's Master Plan are prioritized to keep pace with the passenger growth trend. Financial ratings were reaffirmed by Fitch Ratings, Inc., S&P Global Ratings, and Moody's Investors Service.

The Airport has an objective of maintaining a competitive cost per enplaned passenger (CPE). The FY 24 and FY 25 adjusted CPE reflects actual net terminal revenues and the Airlines' portion of the net revenue sharing. The adjusted CPE was \$15.81 in FY 24 and \$17.99 in FY 25. The FY 26 adjusted CPE is based on the forecasted net terminal revenues and the Airlines' portion of the net revenue sharing, which is estimated to be \$18.69 based on a number of assumptions, which may or may not materialize.

SJC's passenger traffic recovery from the COVID-19 pandemic peaked in FY 23, with the Airport serving 12,128,398 passengers. This was followed by a modest decline to 11,941,377 in FY 24, and a further decrease to 11,375,567 in FY 25. In the near term, tariff fears and broader economic uncertainty are influencing demand and ultimately impacting airline operation decisions, leading some carriers to reduce flights, consolidate routes, or defer planned expansions. These factors contribute to a more volatile air service environment, making short-term projections less predictable and requiring flexibility in operational and financial planning. As of June 30, 2025, carriers at the Airport served 40 nonstop markets with 184 peak daily departures compared to 41 nonstop markets with 176 peak daily departures as of June 30, 2024.

The City and the Airport maintain a strong, collaborative relationship with key business stakeholders, including the San José Chamber of Commerce, regional economic development agencies, tourism bureaus, and major employers to attract new airlines and expand route offerings. These partnerships leverage the combined influence and resources of the public and private sectors to showcase San José's robust economic base, growing population, and diverse travel demand. By coordinating marketing campaigns, sharing market intelligence, and hosting targeted airline outreach events, the City and Airport aim to position San José as a competitive and attractive market for carriers, thereby increasing connectivity for both business and leisure travelers, while driving regional economic growth.

To attract new air service, the Airport, like many others nationwide, has developed and expanded air service support programs. These programs have become so prevalent that the Federal Aviation Administration (FAA) has issued guidelines to ensure airports comply with applicable rules and regulations governing the 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 when necessary, by the City Council to include specific incentives. For qualifying flights, there is a waiver of landing fees provided for a period of between 12 and 18 months. With these waivers, the Airport requires that the minimum frequency of the new flight must be three times weekly nonstop service for 12 consecutive months or four consecutive months for international seasonal service. In the current air service support program, there are no fee waivers for ticket counters or boarding gates, with the exception of new entrant

carriers that have not previously had service at the Airport. The program provides for dedicated marketing funds ranging from \$25,000 to \$500,000, depending on the type of new service provided. In cases where an airline introduces multiple low frequency routes within a 12-month period, the Director of Aviation also has the discretion to recognize the contribution of these additional services and extend the program benefits, including landing fee waivers and the award of marketing funds not to exceed \$100,000.

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

Population and Income

The City is the county seat of Santa Clara County. It is the 12th 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 979,415 as of January 1, 2025, reflecting a decline of 0.08% over the prior year. San José is located in the Santa Clara Valley, at the southern end of the San Francisco Bay Area, a region referred to as Silicon Valley. Santa Clara County is the sixth largest county in California and the largest in Northern California. The population of Santa Clara County increased slightly from 2024 to 2025, with the population increasing from 1,921,406 to 1,922,259 as of January 1, 2025. Population in the six counties comprising the primary service area for the Airport increased 0.2% from 2024, compared to a population increase for the state of 0.3%. In total, the population of the primary service area increased by 8,616 from the prior year and accounts for 12.9% of the state's population.²

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

According to U.S. Bureau of Economic Analysis' estimates updated as of February 20, 2025, for 2023, Santa Clara County had a PCPI of \$151,003 and was 185.8% of the state average of \$81,255, 216.3% of the national average of \$69,810, and ranked fourth in the State of California. Within the Air Service Area, the remaining counties personal income and PCPI were as follows:

² California Department of Finance

Personal Income and Per Capita Personal Income within the Air Service Area								
County Name	Personal Income			Per Capita Personal Income				
	(in Thousand Dollars)		% Change	(Dollars)		% Change		
	2022	2023	2022-2023	2022	2023	2022-2023	2023 Rank	
Santa Clara	\$ 268,052,614	\$ 283,522,548	5.8%	\$ 142,708	\$ 151,003	5.8%	4	
Alameda	164,187,433	173,018,284	5.4%	100,836	106,657	5.8%	5	
San Mateo	118,715,807	125,533,945	5.7%	162,863	172,828	6.1%	2	
Monterey	28,280,705	29,695,203	5.0%	65,331	68,943	5.5%	25	
Santa Cruz	22,005,209	23,168,187	5.3%	83,277	88,581	6.4%	9	
San Benito	4,212,450	4,520,677	7.3%	62,275	66,310	6.5%	28	
California	\$ 3,003,826,087	\$ 3,166,135,354	5.4%	\$ 76,941	\$ 81,255	5.6%		
United States	\$22,077,232,000	\$23,380,269,000	5.9%	\$ 66,244	\$ 69,810	5.4%		

Per capita income increased by 5.8% from 2022 in Santa Clara County compared to an increase of 5.6% and 5.4% for California and the nation, respectively.³

Employment

Employment levels in Santa Clara County have decreased by 4,900 from 985,800 in 2023 to 980,900 in 2024. As of June 2025, employment levels are reported at 982,100. With 47,600 unemployed, Santa Clara County's unemployment rate of 4.6% as of June 2025 has increased about 0.3 points, compared to June 2024⁴ and is lower than the 5.4% unemployment rate for California⁵ and about 0.5% higher than the 4.1% rate for the U.S.⁵

San José Mineta International Airport: Passenger and Air Traffic

The Airport is classified as a medium-hub airport by the FAA and ranked as the 44th busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2024. As of June 30, 2025, 10 carriers provided scheduled passenger service to 40 destinations, including eight mainline carriers and two international carriers. In addition, two all-cargo carriers provided scheduled cargo service at the Airport.

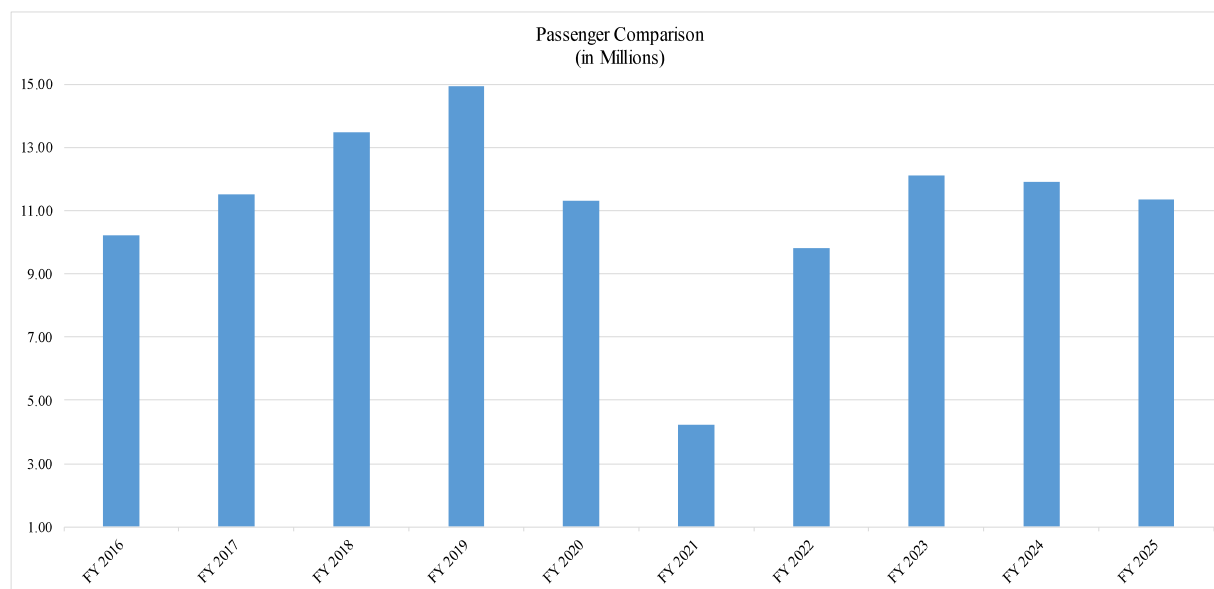
For FY 25, the Airport enplaned and deplaned 11,375,567 passengers, which represents a decrease of 4.7% from the previous fiscal year.

³ U.S. Department of Commerce, Bureau of Economic Analysis

⁴ Employment Development Department – State of California

⁵ U.S. Department of Labor, Bureau of Labor Statistics

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



For FY 25, the Airport experienced an overall decrease of 1.0% in traffic operations due to decreases in the passenger carrier (a decrease of 816 or 0.8%), cargo carrier (a decrease of 370 or 26.0%), military (a decrease of 8 or 5.8%), and local general aviation (a decrease of 552 or 10.0%) operations. The overall decrease was partially offset by an increase in general aviation itinerant operations (an increase of 119 or 0.2%).

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 22,532,000 annual passengers and 183,900 annual passenger airline aircraft operations with a total of 237,700 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1,800,000 square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

The Master Plan's Terminal Area Improvement Program (TAIP) Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending

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

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

MAJOR INITIATIVES

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 for the fiscal year were 11,375,567, declining 4.7% from the prior year.

International:

International enplanements for the fiscal year were 294,034, declining 14.6% from the prior year. The Airport has two international carriers as of June 30, 2025.

Domestic:

In July 2024, Frontier Airlines launched daily nonstop service to Denver International Airport (DEN).

In August 2024, Frontier Airlines launched daily nonstop service to Harry Reid International Airport in Las Vegas (LAS).

In May 2025, Delta Air Lines launched daily nonstop service to Harry Reid International Airport in Las Vegas (LAS).

In June 2025, Southwest Airlines launched a seasonal daily nonstop service to Baltimore/Washington International Thurgood Marshall Airport (BWI).

- American Rescue Plan Act (ARP Act) Funding

In December 2021, the Airport was awarded \$48,910,633 in ARP Act funds, available to the City on a reimbursable basis for up to four years and was used to pay for operating expenses. The federal grant is administered by the FAA. The Airport received reimbursements for the full amount of the grant between FY 23 and FY 25.

- New Taxiway V Funding

In September 2022 and July 2023, the Airport was awarded \$10,826,858 and \$9,620,260, respectively, in federal funding under the Airport Improvement Program for the New Taxiway V Phase 1A and 1B projects. In August 2024, the Airport was awarded \$18,823,809 in federal funding under the Infrastructure Investment and Jobs Act (IIJA) Airport Infrastructure Grant (AIG) Program for the New Taxiway V Phase 2 project. All phases are part of the larger Airfield Configuration Updates project. The federal grants are administered by the FAA. For funding awarded after June 30, 2025, see Note 12, Subsequent Events.

- Zero Emissions Vehicle Funding

In September 2023 and September 2024, the Airport was awarded \$3,334,533, and \$1,814,301 in federal funding under the Airport Zero Emissions Vehicle and Infrastructure Pilot Program to purchase a total of six electric buses. This project supports the Airport's ongoing sustainability efforts and aligns with California's goal of achieving carbon neutrality. The federal grant is administered by the FAA.

- Aircraft Rescue and Fire Fighting Vehicle Replacement Funding

In August 2024, the Airport was awarded \$1,632,615 in federal funding to replace an aging Aircraft Rescue and Fire Fighting Vehicle. The new vehicle will support the Airport in maintaining the recommend Index D level, which is essentials for sustaining public service. The federal grant is administered by the FAA.

- Safety Management System Plan Funding

In August 2024, the Airport was awarded \$402,950 in federal funding under the IIJA AIG Program. The Safety Management System Plan helps identify, manage, and mitigate safety risks in airfield operations, aiming to reduce incidents, accidents, and fatalities through systematic procedures and proactive controls. The federal grant is administered by the FAA.

- Terminal B South Concourse Improvements National Environmental Policy Act Funding

In August 2024, the Airport was awarded \$330,114 in federal funding under the IIJA AIG Program to reimburse the environmental assessment costs for the Terminal B South Concourse Improvements. The completion of the environmental assessment enabled the Airport to secure federal grant funding by fulfilling National Environmental Policy Act requirements. The federal grant is administered by the FAA.

- Purchase and Installation of Pre-conditioned Air Units Funding

In September 2024, the Airport was awarded \$1,733,511 in federal funding under the Voluntary Airport Low Emissions Program to purchase and install 12 pre-conditioned air units alongside existing ground power units, which will lower aircraft fuel usage and reduce emissions. The federal grant is administered by the FAA.

- Top 10 Terminals for Tots

In July 2024, the Airport was recognized as one of the Top 10 Terminals for Tots in the list of Best Airports for Kids in the United States by Motherhood Loves Community. The Airport was recognized for the Zoom Zone, private nursing rooms, and SJC Happy Tails therapy animal program.

- Airport Ranks 10th in Customer Satisfaction

In September 2024, the Airport was ranked 10th in overall customer satisfaction for large airports in the 2024 North American Airport Satisfaction Study by J.D. Power. The measures of the study are ease of travel through the airport; level of trust with the airport; terminal facilities; airport staff; departure/to the airport experience; food, beverage, and retail; and arrival/from the airport experience.

- Best Overall Marketing Program

In November 2024, the Airport was awarded the Best Overall Marketing Program, Medium Airport Award, by Airports Council International-North America. This award represents how marketing programs help define an airport's product or service and create a strategy for communicating the message that will produce growth.

- On-Time Performance Review

In January 2025, the Airport was ranked sixth globally for on-time performance in the medium airport category by Cirium, making the Airport the top-performing airport in California. This report highlights that SJC is the region's most convenient and reliable airport.

- Leadership in Energy and Environmental Design Silver Certification

In March 2025, the Airport was awarded the Leadership in Energy and Environmental Design Silver Certification for the Facilities and Vehicle Maintenance Campus. This certification demonstrates the Airport's dedication to the environment and the community by building sustainable facilities and demonstrating energy efficiency, water conservation, and improved air and water quality.

OUTLOOK FOR THE FUTURE

San José's economic development strategy recognizes the Airport as a vital infrastructure asset that supports regional economic growth. Businesses rely on the Airport's facilities and services to effectively market and

distribute goods and services. In an increasingly globalized economy, it is essential that Airport infrastructure continuously be enhanced and services evolve to meet emerging demand.

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, and Public Works, and seeks policy direction from the Council Committee for Transportation and Environment to improve the transportation systems to benefit the residents of San José. These partnerships allow the Airport to focus coordination efforts on critical business development and to transform how Silicon Valley travels.

In FY 25, the Airport recorded 11,375,567 passengers, which is down 4.7% from the FY 24 total of 11,941,377 passengers and below the original projection of 12,500,000 passengers. The Airport experienced over one million passengers for four months in FY 25. Commercial airlines continue to modify their flight schedules on a rolling basis in response to tariff and broader economic uncertainty, changes in passenger demand, and other industry influences. A projected moderate decrease is expected in FY 26, bringing the total projected FY 26 passengers to 11,300,000.

The Airport continues to actively collaborate with the City's Office of Economic Development as well as local business groups like the San José Chamber of Commerce and others to pursue air service development opportunities and customer service enhancements. The Airport is reviewing opportunities to expand non-aviation revenue sources, including the development of a general aviation complex, an onsite hotel, and a commercial retail center. In FY 25, the Airport issued a solicitation to revamp its retail concession program and commenced the redevelopment of all retail spaces. Through this process, the Airport secured two new retail contracts that offer a guaranteed revenue share that is approximately 20% higher than the current minimum annual guarantees. Additionally, the Airport has launched initiatives aimed at re-engaging with SJC passengers to rebuild and elevate the customer experience. These efforts also include strengthening collaborative partnerships with tenants to support more stable, long-term revenue streams, and leveraging technology to enhance operational efficiency. A key objective of these programs is to maintain a competitive CPE. The City Council has directed Airport staff to make every effort to ensure that SJC's CPE remains aligned with, or better than, comparable airports in the region.

The FY 26 Adopted Budget adds four full-time positions and eliminates one vacant full-time position due to operational need. The added positions increase capacity for a wide variety of responsibilities, with a focus on asset preservation. The Airport Operations Superintendent position will lead the development and implementation of the newly FAA mandated Safety Management System programs and initiatives. The Air Conditioning Mechanic, Airport Equipment Mechanic, and Electrician II positions will increase capacity to improve compliance with federal annual airfield safety inspections, reducing vulnerability to utility service disruptions, address preventative maintenance and workload response times, as well as address the Airport's significant backlog of deferred and preventative maintenance. The eliminated vacant Staff Specialist position was a cost saving measure. The duties were absorbed by other Planning and Development staff.

Expenditure reductions were achieved in our customs and border protection program, terminal support services, and bussing. These reductions were partially offset by expenditure increases for cost of living adjustments to existing agreements, water and electric utility cost adjustments, and additional marketing funding to help organize and implement a series of promotional activities for the Airport related to the major sporting events coming to the area in 2026 (Fédération Internationale de Football Association World Cup, National Collegiate Athletic Association March Madness West Regional, and Super Bowl LX). The Airport maintains its focus on providing a great passenger experience based on the reliability and ease of using the Airport, keeping strong customer service, and other desired amenities.

Conservative budget and fiscal policies have led to a surplus for FY 25. After completion of the year-end closing and annual audit, the FY 25 actual net remaining revenues were \$32,551,113 and will be allocated in accordance with the revenue sharing provisions of the Airline Lease Agreement. As noted in the financial statements, the participating airline revenue sharing portion was \$16,211,367 for FY 25.

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

The Airport's FY 26-30 Adopted Capital Improvement Program (CIP) contains projects reflecting all of the Airport's strategic priorities, with a keen focus on fiscal responsibility. The Airport's focus is on groundwork and preliminary projects that position the Airport well for future large-scale projects. It is important that the Airport continue to support all of the airlines by maintaining reasonable costs, improving safety and security, leveraging technology, maintaining infrastructure, and providing a favorable environment for the passengers and tenants.

The FY 26-30 Adopted CIP budget funding of \$511,891,000 is primarily for projects and debt service, of which \$114,840,000 is allocated to FY 26. Over the five-year CIP, funding allocated to pay debt service on outstanding bonds totals \$113,520,000. A total of \$80,280,000 is allocated to general non-construction activities and public art projects, leaving \$318,091,000 for capital construction over the next five years.

Program highlights of the Airport's FY 26-30 Adopted CIP are as follows:

- \$200,000,000 for Short-Term Parking Garage. This allocation provides funding for the design and construction of a multi-story parking structure needed to replace the parking spaces that will be lost when the New Terminal Project (Terminal C) begins. The garage will be constructed so that it can be converted into office space if the demand for parking sees a decline in the future. This project is funded in the term of the current CIP.
- \$41,026,000 for Airfield Configuration Updates (formerly known as Runway Incursion Mitigation and as Airfield Geometric Implementation) is a multi-year project. The goal of the project is to implement changes to airfield geometry to comply with FAA regulations and new design standards identified in the Runway Incursion Mitigation Study project. This project is important to maximize airfield safety through facility design and reconfiguration improvements and includes construction of the New Taxiway V that replaces former Runway 11/29. This project is partially funded in the term of the current CIP but continues beyond the five-year CIP.
- \$17,817,000 for Garage Sprinkler Replacement, which is a multi-year project. This project replaces all of the fire sprinkler piping in the Terminal A Garage. The piping needs to be replaced due to age and internal corrosion conditions identified during the last sprinkler inspection. Replacement will ensure continued performance of the system..
- \$17,015,000 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.

- \$11,700,000 for the Consolidated Rental Car Facility (ConRAC) Accessibility Upgrades, which funds the design and construction of improvements to the ConRAC facility to improve accessibility and correct code deficiencies to comply with current requirements. Examples of accessibility upgrades include restrooms, drinking fountains, elevators, exit door openings, paths of travel, and signage (i.e., font size, tactile letters, and braille), which are all part of this project. This project will be funded through a combination of Airport funds and the Customer Facility Charge (CFC), reducing the financial burden on the Airport.

FINANCIAL INFORMATION

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

Single Audit, Passenger Facility Charge (PFC), and 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, 2025 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, 2025 is still in progress.

Pursuant to California Government Code Sections 50474.1-50474.3 (formerly California Civil Code Section 1936), since May 2000, the City required rental car companies to collect a CFC from their customers renting vehicles at the Airport. CFC revenues may be used to pay the reasonable costs to finance, design, and construct the ConRAC, and to finance, design, construct, and operate the ConRAC Transportation System.

Budgetary Controls

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

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

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

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

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

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San José Mineta International Airport for its ACFR for the fiscal year ended June 30, 2024. This was the 28th 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 MGO should also be acknowledged as a significant contributor to a fine product.

Respectfully submitted,



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



Drake Beaton, C.M, MBA
Interim Deputy Director
Finance and Administration Division



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**San José Mineta International Airport
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

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

ELECTED OFFICIALS:

Matt Mahan	Mayor
Rosemary Kamei.....	Council Member, District 1
Pamela Campos	Council Member, District 2
Carl Salas	Council Member, District 3
David Cohen	Council Member, District 4
Peter Ortiz	Council Member, District 5
Michael Mulcahy	Council Member, District 6
Bien Doan.....	Council Member, District 7
Domingo Candelas.....	Council Member, District 8
Pam Foley	Council Member, District 9
George Casey.....	Council Member, District 10

AIRPORT COMMISSION:

Joe Head.....	Chair
Nick Patel	Vice Chair
Catherine Hendrix	Member
Greg Richardson	Member
Jasvinder Sohal	Member
John Leipelt.....	Member
Manoj Kumar.....	Member
Mike Campbell	Member
Robert Hencken	Member
Surjit Bains	Member
Michael Mulcahy	Council Member/Airport Liaison

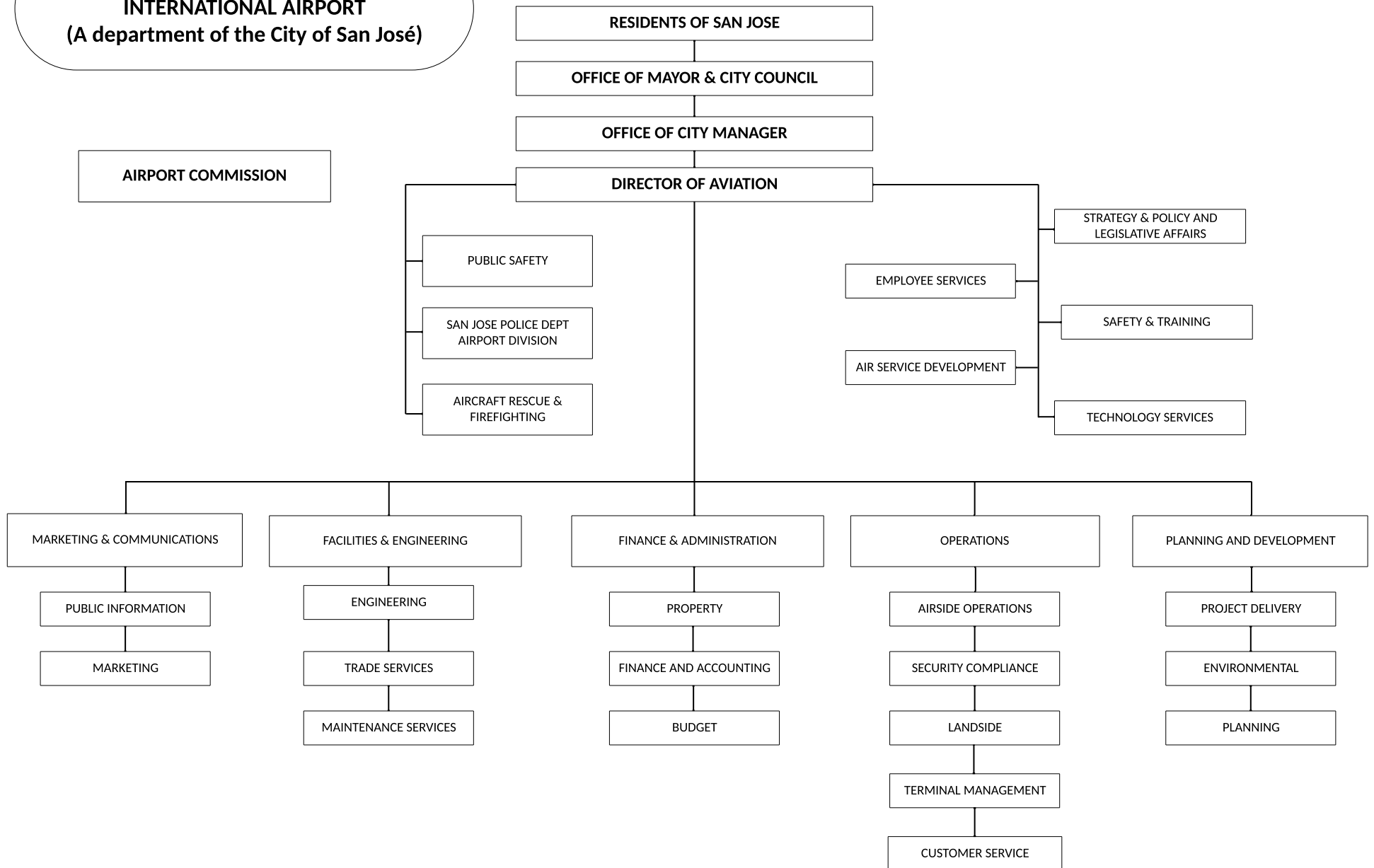
CITY OFFICIAL:

Jennifer A. Maguire	City Manager
Maria Öberg	Director of Finance

AIRPORT DEPARTMENT:

Mukesh (Mookie) Patel, C.M.	Director of Aviation
Patricia A. Singh, MPA, C.M., ACE	Assistant Director of Aviation
Rosalyn F. Bond, A.A.E., ACE.....	Deputy Director, Airport Operations
Drake Beaton, C.M., MBA	Interim Deputy Director, Finance & Admin.
Gene Frazier, MPA, C.M.	Deputy Director, Facilities & Engineering
Fai Ali, P.E., C.M., PMP, CCM, IPI, DBIA.....	Deputy Director, Planning & Development
Scott Wintner	Deputy Director, Marketing & Communications
Lieutenant Thomas Muller	San José Police Dept. – Airport Division

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



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FINANCIAL

Travelers can experience several new culinary options. Firehouse Subs opened in Terminal A, near Gate 11, in February 2025. The new restaurant offers freshly made sandwiches as well as “grab and go” items, such as salads and ready-made sandwiches, desserts, and beverages. In May 2025, Pizza My Heart and Einstein Bros.® Bagels opened in Terminal A, across from Gates 10 and 11, which offer a delectable selection of pizzas, bagels, salads, sandwiches, and more. This Pizza My Heart is their only location in an airport.



Independent Auditor's Report

City Council
City of San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San José Mineta International Airport (Airport), a department of the City of San José, California (City), as of and for the fiscal years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, effective July 1, 2023, the Airport adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 12, 2025

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Management's Discussion and Analysis
(Unaudited)

This section of the San José Mineta International Airport (Airport) Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2025 and 2024. The Airport is a department of the City of San José (City).

AIRPORT ACTIVITIES HIGHLIGHTS

A total of 11,375,567 passengers traveled through the Airport in fiscal year (FY) 25 compared to 11,941,377 in FY 24, resulting in a decline in passenger traffic of 4.7%. The Airport experienced a slight decrease in passenger traffic of 1.5% and an increase of 23.6% in FY 24 and FY 23, respectively.

International passengers decreased 15.0% in FY 25 primarily due to reduced service by Alaska Airlines to Puerto Vallarta and Guadalajara as well as ZIPAIR's temporary service suspension. Volaris increased service frequency to León and Morelia and continued service to Guadalajara and Zacatecas. Domestic passengers also had a decrease of 4.1% in FY 25 over FY 24. The added capacity from ultra-low-cost carriers were offset by decreases from the larger carriers serving the Airport, as they continued to adjust frequency in formerly business-heavy and transcontinental routes.

As of June 30, 2025, Airport carriers served 40 nonstop markets. Daily departures ranged from 93 minimum to 184 peak departures in FY 25, compared to 41 nonstop markets with 176 peak daily departures in FY 24, and 41 nonstop markets with 186 peak daily departures in FY 23.

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

	2025	2024	2023
Flight operations	162,134 (1.0)%	163,761 (2.7)%	168,280 11.3%
Landed weight by passenger (1,000 lbs)	6,912,134 (1.9)%	7,045,138 (5.5)%	7,455,867 22.8%
Landed weight by cargo carriers (1,000 lbs)	174,210 (21.7)%	222,401 (2.3)%	227,712 15.2%
Total enplaned and deplaned passengers	11,375,567 (4.7)%	11,941,377 (1.5)%	12,128,398 23.6%
Enplaned passengers	5,680,778 (4.7)%	5,963,267 (1.7)%	6,065,475 23.5%
Deplaned passengers	5,694,789 (4.7)%	5,978,110 (1.4)%	6,062,923 23.7%
Domestic passengers	10,791,214 (4.1)%	11,253,778 (2.3)%	11,522,927 23.4%
International passengers	584,353 (15.0)%	687,599 13.6%	605,471 26.6%
Cargo tonnage (in tons)	29,969 (6.4)%	32,019 (12.5)%	36,612 2.6%
Parking (vehicles) exits	789,190 (8.6)%	863,278 (0.9)%	870,845 25.3%

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Management's Discussion and Analysis
(Unaudited)

FINANCIAL HIGHLIGHTS

The Airport posted an increase in net position for the 2025 fiscal year.¹

- Operating revenues increased by 7.6% from \$222,137,814 in FY 24 to \$239,123,987 in FY 25.
- Operating expenses before depreciation increased by 13.8% from \$119,869,165 in FY 24 to \$136,469,086 in FY 25.
- Operating income before depreciation remained flat at \$102,268,649 in FY 24 and \$102,654,901 in FY 25.
- Depreciation and amortization increased by 2.6% from \$57,192,314 in FY 24 to \$58,653,786 in FY 25.
- The above resulted in an operating income before nonoperating revenues and expenses of \$45,076,335 in FY 24 and \$44,001,115 in FY 25.
- Nonoperating revenues, net of nonoperating expenses, increased 5.4% from \$12,726,844 in FY 24 to \$13,414,850 in FY 25.
- Capital contributions mainly from federal government grants increased by 19.7% from \$17,290,553 in FY 24 to \$20,702,468 in FY 25.
- Change in net position from current year activities increased \$78,118,433. The increase in operating revenues, investment income, Customer Facility Charges (CFC) revenues, capital contributions, and the decrease in interest expense were partially offset by the increase in net revenue sharing with participating airlines and in operating expenses.

In addition, the Airport posted an increase in net position for the 2024 fiscal year.^{1,2}

- Operating revenues increased by 11.2% from \$199,795,165 in FY 23 to \$222,137,814 in FY 24.
- Operating expenses before depreciation increased by 8.5% from \$110,522,478 in FY 23 to \$119,869,165 in FY 24.
- Operating income before depreciation increased by 14.6% from \$89,272,687 in FY 23 to \$102,268,649 in FY 24.
- Depreciation and amortization increased by 1.6% from \$56,297,222 in FY 23 to \$57,192,314 in FY 24.
- The above resulted in an operating income before nonoperating revenues and expenses of \$32,975,465 in FY 23 and \$45,076,335 in FY 24.
- Nonoperating revenues, net of nonoperating expenses, decreased 43.2% from \$22,398,317 in FY 23 to \$12,726,844 in FY 24.
- Capital contributions mainly from federal government grants increased by 42.3% from \$12,149,992 in FY 23 to \$17,290,553 in FY 24.

¹ Certain amounts for the fiscal years ended June 30, 2024 and 2023 have been restated due to the implementation of GASB Statement No. 101, *Compensated Absences*.

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

SAN JOSE MINETA INTERNATIONAL AIRPORT
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Management's Discussion and Analysis
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- Change in net position from current year activities increased \$75,093,732. The increase in operating revenues, investment income, CFC and capital contributions along with a decrease in interest expense, were partially offset by the decrease in the American Rescue Plan Act (ARP Act) grant and Passenger Facility Charges (PFC) revenues, the increase in operating expenses, and the increase in net revenue sharing with participating airlines.

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, 2025, 2024, and 2023:

	2025	2024⁽¹⁾	2023^(1,2)
Operating revenues	\$ 239,124	\$ 222,138	\$ 199,795
Operating expenses before depreciation	(136,469)	(119,870)	(110,522)
Operating income before depreciation	102,655	102,268	89,273
Depreciation and amortization	(58,654)	(57,192)	(56,297)
Operating income (loss)	44,001	45,076	32,976
Nonoperating revenues and expenses, net	13,415	12,727	22,398
Income before capital contributions	57,416	57,803	55,374
Capital contributions	20,702	17,291	12,195
Change in net position	78,118	75,094	67,569
Net position - beginning, as restated	386,463	311,369	243,800
Net position - ending	\$ 464,581	\$ 386,463	\$ 311,369

⁽¹⁾ Certain amounts for the fiscal years ended June 30, 2024 and 2023 have been restated due to the implementation of GASB Statement No. 101, *Compensated Absences*.

⁽²⁾ Certain amounts have been reclassified in order to be consistent with the presentation for FY 24. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.

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 \$464,580,669, \$386,462,266, and \$311,368,534 at June 30, 2025, 2024, and 2023, respectively, a \$78,118,433 increase from June 30, 2024 to June 30, 2025 and a \$75,093,732 increase from June 30, 2023 to June 30, 2024.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Management's Discussion and Analysis
(Unaudited)

A condensed summary of the Airport's net position (in thousands) at June 30, 2025, 2024, and 2023 is as follows:

	2025	2024⁽¹⁾	2023^(1,2)
<u>Assets:</u>			
Unrestricted assets	\$ 340,997	\$ 278,179	\$ 229,861
Restricted assets	161,225	156,499	152,898
Net capital assets	1,196,308	1,221,322	1,213,598
Other assets	8,413	11,453	13,280
Total assets	1,706,943	1,667,453	1,609,637
<u>Deferred outflows of resources:</u>			
Pension	19,091	16,941	14,599
OPEB	3,773	3,167	3,925
Loss on refunding of debt	9,527	10,778	11,512
Total deferred outflows of resources	32,391	30,886	30,036
<u>Liabilities:</u>			
Current liabilities - unrestricted	60,659	57,681	37,738
Current liabilities - restricted	48,520	48,179	45,460
Noncurrent liabilities	1,152,069	1,191,312	1,228,497
Total liabilities	1,261,248	1,297,172	1,311,695
<u>Deferred inflows of resources:</u>			
Pension	2,476	1,538	905
OPEB	497	1,791	1,518
Lease	7,753	10,668	13,226
Gain on refunding of debt	2,779	708	960
Total deferred inflows of resources	13,505	14,705	16,609
<u>Net position:</u>			
Net investment in capital assets	200,780	183,326	170,653
Restricted	73,458	58,201	54,680
Unrestricted	190,343	144,935	86,036
Net position	\$ 464,581	\$ 386,462	\$ 311,369
⁽¹⁾ Certain amounts for the fiscal years ended June 30, 2024 and 2023 have been restated due to the implementation of GASB Statement No. 101, <i>Compensated Absences</i> .			
⁽²⁾ Certain amounts have been reclassified in order to be consistent with the presentation for FY 24. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.			

2025 versus 2024

Deferred inflows of resources decreased 8.2%, or \$1,199,535. The decrease was driven by the change in deferred inflows of resources related to leases and other postemployment benefits (OPEB), partially offset by the increase in gain on refunding of debt and pension. The deferred inflows related to leases decreased due to the amortization of existing leases, refer to Airport Leases, Note 6, for additional details. The

SAN JOSE MINETA INTERNATIONAL AIRPORT
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Management's Discussion and Analysis
(Unaudited)

deferred inflows related to refunding of debt were driven by a debt refunding, refer to Long-Term Obligations, Note 5, for additional details. Refer to Retirement Systems, Note 8, for detailed information about pension and OPEB.

Total liabilities declined 2.8%, or \$35,924,098. Noncurrent liabilities decreased 3.3%, or \$39,243,172, due to a decline in bonds payable partially offset by an increase in the OPEB liability. Unrestricted current liabilities increased 5.2%, or \$2,978,100, due to an increase in accounts payable from unrestricted assets partially offset by a decrease in commercial paper notes payable.

Total assets increased 2.4%, or \$39,489,782. Current, unrestricted assets increased 22.6%, or \$62,817,150, due to an increase in cash and investments held in City Treasury and grants receivables. The increase in cash and investments held by City Treasury were a result of increase in cash received from operating activities, investment income, and federal relief grants, partially offset by the use of cash in capital and related financing activities. Restricted assets increased 3.0%, or \$4,726,021, due to an increase in cash and investments held in City Treasury partially offset by a decrease in cash and investments held with fiscal agents. Other assets decreased 26.5%, or \$3,039,459, due to the decrease in the lease receivable balance.

The largest portion of the Airport's net position, 43.2% and 47.4% at June 30, 2025 and 2024, 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.

2024 versus 2023

Deferred inflows of resources decreased 11.5%, or \$1,904,878. The decrease was driven by the change in deferred inflows of resources related to leases from \$13,226,078 at June 30, 2023 to \$10,066,988 at June 30, 2024 due to the amortization of existing leases, refer to Airport Leases, Note 6, for additional details.

Total liabilities declined 1.1%, or \$14,523,110. Noncurrent liabilities decreased 3.0%, or \$37,185,340, due to a decline in bonds payable and a decrease in the net pension and other postemployment benefits (OPEB) liability. Unrestricted current liabilities increased 52.8%, or \$19,943,157, due to an increase in commercial paper notes payable and accounts payable from unrestricted assets. Restricted current liabilities increased 6.0%, or \$2,719,073, due to an increase in the current portion of bonds payable.

Total assets increased 3.6%, or \$57,816,166. Current, unrestricted assets increased 21.0%, or \$48,318,108, due to an increase in cash and investments held in City Treasury, accrued interest, and in accounts receivables and grants receivables. The increase in cash and investments held by City Treasury were a result of increase in cash received from operating activities, investment income, and federal relief grants, partially offset by the use of cash in capital and related financing activities. Restricted assets increased 2.4%, or \$3,601,645, due to an increase in cash and investments held in City Treasury partially offset by a decrease in cash and investments held with fiscal agents. Other assets decreased 13.8%, or \$1,826,939, due to the decrease in the lease receivable balance partially offset by the increase in the Direct Lease Concession Loan Program (DLCLP) concession loan receivable. The DLCLP is designed to offer financial support to smaller businesses at the Airport. These financial resources are intended to cover construction expenses associated with the establishment of food and beverage or retail concessions at the

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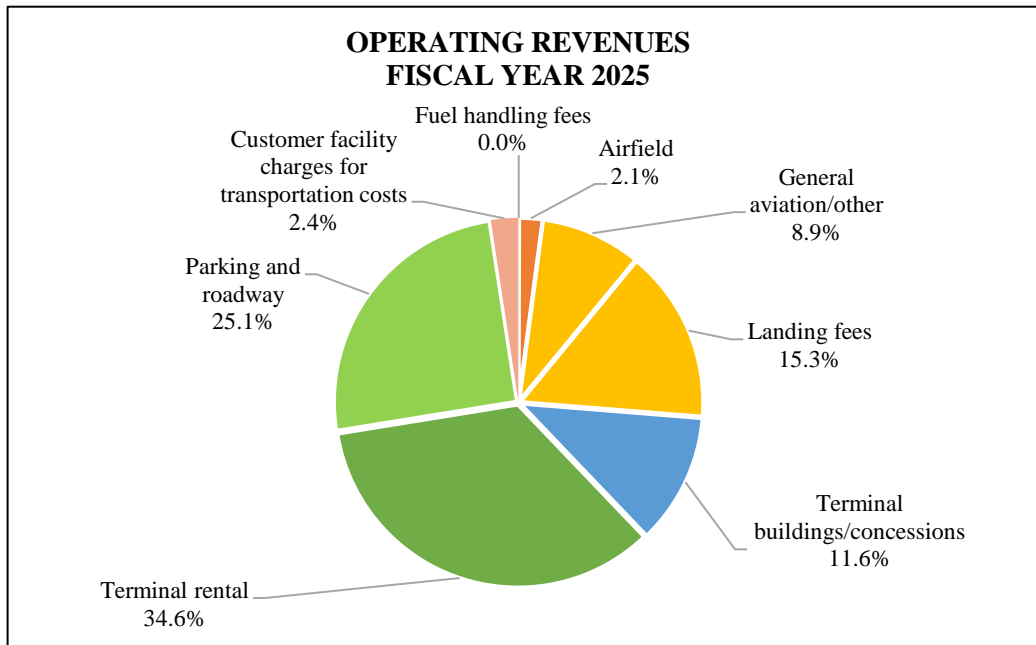
Airport through loan funding by the City.

The largest portion of the Airport's net position, 47.4% and 54.8% at June 30, 2024 and 2023, respectively, represents its investment in capital assets (e.g. land, buildings, improvements, and equipment), less the debt outstanding used to acquire those capital assets and related deferred inflows and outflows associated with that debt. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending.

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

REVENUES

The following chart reflects the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2025:



As illustrated in the above chart, airline terminal rental revenue, represents 34.6% of the total operating revenues.

The next largest category is parking and roadway revenue, which represents 25.1% of the total operating revenues. Parking and roadway revenues include public parking, utility and concession fees from rental cars, employee parking, Transportation Network Companies (TNCs), taxicab and other ground transportation fees, and facility and ground rents from rental car companies for use of the Consolidated Rental Car Facility (ConRAC) located at the Airport. Facility rent for the ConRAC will vary each year as it is calculated under the terms of the rental car agreement: an amount equal to the sum of annual debt service and coverage amounts and reserve fund requirements, less estimated CFC revenues, is allocated to each rental car company based upon that company's percentage occupancy of the ConRAC. In addition, each rental car company's share of operating costs for the transportation system is charged to each of the rental car companies. In the event that CFC revenues exceed the sum of annual debt service plus coverage

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amounts and reserve fund requirements, each rental car company's share of any such CFC revenues will be deducted from its share of operating costs for the transportation system. In FY 25, the City recognized \$5,764,525 million of CFC revenues, or 2.4%, as operating revenues. In FY 24, the City recognized \$7,429,374 of CFC revenues, or 3.3%, as operating revenues.

Landing fees from passenger and cargo carriers represent 15.3% of the total operating revenues.

Revenues from terminal buildings/concessions, which came in at 11.6% 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 8.9% of total operating revenues and are comprised of rents for aircraft hangars, aircraft parking spaces, fees from the in-flight kitchen services, fees from ground service providers, building and land rentals, fingerprinting fees, and fees for tenant plan reviews, which are calculated on a cost recovery basis.

The remaining categories, airfield and fuel handling fees represent 2.1%, combined, of the total operating revenues. The airfield area category is comprised of jet flowage fees, a fee charged to operators for engaging in the activity of retail sales of aviation fuel petroleum products, other airfield revenues, and air carrier parking fees. Fuel handling fees include sales of diesel, unleaded, and propane.

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A summary of revenues (in thousands) for the fiscal years ended June 30, 2025, 2024, and 2023 is as follows:

	2025	2024	2023⁽¹⁾
<u>Operating revenues:</u>			
Landing fees	\$ 36,593	\$ 28,413	\$ 28,525
Terminal rental	82,708	75,522	60,314
Terminal buildings/concessions	27,714	26,759	22,432
Airfield	4,894	4,985	4,755
Parking and roadway	60,120	61,471	59,877
Fuel handling fees	108	96	77
General aviation/other	21,222	17,463	16,323
Customer facility charges for transportation	5,765	7,429	7,492
Total operating revenues	239,124	222,138	199,795
<u>Nonoperating revenues:</u>			
Passenger facility charges	\$ 21,443	\$ 22,484	\$ 23,215
Customer facility charges for debt service	11,999	9,995	8,997
Investment income	22,248	17,751	5,519
Lease interest income	298	373	246
Operating grants	-	315	486
Other non-capital grants	418	-	-
ARP Act grants	10,000	10,000	28,911
Other, net	1,235	404	533
Total nonoperating revenues	67,641	61,322	67,907
Capital contributions	20,702	17,291	12,195
Total revenues	\$ 327,467	\$ 300,751	\$ 279,897
⁽¹⁾ Certain amounts have been reclassified in order to be consistent with the presentation for FY 24. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.			

2025 versus 2024

Total operating revenues increased 7.6% from \$222,137,814 in FY 24 to \$239,123,987 in FY 25.

Landing fees increased 28.8%, or \$8,179,869 due to an increase in the landing fee from \$3.98 in FY 24 to \$5.13 in FY 25

Terminal rental revenues increased 9.5%, or \$7,186,165, due to an increase in the average terminal rate from \$262.14 in FY 24 to \$286.61 in FY 25.

Parking and roadway revenues decreased by 2.2%, or \$1,350,487, following a decrease in passenger traffic.

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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 1.9% from \$17,424,495 in FY 24 and \$17,763,651 in FY 25.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport must use these fees to fund certain Federal Aviation Administration (FAA) approved projects and associated debt service. PFC revenues decreased by 4.6%, or \$1,040,467, reflective of the decrease in passenger activity.

Investment income increased by \$4,496,302, or 25.3%, from \$17,751,320 in FY 24 to \$22,247,622 in FY 25, resulting from higher interest rates and the impact of fair value adjustments.

In March 2021, the Airport was awarded \$48,910,633 in ARP Act funds. The funds were made available to the Airport on a reimbursable basis for up to four years and could be used to pay for operating expenses. The Airport received reimbursement for \$10,000,000 of costs each in FY 25 and FY 24.

Capital contributions earned during FY 25 pertained to grant reimbursements from the FAA, mainly for the New Taxiway V.

2024 versus 2023³

Total operating revenues increased 11.2% from \$199,795,165 in FY 23 to \$222,137,814 in FY 24.

Terminal rental revenues increased 25.2%, or \$15,208,547, due to an increase in the average terminal rate from \$227.55 in FY 23 to \$262.14 in FY 24. Additionally, in FY 24, the terminal true up increased terminal revenues at year end by \$6,880,376 compared to a terminal true-up payout of \$276,019 in FY 23.

Terminal buildings/concessions posted an increase of 19.3%, or \$4,327,309, due to an increase in advertising and federal inspection services (FIS) revenues. FIS revenues increased as a result of the increase in international passengers.

Parking and roadway revenues increased by 2.7%, or \$1,593,442, mainly due to an increase in ground transportation revenues (including TNCs trip fee revenues).

CFC revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. Total CFC revenues increased 5.7%, or \$934,893, from the FY 23 level.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport must use these fees to fund certain Federal Aviation Administration (FAA) approved projects and associated debt service. PFC revenues decreased by 3.2%, or \$731,583, reflective of the decrease in passenger activity.

Investment income increased by \$12,232,405, or 221.6%, from \$5,518,915 in FY 23 to \$17,751,320 in FY 24, resulting from higher interest rates and the impact of fair value adjustments.

In March 2021, the Airport was awarded \$48,910,633 in ARP Act funds. The funds were made available to the Airport on a reimbursable basis for up to four years and could be used to pay for operating expenses.

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

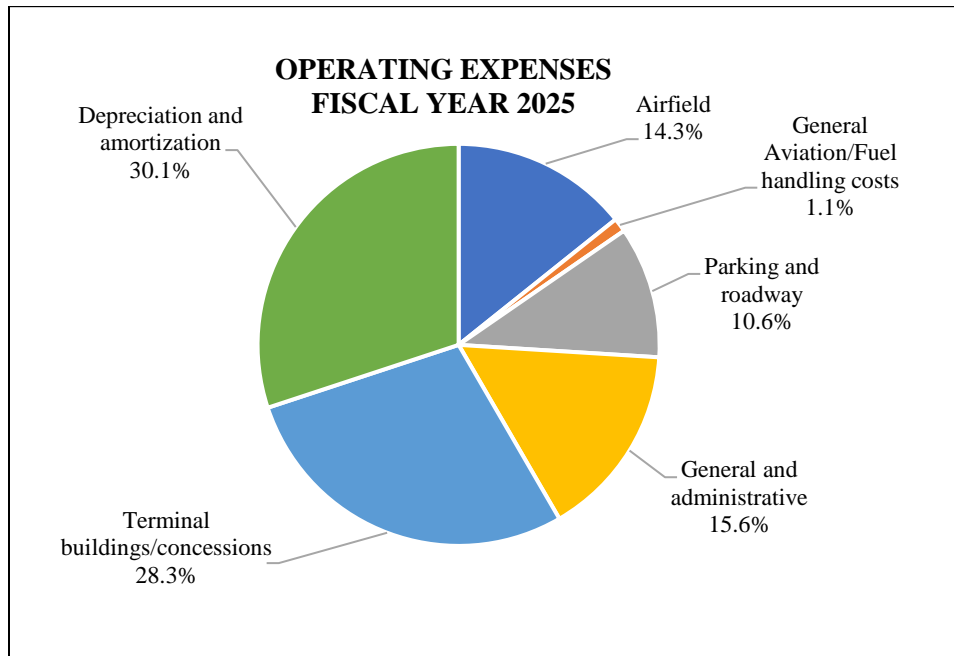
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The Airport received reimbursement for \$10,000,000 and \$28,910,633 for costs in FY 24 and FY 23, respectively.

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

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2025:



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A summary of expenses (in thousands) for the fiscal years ended June 30, 2025, 2024, and 2023 is as follows:

	2025	2024⁽¹⁾	2023⁽¹⁾
<u>Operating expenses:</u>			
Terminal buildings/concessions	\$ 55,205	\$ 48,639	\$ 43,489
Airfield	27,835	24,934	23,680
Parking and roadway	20,680	18,669	16,404
Fuel handling costs	135	102	69
General aviation	2,052	2,213	2,079
General and administrative	30,562	25,313	24,801
Depreciation and amortization	58,654	57,192	56,297
Total operating expenses	195,123	177,062	166,819
<u>Nonoperating expenses:</u>			
Participating airline net revenue sharing	16,211	8,790	5,077
Interest expense	37,551	39,805	40,432
Bond issuance costs	464	-	-
Total nonoperating expenses	54,226	48,595	45,509
Total expenses	\$ 249,349	\$ 225,657	\$ 212,328
⁽¹⁾ Certain amounts for the fiscal years ended June 30, 2024 and 2023 have been restated due to the implementation of GASB Statement No. 101, <i>Compensated Absences</i> .			

2025 versus 2024

Operating expenses in FY 25 increased 10.2%, or \$18,061,393, from \$177,061,479 in FY 24 to \$195,122,872 in FY 25, due to increases in personnel and non-personnel costs. There were also increases in police, fire, and overhead costs. Personnel increases were primarily driven by salary increases while the non-personnel costs increased due to contractual rate increases. During the year, there was also a write-off of construction in project costs resulting from the cancellation of capital projects.

Nonoperating expenses in FY 25 increased 11.6%, or \$5,630,814, due to an increase in the airline net revenue sharing. The increase was partially offset by a decrease in interest expense year over year.

2024 versus 2023

Operating expenses in FY 24 increased 6.1%, or \$10,241,779, from \$166,819,700 in FY 23 to \$177,061,479 in FY 24, due to increases in both personnel and non-personnel costs. There were also smaller increases in overhead and police and fire costs. Personnel increases were primarily driven by salary increase while the non-personnel costs increased due to contractual rate increases and some usage increase.

Nonoperating expenses in FY 24 increased 6.8%, or \$3,085,877, due to an increase in the airline net revenue sharing.

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CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended \$47,986,796 on both capitalized and noncapitalizable capital activities in FY 25 and \$71,648,007 in FY 24. Major capital projects in FY 25 included the New Taxiway V, Airport Accessibility Upgrades, Facilities and Vehicle Maintenance Campus, and the Administration Lot Improvements. Major capital projects in FY 24 included the Facilities and Vehicle Maintenance Campus, Airport Accessibility Upgrades, the New Taxiway V, and the Perimeter Security Projects. In FY 24, there was also activity related to the SJPd Magazine Room Relocation and the Parking Revenue Control System Upgrade.

As of June 30, 2025, and 2024, the Airport was obligated for purchase commitments relating to capital projects of \$20,942,935 and \$20,215,632, respectively. Purchase commitments as of June 30, 2025 related primarily for the Airfield Configuration Updates, Zero Emission Buses, and the Aircraft Rescue and Fire Fighting vehicle replacement. Purchase commitments as of June 30, 2024, were primarily related to the Airfield Configuration Updates, the Airport Accessibility Upgrades, and the Terminal Paging System.

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, 2025 and 2024, the total amount of Subordinated CP Notes outstanding totaled \$20,056,000 and \$27,728,000, respectively. During the fiscal years ended June 30, 2025 and 2024, \$1,571,000 and \$25,545,000 of Subordinated CP Notes were issued by the Airport, respectively. The Airport paid principal of \$9,243,000 and \$7,817,000 during each of the fiscal years ended June 30, 2025 and 2024, respectively.

As of June 30, 2025, the Subordinated CP Notes were supported by the \$81,657,535 letter of credit issued by Bank of America to cover the principal amount of \$75,000,000 and interest.

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

Revenue Bonds

As of June 30, 2025 and 2024, the Airport had total outstanding revenue bonds of \$990,567,864 and \$1,020,645,000, respectively. During the fiscal years ended June 30, 2025 and 2024, the Airport paid principal of \$106,481,232 and \$24,155,000, respectively. On July 30, 2024, the Airport issued the 2024A Series Airport Revenue Refunding Bonds through a direct private placement. Proceeds from the issuance were used to refinance a portion of the Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (collectively, the Series 2014 Bonds, or 2014 Refunded Bonds).

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

Credit Ratings

As of June 30, 2025, the underlying ratings of the outstanding Airport Revenue Bonds were "A", "A2", and "A" by Fitch Rating, Inc., Moody's Investors Service, and S&P Global Ratings, respectively. All had a stable outlook as of June 30, 2025.

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AIRLINE RATES AND CHARGES

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

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

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

The budgeted rates and charges for the signatory (passenger and cargo) airlines for fiscal years 2025 and 2024 were as follows:

	2025	2024
Landing fee (per 1,000 lbs MGLW)	\$ 5.13	\$ 3.98
Terminal average rental rate (per square foot)	286.61	262.14
Adjusted Airline CPE	17.93	13.09

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 26 have been developed as part of the annual budget process. The rates and charges for signatory airlines for FY 26, which became effective July 1, 2025, are as follows:

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Landing fee (per 1,000 lbs MGLW)	\$ 5.44
Terminal average rental rate (per square foot)	287.39
Adjusted Airline CPE (budgeted)	18.69

The FY 26 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 25 actual net remaining revenues were \$32,551,113 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 \$16,211,367 for FY 25.

OUTLOOK

The Airport saw 11,375,567 passengers during FY 25, or 9.0% below the projected 12,500,000. Commercial airlines continue to modify their flight schedules on a rolling basis in response to tariff and broader economic uncertainty, changes in passenger demand, and other industry influences. The FY 26 projection for total passengers is 11,300,000, relatively flat as compared to FY 25 passengers.

FORWARD-LOOKING STATEMENTS

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

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

REQUEST FOR INFORMATION

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

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

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Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Unrestricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	\$ 310,330,111	\$ 256,238,115
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$62,514 in 2025 and \$120,544 in 2024	13,848,928	11,887,819
Accrued interest	2,050,489	1,565,952
Grants	11,377,745	4,972,723
Lease receivable, current portion (Note 6)	2,937,999	2,956,025
Concession loan receivable, current portion	160,713	279,653
Prepaid expenses, advances, and deposits	290,644	279,192
Total unrestricted assets	<u>340,996,629</u>	<u>278,179,479</u>
Restricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	70,079,747	57,243,222
Cash and investments held by the fiscal agents (Note 2)	86,308,524	94,151,798
Receivables:		
Accounts, net of allowance for uncollectible accounts of \$3,534 in 2025 and \$1,621 in 2024	3,512,240	3,804,604
Accrued interest	1,295,846	1,273,083
Prepaid expenses, advances, and deposits	9,246	6,875
Current portion of prepaid bond insurance	19,872	19,872
Total restricted assets	<u>161,225,475</u>	<u>156,499,454</u>
Total current assets	<u>502,222,104</u>	<u>434,678,933</u>
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	137,385,884	169,595,678
Depreciable assets, net of accumulated depreciation and amortization	1,058,921,860	1,051,725,996
Total capital assets	<u>1,196,307,744</u>	<u>1,221,321,674</u>
Concession loan receivable, noncurrent	2,655,873	2,720,347
Lease receivable, noncurrent (Note 6)	5,441,645	8,379,645
Advances and deposits	66,171	83,284
Prepaid bond insurance, less current portion	249,423	269,295
Total noncurrent assets	<u>1,204,720,856</u>	<u>1,232,774,245</u>
Total assets	<u>1,706,942,960</u>	<u>1,667,453,178</u>
Deferred Outflows of Resources		
Deferred outflows of resources:		
Pension (Note 8)	19,090,550	16,941,214
OPEB (Note 8)	3,772,835	3,166,647
Loss on refunding of debt	9,527,194	10,777,700
Total deferred outflows of resources	<u>\$ 32,390,579</u>	<u>\$ 30,885,561</u>

See accompanying notes to the financial statements.

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Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	\$ 27,838,016	\$ 17,111,804
Accrued salaries, wages, and payroll taxes	1,131,271	935,680
Accrued vacation, sick leave, and compensatory time, current (Note 5)	2,505,458	2,394,981
Advances and deposits payable	3,010,122	2,715,844
Unearned revenues	5,534,126	5,179,681
Estimated liability for self-insurance, current (Notes 5 and 10)	350,000	633,500
Accrued interest payable	33,300	39,562
Current portion of lease liability (Note 6)	-	96,517
Current portion of subscription liability (Note 7)	200,906	845,530
Commercial paper notes payable (Note 4)	<u>20,056,000</u>	<u>27,728,000</u>
Total payable from unrestricted assets	<u>60,659,199</u>	<u>57,681,099</u>
Payable from restricted assets:		
Accounts payable	169,554	153,141
Unearned revenues	-	27,968
Accrued interest payable	13,964,209	14,648,035
Current portion of bonds payable, net of unamortized premium (Note 5)	<u>34,386,162</u>	<u>33,349,807</u>
Total payable from restricted assets	<u>48,519,925</u>	<u>48,178,951</u>
Total current liabilities	<u>109,179,124</u>	<u>105,860,050</u>
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized premium (Note 5)	1,026,302,531	1,066,879,775
Estimated liability for self-insurance, noncurrent (Notes 5 and 10)	1,223,674	791,692
Accrued vacation, sick leave, and compensatory time, noncurrent (Note 5)	2,365,798	2,152,405
Subscription liability, noncurrent (Note 7)	546,403	747,310
Net pension liability (Note 8)	104,355,371	105,134,122
Net OPEB liability (Note 8)	<u>17,275,015</u>	<u>15,606,660</u>
Total noncurrent liabilities	<u>1,152,068,792</u>	<u>1,191,311,964</u>
Total liabilities	<u>1,261,247,916</u>	<u>1,297,172,014</u>
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pension (Note 8)	2,475,713	1,537,731
OPEB (Note 8)	496,879	1,790,769
Lease (Note 6)	7,753,553	10,667,988
Gain on refunding of debt	<u>2,778,779</u>	<u>707,971</u>
Total deferred inflows of resources	<u>13,504,924</u>	<u>14,704,459</u>
Net position		
Net investment in capital assets	200,780,407	183,325,648
Restricted:		
Per Airline Lease Agreement for Airline revenue sharing	14,875,855	1,232,868
Per Master Trust Agreement for rolling debt service coverage	12,700,296	11,942,428
Per Rental Car Agreement	1,000,000	1,000,000
California Government Code Sections for Customer Facility Charges (Note 1(k))	20,517,048	18,444,003
Future debt service (Note 1(j))	24,364,188	25,582,179
Unrestricted	<u>190,342,905</u>	<u>144,935,140</u>
Total net position	<u>\$ 464,580,699</u>	<u>\$ 386,462,266</u>

See accompanying notes to the financial statements.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Airline rates and charges:		
Landing fees	\$ 36,592,919	\$ 28,413,050
Terminal rental	82,708,465	75,522,300
Total airline rates and charges	119,301,384	103,935,350
Terminal buildings/concessions	27,714,078	26,759,368
Airfield	4,893,739	4,985,001
Parking and roadway	60,120,365	61,470,852
Fuel handling fees	107,460	95,058
General aviation/other	21,222,436	17,462,811
Customer facility charges for transportation costs	5,764,525	7,429,374
Total operating revenues	<u>239,123,987</u>	<u>222,137,814</u>
Operating expenses:		
Terminal buildings/concessions	55,204,957	48,638,738
Airfield	27,834,578	24,933,814
Parking and roadway	20,680,061	18,669,316
Fuel handling costs	135,402	101,585
General aviation	2,051,795	2,213,222
General and administrative	30,562,293	25,312,490
Depreciation and amortization	58,653,786	57,192,314
Total operating expenses	<u>195,122,872</u>	<u>177,061,479</u>
Operating income	<u>44,001,115</u>	<u>45,076,335</u>
Nonoperating revenues (expenses):		
Passenger facility charges	21,443,343	22,483,810
Customer facility charges for debt service	11,999,126	9,995,121
Participating airline net revenue sharing (Note 1(i))	(16,211,367)	(8,790,173)
Investment income	22,247,622	17,751,320
Lease interest income	297,554	372,769
Interest expense	(37,551,068)	(39,805,313)
Bond issuance costs	(463,865)	-
Other noncapital grants	418,038	315,349
Federal relief grants	10,000,000	10,000,000
Other, net	1,235,467	403,961
Total nonoperating revenues (expenses), net	<u>13,414,850</u>	<u>12,726,844</u>
Income before capital contributions	<u>57,415,965</u>	<u>57,803,179</u>
Capital contributions (grants)	<u>20,702,468</u>	<u>17,290,553</u>
Change in net position	78,118,433	75,093,732
Net position - beginning, as previously reported	386,462,266	313,217,817
Restatement due to the implementation of GASB Statement No. 101 (Note 1(r))	-	(1,849,283)
Net position - beginning, as restated	<u>386,462,266</u>	<u>311,368,534</u>
Net position - ending	<u>\$ 464,580,699</u>	<u>\$ 386,462,266</u>

See accompanying notes to the financial statements.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 230,715,740	\$ 212,904,504
Payments to suppliers	(58,082,471)	(53,164,511)
Payments to employees	(46,339,846)	(42,115,202)
Payments for City services	(29,277,473)	(26,714,896)
Payments to airlines	(5,466,181)	(11,701,341)
Claims paid	(260,463)	(244,229)
Other receipts	1,255,337	423,833
Net cash provided by operating activities	<u>92,544,643</u>	<u>79,388,158</u>
Cash flows from noncapital financing activities:		
Federal relief grants	10,000,000	10,000,000
Other noncapital grants	491,804	292,317
Loan repayments from (loans to) concessionaires	183,414	(1,072,743)
Net cash provided by noncapital financing activities	<u>10,675,218</u>	<u>9,219,574</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(37,777,586)	(60,700,513)
Principal payments on bonds payable	(28,871,232)	(24,155,000)
Interest paid	(42,696,581)	(45,791,361)
Capital grants	14,223,681	17,048,867
Passenger facility charges received	21,734,440	22,812,815
Customer facility charges received	11,972,424	9,906,888
Lease payments	(96,517)	(109,786)
Receipts from leases	7,196,081	6,788,239
Interest receipts from leases	297,554	372,769
Subscription liability payments	(845,531)	(835,519)
Bond proceeds (excluding amount placed in escrow)	500,000	-
Payment for redemption of bonds (with prior bond reserves)	(2,350,000)	-
Bond issuance costs	(463,865)	-
Proceeds from commercial paper	1,571,000	25,545,000
Principal payments on commercial paper	(9,243,000)	(7,817,000)
Advances and deposits received	17,113	136,820
Net cash used in capital and related financing activities	<u>(64,832,019)</u>	<u>(56,797,781)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	143,852,876	56,162,184
Purchases of investments	(143,830,227)	(51,370,947)
Investment income	20,674,756	16,682,534
Net cash provided by investing activities	<u>20,697,405</u>	<u>21,473,771</u>
Net change in cash and cash equivalents	59,085,247	53,283,722
Cash and cash equivalents - beginning	<u>407,633,135</u>	<u>354,349,413</u>
Cash and cash equivalents - ending	<u>\$ 466,718,382</u>	<u>\$ 407,633,135</u>

See accompanying notes to the financial statements.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 44,001,115	\$ 45,076,335
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	58,653,786	57,192,314
Write off construction in progress	1,755,523	388,799
Participating airline net revenue sharing	(16,211,367)	(8,790,173)
Lease revenues	(7,154,490)	(6,823,904)
Other revenues	1,255,337	423,833
Decrease (increase) in:		
Accounts receivable	(1,961,109)	(2,058,116)
Prepaid expenses, advances, and deposits	(13,823)	(62,490)
Increase (decrease) in:		
Accounts payable and accrued liabilities	13,644,294	(1,601,964)
Advances and deposits payable	294,278	313,433
Unearned revenues	354,445	(779,356)
Estimated liability for self-insurance	148,482	(714,995)
Net pension liability, deferred outflows/inflows of resources related to pension	(1,990,105)	(2,102,638)
Net OPEB liability, deferred outflows/inflows of resources related to OPEB	(231,723)	(1,072,920)
Net cash provided by operating activities	<u>\$ 92,544,643</u>	<u>\$ 79,388,158</u>
Noncash noncapital financing activities:		
Decrease (increase) in other noncapital grants receivable	\$ 73,766	\$ (23,031)
Noncash capital and related financing activities:		
(Decrease) increase in accounts payable related to acquisition of capital assets	\$ (2,382,207)	\$ 4,260,755
(Increase) in capital grants receivables	(6,478,787)	(241,686)
(Increase) in fair value of investments held by the fiscal agents	(22,649)	(371,198)
Bond refunding proceeds placed in escrow	75,904,096	-
Bonds defeased from escrow	(75,904,096)	-
Amortization of bond premium/prepaid bond insurance	5,256,001	6,104,936
Amortization of deferred outflows/inflows of resources related to bond refunding	866,566	(482,250)
Reconciliation of cash and cash equivalents to the statements of net position		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	\$ 310,330,111	\$ 256,238,115
Restricted	70,079,747	57,243,222
Investments held by the fiscal agents classified as cash equivalents	<u>86,308,524</u>	<u>94,151,798</u>
Total cash and cash equivalents	<u>\$ 466,718,382</u>	<u>\$ 407,633,135</u>

See accompanying notes to the financial statements.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Notes to the Financial Statements
June 30, 2025 and 2024

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The San José Mineta International Airport (Airport) had its beginning in 1945 with the lease of approximately 16 acres of farmland to Mr. James Nissen. Mr. Nissen and his associates formed an operating company, which undertook the construction of a 1,900-foot runway, a hangar, and an office building. Flight operations were initiated in 1946. In the fall of 1948, the City of San José (City) assumed responsibility for the operation of San José Municipal Airport, which was renamed San José International Airport in 1984 with the addition of airline service to Canada. In 2001, the San José International Airport was renamed the Norman Y. Mineta San José International Airport. In 2023, the Norman Y. Mineta San José International Airport was rebranded to the San José Mineta International Airport.

The Airport is operated as a department of the City and is accounted for as a self-supporting enterprise fund in the basic financial statements of the City. The eleven members of the City Council serve as the governing body that oversees the operation of the Airport. The financial statements of the Airport are intended to present the activity of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

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

(b) Basis of Presentation - Fund Accounting

The accounts of the Airport are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a set of self-balancing accounts that comprise the Airport's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) where the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Document Summaries: All summaries of documents contained in the notes to the financial statements are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference is qualified in its entirety by reference to such document, which is on file with or may be obtained by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

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(c) Basis of Accounting and Estimates

- i. The Airport prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which provide that revenues are recorded when earned and expenses are recorded when incurred. Grants are recorded as revenues when all eligibility requirements have been met. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
- ii. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Airport's enterprise fund are charges to customers for use of property and for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation and amortization 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.

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

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

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

	<u>Years</u>
Buildings and improvements	5 - 40
Furniture and fixtures, vehicles, equipment	4 - 20

(f) Capitalization of Interest

Interest costs related to the acquisition of buildings and improvements acquired with debt which are incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred.

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

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

(h) Operating Grants and Capital Contributions

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

The FAA awarded American Rescue Plan (ARP) Act grants as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. ARP Act funding as well as grants awarded by the Transportation Security Administration to reimburse the Airport for safety and security costs are reported in the statements of revenues, expenses, and changes in net position as nonoperating revenues. Grants for capital asset acquisition, facility development, and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses.

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(i) Airline Rates and Charges

The Airport 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 Airport 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 Airport in that cost center. As a result, the Airport 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 Airport 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 Airport 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, 2025, and 2024, accumulated PFC funds amounted to \$24,364,188 and \$25,582,179, respectively, and are reported as restricted for future debt service in the restricted net position category of the Airport's statements of net position.

Under the Airport's Master Trust Agreement (MTA), the Airport may for any period elect to designate any PFC funds as Available PFC Revenues by filing with the Bank of New York Mellon Trust Company, N.A. (Fiscal Agent) a written statement designating the amount of such Available PFC Revenues and containing a statement that the Available PFC Revenues are legally available to be applied to pay bond debt service during such period. Amounts of \$23,788,473 and \$23,071,577 from accumulated PFC funds had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2025, and 2024, respectively.

(k) Customer Facility Charges

Customer Facility Charges (CFC) revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the Consolidated Rental Car Facility (ConRAC) and certain operating expenses related to the transportation of rental car customers between terminals and the ConRAC. CFC revenues are recorded as operating and nonoperating revenues. CFC revenues are recorded as nonoperating revenues for the amount that exceeds the annual debt service on the 2021C Series Airport Revenue Refunding Bonds (Series 2021C Bonds) as described in Long-Term Obligations, Note 5, to the financial statements. Excess Facility Rent payments if available, as defined in the On-Airport Rental Car Operations Agreement may be deposited in a Rent Stabilization Fund, up to \$1,000,000, and would be available to reduce Facility Rent in future years. At June 30, 2025 and 2024, the Rent Stabilization Fund was fully funded at \$1,000,000, and is reported in the restricted net position for Rental Car Agreement in the Airport's statements of net position. Fiscal year (FY) 25 and FY 24 were 100% covered by CFC revenues.

Under the MTA, the Airport may for any period elect to designate CFC revenues as Other Available Funds

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by filing with the Fiscal Agent a written statement designating the amount of such Other Available Funds and containing a statement that the Other Available Funds are legally available to be applied to pay debt service on the Series 2021C Bonds. CFC revenues of \$11,999,126 and \$9,995,121 had been designated as Other Available Funds for payment of eligible bond debt service in fiscal years ended June 30, 2025, and June 30, 2024, respectively. At June 30, 2025 and 2024, accumulated CFC funds amounted to \$20,517,048 and \$18,444,003, respectively, and are reported as restricted for California Government Code Sections 50474.1-50474.3 for CFC 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. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 101 resulted in a change in accounting principle, as discussed in Note 1 subsection (r).

(m) Pensions

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

(n) Other Postemployment Benefits

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

(o) Airport Leases

GASB Statement No. 87 (GASB 87) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as

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operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. In accordance with GASB 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB 87. These include the advertising concession agreement and the ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Leases. In accordance with GASB 87, regulated leases do not require that a lease receivable and a deferred inflow of resources be recorded. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation (DOT) and the FAA regulated aviation leases between airports, air carriers and other aeronautical users. Regulated leases include the Airline-Airport Lease and Operating Agreement and related airline leases, as well as contracts with Fixed Based Operators (FBOs), Specialized Aviation Service Operators (SASOs), and a jet fuel farm. The reporting materiality threshold for leases is \$250,000 per asset. For more information regarding the Airport's Leases, please refer to Airport Leases, Note 6.

(p) Subscription-Based Information Technology Arrangements

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

(q) 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, 2025 and 2024, the Airport's statements of net position report restricted net position of \$73,457,387 and \$58,201,478, respectively, of which \$44,881,236 and \$44,026,182, respectively, is restricted by enabling legislation.
- Unrestricted Net Position – This category represents the net amount that does not meet the criteria for "restricted" or "net investment in capital assets."

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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.

(r) New Pronouncements

During the fiscal year ended June 30, 2025, the Airport implemented the following accounting standards:

- 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 ended June 30, 2025, and was implemented effective July 1, 2023. The implementation of GASB Statement No. 101 resulted in a decrease of net position as follows:

FY 24 beginning net position, as previously reported	\$ 313,217,817
Change in Accounting Principle GASB 101 Compensated Absences	(1,849,283)
FY 24 beginning net position, as restated	<u>\$ 311,368,534</u>

For more details on the change in liabilities, please refer to Long-Term Obligations, Note 5.

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. GASB Statement No. 102 is effective for the Airport's fiscal year ended June 30, 2025. Application of Statement No. 102 did not have any significant financial 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 April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The following summary includes the provisions of the statement applicable to the Airport's financial reporting. The statement requires that the information presented in the management's discussion and analysis (MD&A) be limited to related topics discussed in five sections: 1) overview of the financial statements, 2) financial summary, 3) detailed analyses, 4) significant capital asset and long-term financing activity, and

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5) currently known facts, decisions, or conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This statement emphasizes that the analysis provided in the MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that “boilerplate” discussions should be avoided by presenting only the most relevant information, focused on the primary government. This statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This statement also requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as 1) subsidies received and provided, 2) contributions to permanent and term endowments, 3) revenues and expenses related to financing, 4) resources from the disposal of capital assets and inventory, and 5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. GASB Statement No. 103 is effective for the Airport’s fiscal year ending June 30, 2026.

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

(2) Cash and Investments

The City Council adopted an investment policy (Investment Policy) on April 2, 1985 related to the City’s cash and investment pool, which is subject to annual review and was reviewed and amended on March 11, 2025. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an unhedged position on the future direction of interest rates. Per the Investment Policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Investment Policy.

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

The Airport maintains a portion of its investments in the City’s cash and investment pool. As of June 30, 2025 and 2024, the Airport’s share of the City’s cash and investment pool totaled \$380,409,858 and \$313,481,337, 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, 2025 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

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As of June 30, 2025 and 2024, restricted cash and investments held by the fiscal agents, comprised of the U.S. Bank National Association (US Bank) and Fiscal Agent, totaled \$86,308,524 and \$94,151,798, respectively. US Bank is the issuing and paying agent of the commercial paper notes, as discussed in Commercial Paper Notes Payable, Note 4. The MTA authorizes long-term debt, as discussed in Long-Term Obligations, Note 5, and requires certain funds held in trust by the Fiscal Agent for the bondholders 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, 2025, the Airport's investment in LAIF held by the Fiscal Agent was \$53,761,642. The weighted average maturity of LAIF on June 30, 2025 was 248 days. The total amount recorded by all public agencies in the LAIF pool on June 30, 2025 was \$24,489,667,095. 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 on June 30, 2025 was \$178,130,508,152 and, of that amount, 80.57% was invested in U.S. Treasuries and agencies, 12.08% in depository securities, 6.67% in commercial paper, 0.53% in corporate bonds, 0.15% in loans, and 0.001% in mortgages. The percentages may not total 100% due to rounding.

As of June 30, 2024, the Airport's investment in LAIF held by the Fiscal Agent was \$51,348,149. The weighted average maturity of LAIF on June 30, 2024 was 217 days. The total amount recorded by all public agencies in the LAIF pool on June 30, 2024 was \$21,974,159,650. The total amount recorded by all public agencies in PMIA on June 30, 2024 was \$178,048,356,232 and, of that amount, 81.33% was invested in U.S. Treasuries and agencies, 11.52% in depository securities, 6.56% in commercial paper, 0.39% in corporate bonds, 0.20% in loans, and 0.001% in mortgages. The percentages may not total 100% due to rounding.

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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, 2025, and June 30, 2024 was approximately 560 days and 581 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, 2025 and 2024. The credit ratings listed are for Moody's Investors Service (Moody's) and S&P Global Ratings (S&P), respectively.

<u>As of June 30, 2025</u>		<u>Maturities</u>			
<u>Type of Investments:</u>	<u>Credit Rating</u>	<u>Under 30 Days</u>	<u>31-180 Days</u>	<u>181-365 Days</u>	<u>Carrying Value</u>
<u>Investments held by the fiscal agents</u>					
United States Treasury Bill ⁽¹⁾	N/A	\$ -	\$ 32,097,355	\$ -	\$ 32,097,355
California Local Agency Investment Fund ⁽¹⁾	Not rated	-	-	53,761,642	53,761,642
Money Market Mutual Fund	Aaa-mf/AAAm	449,527	-	-	449,527
Total investments held by the fiscal agents		<u>\$ 449,527</u>	<u>\$ 32,097,355</u>	<u>\$ 53,761,642</u>	<u>\$ 86,308,524</u>

<u>As of June 30, 2024</u>		<u>Maturities</u>			
<u>Type of Investments:</u>	<u>Credit Rating</u>	<u>Under 30 Days</u>	<u>31-180 Days</u>	<u>181-365 Days</u>	<u>Carrying Value</u>
<u>Cash and investments held by the fiscal agents</u>					
Federal Farm Credit Bank	Aaa/AA+	\$ -	\$ 4,638,689	\$ -	\$ 4,638,689
United States Treasury Bill ⁽¹⁾	N/A	-	26,567,887	-	26,567,887
California Local Agency Investment Fund ⁽¹⁾	Not rated	-	-	51,348,149	51,348,149
Money Market Mutual Fund ⁽¹⁾	Aaa-mf/AAAm	11,556,717	-	-	11,556,717
Total investments held by the fiscal agents		<u>\$ 11,556,717</u>	<u>\$ 31,206,576</u>	<u>\$ 51,348,149</u>	<u>94,111,442</u>
Cash					<u>40,356</u>
Total cash and investments held by the fiscal agents					<u><u>\$ 94,151,798</u></u>

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

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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, 2025 and June 30, 2024:

Investment by Fair Value Level	Carrying Value at June 30, 2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by the fiscal agents:				
Investments by fair value level				
United States Treasury Bill	\$ 32,097,355	\$ 32,097,355	\$ -	\$ -
Total investments by fair value level	32,097,355	32,097,355	-	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	53,761,642	-	-	-
Money Market Mutual Fund	449,527	-	-	-
Total investments	54,211,169	-	-	-
Total investments held by the fiscal agents	\$ 86,308,524	\$ 32,097,355	\$ -	\$ -

Investment by Fair Value Level	Carrying Value at June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by the fiscal agents:				
Investments by fair value level				
Federal Farm Credit Bank	\$ 4,638,689	\$ -	\$ 4,638,689	\$ -
United States Treasury Bill	26,567,887	26,567,887	-	-
Total investments by fair value level	31,206,576	26,567,887	4,638,689	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	51,348,149	-	-	-
Money Market Mutual Fund	11,556,717	-	-	-
Total investments	62,904,866	-	-	-
Total investments held by the fiscal agents	\$ 94,111,442	\$ 26,567,887	\$ 4,638,689	\$ -

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.

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(3) Capital Assets

Capital asset activities for the fiscal years ended June 30, 2025 and June 30, 2024, were as follows:

	Balance at June 30, 2024	Additions	Retirements & Disposals	Transfers	Balance at June 30, 2025
Capital assets not depreciated:					
Land	\$ 75,781,265	\$ -	\$ -	\$ -	\$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	80,744,799	33,853,742	(1,539,052)	(64,336,417)	48,723,072
Subscription in progress	188,067	28,404	(216,471)	-	-
Total capital assets, not depreciated	<u>169,595,678</u>	<u>33,882,146</u>	<u>(1,755,523)</u>	<u>(64,336,417)</u>	<u>137,385,884</u>
Capital assets, depreciated:					
Buildings	1,279,955,090	-	-	29,929,680	1,309,884,770
Other improvements	664,834,281	-	-	31,000,435	695,834,716
Furniture and fixtures, vehicles, equipment	80,378,588	1,513,233	(447,355)	3,406,302	84,850,768
Total capital assets, depreciated	<u>2,025,167,959</u>	<u>1,513,233</u>	<u>(447,355)</u>	<u>64,336,417</u>	<u>2,090,570,254</u>
Less accumulated depreciation:					
Buildings	518,843,469	32,904,220	-	-	551,747,689
Other improvements	403,274,400	19,897,776	-	-	423,172,176
Furniture and fixtures, vehicles, equipment	53,453,729	4,841,774	(447,355)	-	57,848,148
Total accumulated depreciation	<u>975,571,598</u>	<u>57,643,770</u>	<u>(447,355)</u>	<u>-</u>	<u>1,032,768,013</u>
Total capital assets, depreciated, net	<u>1,049,596,361</u>	<u>(56,130,537)</u>	<u>-</u>	<u>64,336,417</u>	<u>1,057,802,241</u>
Capital assets, amortized:					
Intangible asset, software	466,114	-	-	-	466,114
Intangible right-to-use assets					
Lease asset, equipment	509,023	-	(509,023)	-	-
Subscription asset	3,929,240	-	-	-	3,929,240
Total capital assets, amortized	<u>4,904,377</u>	<u>-</u>	<u>(509,023)</u>	<u>-</u>	<u>4,395,354</u>
Less accumulated amortization:					
Intangible asset, software	7,769	93,222	-	-	100,991
Intangible right-to-use assets					
Lease asset, equipment	412,328	96,695	(509,023)	-	-
Subscription asset	2,354,645	820,099	-	-	3,174,744
Total accumulated amortization	<u>2,774,742</u>	<u>1,010,016</u>	<u>(509,023)</u>	<u>-</u>	<u>3,275,735</u>
Total capital assets, amortized, net	<u>2,129,635</u>	<u>(1,010,016)</u>	<u>-</u>	<u>-</u>	<u>1,119,619</u>
Total capital assets, depreciated and amortized, net	<u>1,051,725,996</u>	<u>(57,140,553)</u>	<u>-</u>	<u>64,336,417</u>	<u>1,058,921,860</u>
Total capital assets, net	<u>\$ 1,221,321,674</u>	<u>\$ (23,258,407)</u>	<u>\$ (1,755,523)</u>	<u>\$ -</u>	<u>\$ 1,196,307,744</u>

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

The Airport's depreciation and amortization expense on capital assets was \$58,653,786 and \$57,192,314 for fiscal years ended June 30, 2025 and June 30, 2024, respectively.

For the year ended June 30, 2025 and June 30, 2024, the Airport recognized a \$1,755,523 and \$388,797 expense, respectively, on abandoned projects related to construction in progress and disposal of capital assets.

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(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 \$600,000,000 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 \$81,657,535 (to cover principal of \$75,000,000 and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365 day year). The \$75,000,000 principal amount of the BofA LOC was secured in order to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. On July 15, 2024, the City extended the expiration date of BofA LOC and Reimbursement Agreement from September 10, 2024 to September 10, 2026. All other terms and conditions of the LOC remain unchanged.

In connection with BofA's issuance of its BofA LOC, other agreements governing the Subordinated CP Notes were executed, including the First Amendment to the Third Amended and Restated Issuing and Paying Agent Agreement between the City and US Bank and the Fourth Amended and Restated Dealer Agreement between the City and each of the dealers of the Subordinated CP Notes, a fee letter between the City and BofA and a bank note payable to BofA in the amount of \$81,657,535 under which the City promises to pay principal of and interest on the unpaid principal amount of all Unreimbursed Drawings (as defined in the BofA Reimbursement Agreement) and Term Loans (as defined in the BofA Reimbursement Agreement) evidenced by the note on the dates and at the rates provided for in the BofA Reimbursement Agreement (Bank Note). The ratings of the outstanding Airport Subordinated CP Notes, are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch Ratings, Inc. (Fitch), respectively, based on the credit support provided by BofA pursuant to its LOC. Additional information about the Airport's credit ratings can be found in Reporting of Significant Events section of the Bond Disclosure Report.

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

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

Events of default under the BofA Reimbursement Agreement generally include, among others: (i) an event of default under the MTA or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment of any debt secured by General Airport Revenues (as defined in the Reimbursement Agreement) on a parity with, or senior to, the Subordinated CP Notes; (iii) a breach of various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) default on a Secured Debt (as defined in the BofA Reimbursement Agreement); (vii) a final judgment of \$10,000,000 or more against the City payable from General Airport Revenues; (viii) the City contesting validity of obligations related to payment of the Subordinated CP Notes or a determination by a court of competent jurisdiction that certain obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of the Bank, the Bank Note, or certain other payment obligations under the BofA Reimbursement Agreement; (x) ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the City requested such withdrawal and the Airport Revenue Bonds shall continue to be rated by any two of Moody's, Fitch, or S&P), or downgrades by any of Moody's, Fitch, or S&P of its ratings on the Airport Revenue Bonds below "Baa2", "BBB", and "BBB", respectively, for a period of 120 calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of BofA, a material adverse effect on the obligation of the City to make payments under the BofA Reimbursement Agreement or the security granted to secure such payments.

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

In connection with the BofA LOC, the City entered into a fee letter with BofA to specify the facility fee rate and other charges payable by the Airport with respect to the BofA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BofA LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the BofA Reimbursement Agreement. The facility fee rate in effect under the BofA LOC was 0.40% as of June 30, 2025 and 2024.

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The change in Subordinated CP Notes payable during FY 25 and FY 24 were as shown in the table below. The principal amount available under the BofA LOC as of June 30, 2025 is \$54,944,000.

	2025	2024
Beginning balance	\$ 27,728,000	\$ 10,000,000
Additional issuance	1,571,000	25,545,000
Paid	(9,243,000)	(7,817,000)
Ending balance	<u>\$ 20,056,000</u>	<u>\$ 27,728,000</u>

Balances of Subordinated CP Notes payable as of June 30, 2025 and 2024 were as follows:

As of June 30, 2025

Series A-1 Subordinated CP Notes that mature on September 03, 2025 were issued with an interest rate of 2.75%	<u>\$ 20,056,000</u>
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As of June 30, 2024

Series A-1 Subordinated CP Notes that mature on July 16, 2024 were issued with an interest rate of 3.60%	<u>\$ 27,728,000</u>
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The Airport's financial results allowed it to pay down \$10,049,646 of Subordinated CP Notes interest and principal in FY 25.

(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, 2025 totaled \$178,969,652, which is composed of \$143,525,542 of Net General Airport Revenues (as defined in the MTA) and \$35,444,110 of Other Available Funds (as defined in the MTA). Other Available Funds include surplus carryover of \$11,502,555, rolling debt service coverage of \$11,942,429, and gross CFC Revenues of \$11,999,126. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to \$49,872,272, which is net of \$23,788,473 of bond Debt Service paid from the accumulated PFC funds.

The Airport reported net revenues available to pay Debt Service for the fiscal year ended June 30, 2024 of \$157,899,813, which was composed of \$128,470,640 of Net General Airport Revenues and \$29,429,173 of Other Available Funds. Other Available Funds include surplus carryover of \$8,973,461, rolling debt service coverage of \$10,460,591, and gross CFC Revenues of \$9,995,121. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to \$46,333,204, which is net of \$23,071,577 of bond Debt Service paid from the accumulated PFC funds.

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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 \$1,519,705,686, 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 July 30, 2024, the City issued \$76,404,096 of Airport Revenue Refunding Bonds, Series 2024A (AMT) (2024A Bonds) to refund a portion of its Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (collectively, Series 2014 Bonds, or 2014 Refunded Bonds). The 2024A Bonds were issued through direct placement with TD Public Finance LLC (Purchaser) and bear a fixed interest rate of 3.7%, with a final maturity of March 1, 2031. Proceeds from the issuance were used to refinance a portion of the costs of certain improvements to the Airport, including the refunding of the outstanding Series 2014 Bonds, in the amount of \$76,770,000. The refunding resulted in total debt service savings of \$5,546,966, with a net present value (NPV) or economic gain of \$2,531,481 (3.3% of the 2014 Refunded Bonds) and an accounting gain of \$3,540,122. Three maturities of the Series 2014 Bonds, with a total principal amount of \$840,000, were excluded from the refunding due to negative savings and were called and redeemed on September 1, 2024, using available cash.

As of October 31, 2024, there was no outstanding defeased debt related to the Series 2014 Bonds, as the refunding was completed as a current refunding with all refunded bonds redeemed. There were no substitutions of essentially risk-free monetary assets with monetary assets that are not essentially risk-free, and no outstanding debt for which such substitution is prohibited.

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Balances of Bonds payable as of June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
2024A Series Airport Revenue Refunding Bonds of \$76,404,096 with interest rate of 3.7%; payable in annual installments ranging from \$7,561,976 to \$17,774,950 with the final installment due in March 2031	\$ 65,582,864	\$ -
2021C Series Airport Revenue Refunding Bonds of \$294,020,000 with interest rates of 1.4% to 3.3%; payable in annual installments ranging from \$7,315,000 to \$28,990,000 with the final installment due in March 2041	281,410,000	286,665,000
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	46,000,000	47,125,000
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	77,355,000	81,480,000
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	125,565,000	127,385,000
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	394,655,000	400,380,000
2014C Series Airport Revenue Refunding Bonds of \$39,945,000 were refunded in July 2024; the remaining balance of \$340,000 was fully redeemed in September 2024	-	40,285,000
2014B Series Airport Revenue Refunding Bonds of \$27,650,000 were refunded in July 2024; the remaining balance of \$360,000 was fully redeemed in September 2024	-	28,010,000
2014A Series Airport Revenue Refunding Bonds of \$9,175,000 were refunded in July 2024; the remaining balance of \$140,000 was fully redeemed in September 2024	-	9,315,000
Total Bonds payable	<u>\$ 990,567,864</u>	<u>\$ 1,020,645,000</u>

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Bonds outstanding and related activities for the fiscal years ended June 30, 2025 and 2024, were as follows:

	Balance at			Balance at	Amounts Due
Revenue Bonds	July 1, 2024	Additions	Retirements	June 30, 2025	Within One Year
2021C Series	\$ 286,665,000	\$ -	\$ 5,255,000	\$ 281,410,000	\$ 7,315,000
2021B Series	47,125,000	-	1,125,000	46,000,000	2,290,000
2021A Series	81,480,000	-	4,125,000	77,355,000	6,110,000
2017B Series	127,385,000	-	1,820,000	125,565,000	1,480,000
2017A Series	400,380,000	-	5,725,000	394,655,000	4,655,000
2014C Series	40,285,000	-	40,285,000	-	-
2014B Series	28,010,000	-	28,010,000	-	-
2014A Series	9,315,000	-	9,315,000	-	-
Revenue Refunding Bonds from Direct Placements					
2024A Series	-	76,404,096	10,821,232	65,582,864	7,665,662
Total long-term debt	1,020,645,000	76,404,096	106,481,232	990,567,864	29,515,662
Add unamortized:					
Premium	79,584,582	-	9,463,753	70,120,829	4,870,500
Total long-term debt, net	<u>\$ 1,100,229,582</u>	<u>\$ 76,404,096</u>	<u>\$ 115,944,985</u>	<u>\$ 1,060,688,693</u>	<u>\$ 34,386,162</u>

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

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Scheduled maturities of outstanding Bonds are as follows:

Fiscal Year Ending June 30,	Bonds		Refunding Bonds from Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 21,850,000	\$ 39,614,243	\$ 7,665,662	\$ 2,486,866
2027	15,395,000	38,788,082	16,920,590	2,196,188
2028	15,655,000	38,293,334	17,774,950	1,558,828
2029	27,335,000	37,777,485	7,561,976	880,552
2030	28,455,000	36,654,163	7,851,972	593,807
2031-2035	222,055,000	160,865,033	7,807,714	296,064
2036-2040	283,165,000	109,761,406	-	-
2041-2045	220,630,000	52,533,271	-	-
2046-2047	90,445,000	6,838,500	-	-
	<u>\$ 924,985,000</u>	<u>\$ 521,125,517</u>	<u>\$ 65,582,864</u>	<u>\$ 8,012,305</u>

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding Bonds. As of June 30, 2025 and 2024, 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, 2025 and 2024 were as follows:

	Balance at July 1, 2024	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2025	Amounts Due Within One Year
Self-insurance	\$ 1,425,192	\$ 408,945	\$ (260,463)	\$ 1,573,674	\$ 350,000
Accrued vacation, sick leave and compensatory time ⁽²⁾	4,547,386	323,870	-	4,871,256	2,505,458
Total	<u>\$ 5,972,578</u>	<u>\$ 732,815</u>	<u>\$ (260,463)</u>	<u>\$ 6,444,930</u>	<u>\$ 2,855,458</u>

	Balance at July 1, 2023	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2024	Amounts Due Within One Year
Self-insurance	\$ 2,140,187	\$ -	\$ (714,995)	\$ 1,425,192	\$ 633,500
Accrued vacation, sick leave and compensatory time ^{(1) (2)}	4,196,623	350,763	-	4,547,386	2,394,981
Total	<u>\$ 6,336,810</u>	<u>\$ 350,763</u>	<u>\$ (714,995)</u>	<u>\$ 5,972,578</u>	<u>\$ 3,028,481</u>

⁽¹⁾ The beginning balance for compensatory time liability in FY 24 was restated from \$2,347,340 to \$4,196,623 due to the implementation of GASB Statement No. 101.

⁽²⁾ The changes in accrued vacation, sick leave, and other compensatory time are presented as a net change.

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

Regulated Leases

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

Airline Leases

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

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

The Airline Lease Agreement defines a Signatory Airline as either a 1) Passenger Carrier that executes the Airline Lease Agreement, or an agreement with substantially similar terms, and pays at least \$500,000 per year in Terminal Rents and other charges due for its use of the Terminal, excluding PFC payments, or 2) a Cargo Carrier that has executed an Airline-Airport Cargo Operating Agreement. A Passenger Carrier cannot

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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 million to \$10 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 million until the Phase II of Terminal B terminal project is completed and occupied and \$2 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, 2025, two of twelve passenger airlines were under the Non-Signatory Airline agreement. For the fiscal year ended June 30, 2024, one of eleven passenger airlines was under the Non-Signatory Airline agreement.

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

For the fiscal years ended June 30, 2025 and 2024, the Airport's net remaining revenues as defined in its lease agreements were \$32,551,113 and \$20,292,728, respectively. For the fiscal years ended June 30, 2025 and 2024, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by \$31,215,600 and \$12,735,424, respectively. The net remaining revenues for the fiscal years ended June 30, 2025 and 2024 were divided by allocating the first \$4 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services, and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities are addressed in the Airline Lease Agreement. As of

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July 1, 2023, 27 of the Airport's 36 gates were leased under exclusive use agreements to six airlines. The remaining 9 gates were available to other airlines for rent on a per-use basis. Effective February 1, 2024, the number of preferential gates decreased to 25, increasing the per-use basis gates to 11. Effective June 18, 2025, the number of preferential gates decreased to 24, increasing the per-use basis gates to 12. As of July 1, 2023, 29 of the Airport's 53 ticket counters were leased under exclusive use agreements to seven airlines. The remaining 24 ticket counters were available to other airlines for rent on a per-use basis. Effective June 18, 2025, the number of preferential ticket counters decreased to 27 under exclusive use agreements with six airlines, increasing the per-use basis ticket counters to 26.

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, 2025 and 2024, the Airport recognized terminal lease revenue of \$82,708,465 and \$75,522,300, respectively. Due to the variable nature of the above revenues from year to year, expected future minimum payments are indeterminable.

Ground Lease

The City entered into a facility ground lease agreement in 2008. This lease agreement is to construct and maintain a building exclusively for the use of an airline in order to support the airline's operation, facilitate the airline's cargo handling, and provide equipment maintenance at the Airport. The lease agreement has an initial term of 20 years from the effective date. For the fiscal years ended June 30, 2025 and 2024, the Airport recognized terminal lease revenue of \$438,066 and \$354,625, respectively.

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

Fiscal Year Ending June 30,		
2026	\$	444,324
2027		455,160
2028		466,261
2029		124,316
	\$	<u>1,490,061</u>

FBO Leases

The City currently has two FBOs that provide essential support services for business and private aviation, including refueling, hangar space, maintenance, repair and overhaul, and other services. The City has two active ground leases with these FBOs for the fiscal years ended June 30, 2025 and 2024, with expiration dates ranging from 2038 to 2063. Rental revenues from these ground lease contracts were \$7,640,647 and \$7,592,910 for the fiscal years ended June 30, 2025, and 2024, respectively.

SASO

The City currently has two SASOs with active ground leases for the fiscal years ended June 30, 2025 and 2024, with expiration dates ranging from 2031 to 2044. Rental revenues from these ground lease contracts were \$3,583,128 and \$1,181,254 for the fiscal years ended June 30, 2025, and 2024, respectively.

Jet Fuel Farm

In 2006, the City entered into a ground lease contract for storage and fuel dispensing area. The contract expires in 2038, the 30th anniversary of the commencement date. Net rental revenues, inclusive of a \$31,308 annual construction credit, from the ground lease were \$1,082,596 and \$560,339 for the fiscal years ended June 30, 2025, and 2024, respectively.

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

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Fiscal Year Ending June 30,

2026	\$	12,569,701
2027		12,877,010
2028		13,191,814
2029		13,514,294
2030		13,844,639
2031-2035		72,901,363
2036-2040		65,229,835
2041-2045		48,930,069
2046-2050		36,423,383
2051-2055		41,086,763
2056-2060		46,347,207
2061-2064		35,683,938
	\$	<u>412,600,016</u>

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, 2025 and June 30, 2024.

Concession Categories	Inflow of Resources Year ended June 30, 2025	Inflow of Resources Year ended June 30, 2024
Inflight Kitchen	\$ 1,342,382	\$ 1,332,463
Retail	4,095,198	4,333,772
Food & Beverage	7,332,840	5,044,992
Rental Car	16,453,623	17,126,471
	<u>\$ 29,224,043</u>	<u>\$ 27,837,698</u>

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

The City entered into an On-Airport Rental Car Operations Agreement and Lease with multiple rental car companies in 2008, which have the largest inflow of variable payments, as shown in the table above. These contracts expire on June 30, 2030. Similar to the inflight kitchen, retail, and food and beverage concessionaires, the rental car companies also pay the greater of MAG or a percentage fee of their sales and have a MAG abatement clause if passenger levels fall below a certain amount. Due to the variability of the payments a lease receivable value cannot be calculated. Part of the agreement is for the ground rent of the rental car facility and is discussed under Other Leases below.

Other Leases

In accordance with GASB 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB 87. The Airport is reporting lessor lease receivables related to an in-scope advertising agreement that was entered into in 2007 of \$4,582,904 and \$6,710,669 as of June 30, 2025 and 2024, respectively. For the fiscal years ended June 30, 2025 and 2024, the Airport reported lease revenue of \$2,035,311 and interest revenue of \$135,052 and \$183,789, respectively. The

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amounts of inflows of resources recognized for variable payments were \$4,240,056 and \$3,960,376 for the fiscal years ended June 30, 2025 and June 30, 2024, respectively.

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

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2026	\$ 4,582,904	\$ 135,052	\$ 2,235,558	\$ 2,035,311	\$ 2,347,346
2027	2,347,346	83,828	2,347,346	2,035,311	-

On June 30, 2025, the ending lease receivable was \$2,235,558 and \$2,347,346 for current and noncurrent assets, respectively. As of June 30, 2024, the ending lease receivable was \$2,127,764 and \$4,582,904 for current and noncurrent assets, respectively.

The ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Lease is subject to a valuation under the guidelines outlined in GASB 87. Each company's share of the ground rent is based on its proportionate share of square feet of the ConRAC facility and is adjusted annually by an amount equivalent to the percentage change in the consumer price index. The latest amendment extended the term through June 30, 2030. For the fiscal year ended June 30, 2025, the Airport reported lease revenue of \$726,405 and interest revenue of \$159,440 and lease revenue of \$726,405 and interest revenue of \$184,792 for the fiscal year ended June 30, 2024. The amount of inflows of resources recognized for the fiscal years ended June 30, 2025 and 2024 were \$887,425 and \$859,958, respectively.

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

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

On June 30, 2025, the ending lease receivable was \$702,441 and \$3,094,299 for current and noncurrent assets. As of June 30, 2024, the ending lease receivable was \$676,101 and \$3,796,740 for current and noncurrent assets.

Wireless Company

The City entered into a lease agreement with a wireless company in 2023 for the use of space for the installation, maintenance, and operation of telecommunications facilities to provide services at the Airport. The contract expires in November 2025, following the company's written notice to exercise its one five-year option. The use charge, paid annually, is adjusted annually by the greater of an amount equivalent to the percentage change in the consumer price index or 4%. Following the contract execution, the Airport recorded an initial lease receivable of \$305,439 for the remaining two years of the term. Rental revenues from this ground lease were \$159,409 and \$153,278 for the fiscal year ended June 30, 2025 and 2024,

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respectively. For the fiscal years ended June 30, 2025 and 2024, the Airport reported interest revenue of \$3,062 and \$4,188, 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. The Airport does not have any in-scope leases as a lessee as of June 30, 2025.

(c) Security Deposit

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant, or any other entity or person, that is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable letter of credit, surety bond, cashier's check, or other forms acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of the security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms, and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statements of net position. The Airport maintains on file copies of all security deposits, in the form of letter of credit or surety bonds, which are not recorded in the financial statements. The amount on file as of June 30, 2025 and 2024 totaled \$42,659,396 and \$47,210,243 respectively.

(7) Subscription-Based Information Technology Arrangements

A government should recognize a subscription liability and a subscription right-to-use asset at the commencement of a SBITA term unless the subscription is a short-term SBITA. The subscription liability should be measured at the present value of payments expected to be made during the subscription term, less any vendor incentives. The subscription asset should be measured at the amount of the initial measurement of the subscription liability, plus any payments made to the SBITA vendor at the commencement of the subscription term, and certain initial implementation costs. The Airport recognizes a subscription liability and a subscription asset for software subscriptions the Airport categorizes as in-scope of GASB 96.

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SBITA activities for the fiscal years ended June 30, 2025 and June 30, 2024 were as follows:

SBITA Description	Net Asset Balance at June 30, 2025	Accumulated Amortization	Gross Asset Balance	Liability and Accrued Interest
Amadeus Airport IT Americas, Inc.	\$ -	\$ 2,035,097	\$ 2,035,097	\$ -
Envirosuite, Inc.	560,306	640,349	1,200,655	589,038
Intergraph Corporation	9,302	446,472	455,774	-
Netsync Network Solutions	184,888	52,826	237,714	159,838
	<u>\$ 754,496</u>	<u>\$ 3,174,744</u>	<u>\$ 3,929,240</u>	<u>\$ 748,876</u>

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

The Airport maintains two agreements with a technology solutions and services provider. One of these agreements has fixed costs which are recognized as a subscription liability, as shown in the table above, as well as variable payments which are not included in the measurement of the subscription liability. A second agreement includes only variable subscription payments. The combined amount of expenses recognized under these agreements during the fiscal years ended June 30, 2025 and June 30, 2024 for variable payments not previously included in the measurement of the subscription liability is \$353,263 and \$296,132, respectively.

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

Fiscal Year Ending June 30:	Cash	Interest Expense	Liability Reduction	Accrued Interest
2026	\$ 218,714	\$ 17,439	\$ 200,906	\$ 369
2027	218,714	12,247	206,084	383
2028	218,713	6,911	211,403	399
2029	131,168	1,836	128,916	416
	<u>\$ 787,309</u>	<u>\$ 38,433</u>	<u>\$ 747,309</u>	<u>\$ 1,567</u>

(8) Retirement Systems

(a) General Information

The City sponsors and administers two single employer defined benefit retirement systems, PFDRP and FCERS, and collectively, the Retirement Systems, which with the exception of certain unrepresented

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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 PFDPR and, instead, only covers pension costs of Airport related police and fire personnel through the City's interdepartmental charges. All full-time and certain part-time employees of the Airport participate in the FCERS.

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

(b) Benefits Provided

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

The payroll for Airport employees covered by the FCERS for the fiscal years ended June 30, 2025 and 2024 was \$24,419,093 and \$22,092,795, respectively. The Airport's total payroll for the fiscal years ended June 30, 2025 and 2024 was \$30,374,831 and \$28,551,067, respectively.

(c) Contributions

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

The City's and the participating employees' contributions to the Defined Benefit Pension Plan are based upon an actuarially determined percentage of each employee's pensionable and earnable salary to arrive at an actuarially determined contribution (ADC) sufficient to provide adequate assets to pay benefits when due. The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

FCERS contribution rates for the Airport and the participating employees for the periods July 1, 2023 through June 30, 2024 and July 1, 2024 through June 30, 2025 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2022 and June 30, 2023, respectively, for the Defined Benefit Pension Plan. Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability. City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.

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Defined Benefit Pension Plan	Airport's Contribution⁽¹⁾		Employees' Contribution⁽²⁾	
Pay Period	Tier 1	Tier 2	Tier 1	Tier 2
July 1, 2023 - June 30, 2024	20.16%	8.01%	7.34%	8.01%
July 1, 2024 - June 22, 2025	22.81%	8.73%	6.61%	8.49%
June 23, 2025 - June 30, 2025	23.18%	8.62%	6.55%	8.62%

⁽¹⁾ For Tier 1 members, the actual contribution rates paid by the City for fiscal years ended June 30, 2025 and June 30, 2024 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 1.03% and 1.02% in contributions for fiscal years ended June 30, 2025 and 2024, respectively.

The Airport's contributions paid during the fiscal year ended June 30, 2025 were \$13,103,787.

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

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

As of June 30, 2025, the Airport reported \$104,355,371 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, 2024, 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, 2023 and rolled forward to June 30, 2024 using standard update procedures. The Airport's percentage of the City's NPL for the FCERS plan was 5.3% as of June 30, 2024, the measurement date.

For the fiscal year ended June 30, 2025, the Airport recognized pension expense of \$11,113,683 for FCERS plan. As of June 30, 2025, 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	\$ 13,103,787	\$ -
Differences between expected and actual experience	4,893,021	-
Changes in assumptions	1,093,741	-
Net difference between projected and actual earnings on pension plan investments	-	2,475,713
Total	<u>\$ 19,090,550</u>	<u>\$ 2,475,713</u>

As of June 30, 2025, \$13,103,787 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2024 measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026.

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

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	Deferred Outflows (Inflows) of Resources
2026	\$ (691,382)
2027	4,928,676
2028	2,586
2029	(728,830)
	<u>\$ 3,511,050</u>

As of June 30, 2024, the Airport reported \$105,134,122 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, 2023, and the TPL for the FCERS used to calculate the NPL was determined by actuarial valuation for FCERS as of June 30, 2022 and rolled forward to June 30, 2023 using standard update procedures. The Airport's percentage of the City's NPL of the FCERS plan was 5.3% as of June 30, 2023, the measurement date.

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

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

As of June 30, 2024, \$12,178,193 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2023 measurement date and was recognized as a reduction of the NPL in the fiscal year ended June 30, 2025.

(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, 2025 and June 30, 2024 are from the FCERS actuarial valuation reports with valuation dates of June 30, 2023 and June 30, 2022, respectively. The valuation reports were rolled forward to June 30, 2024 and June 30, 2023, respectively, using standard update procedures:

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	Method/Assumption (June 30, 2025)	Method/Assumption (June 30, 2024)
Measurement date	June 30, 2024	June 30, 2023
Valuation date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry Age	Entry Age
Inflation rate	2.50%	2.25%
Discount rate	6.625% per annum (net of investment expenses) The Board expects a long-term rate of return of 8.8% based on Meketa's 2023 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.	6.625% per annum (net of investment expenses) The Board expects a long-term rate of return of 7.2% based on Meketa's 2022 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.
Mortality		
(a) Service:	Healthy annuitants: 0.995 for males and 1.020 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: 0.990 for males and 0.920 for females, times the CalPERS 2009 Ordinary Disabled Mortality table.	Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disabled Mortality table.
Rates of service retirement, withdrawal, death, disability retirements	Based on current experience.	Based on current experience.
Salary increases		
Wage inflation	The wage inflation assumption reflects currently bargained increases for FYE 2024: 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.	The base wage inflation assumption of 3.00%.
Merit increase	Merit / longevity increase based on years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.	Merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service.
Cost of living adjustment	Tier 1 - 3% per year; Tier 2 - 1.25-2% per year depending on years of service.	Tier 1 - 3% per year; Tier 2 - 1.25-2% per year depending on years of service.

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rate of return on investments was selected by estimating the median real rate of return based on long-term capital market assumptions adopted by the Board, including real 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, 2024 and June 30, 2023 measurement dates, using a long-term expected rate of return on investments of 6.625% with valuations dated June 30, 2023 rolled forward to June 30, 2024 and June 30, 2022 rolled forward to June 2023.

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Asset Class	2024 Target Asset Allocation	2024 ⁽¹⁾ Long-Term Expected Real	2023 Target Asset Allocation	2023 Long-Term Expected Real
		Rate of Return		Rate of Return
Public equity	49.0%	5.7%	49.0%	6.5%
Private equity	8.0%	8.0%	8.0%	7.9%
Investment grade bonds	6.0%	2.0%	8.0%	2.0%
Core real estate	5.0%	4.1%	5.0%	3.8%
Immunized cash flows	5.0%	(0.3)%	5.0%	0.3%
Venture / growth capital	4.0%	9.2%	4.0%	8.8%
Emerging market bonds	3.0%	4.0%	3.0%	3.5%
Growth real estate	3.0%	6.2%	3.0%	6.0%
Market neutral strategies	3.0%	3.0%	3.0%	3.4%
Private debt	3.0%	6.4%	3.0%	6.2%
Private real assets	3.0%	6.5%	3.0%	6.4%
High yield bonds	2.0%	4.0%	2.0%	4.6%
Long-term government bonds	4.0%	2.2%	2.0%	2.3%
Treasury inflation protected securities	2.0%	1.9%	2.0%	1.9%
Cash and cash equivalents	N/A	(0.3)%	N/A	0.3%
Total	100%		100%	

⁽¹⁾ The FY 24 long-term expected real rate of return has been restated from nominal to real rates for consistency with FY 25.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2024 and June 30, 2023 was 6.625%, for the FCERS plan for valuations dated June 30, 2023 rolled forward to June 30, 2024 and June 30, 2022 rolled forward to June 30, 2023 using standard update procedures by the actuary. It is assumed that members' contributions and City's contributions will be made based on the actuarially determined rates based on the FCERS' Board funding policies. Based on those assumptions, the FCERS' fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

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

The Airport's proportionate share of the City's net pension liability was 5.3% at the measurement date June 30, 2024 and June 30, 2023.

As of June 30, 2025:	1% Decrease 5.625%	Measurement Date	1% Increase 7.625%
		Discount Rate 6.625%	
Net pension liability	\$ 153,107,722	\$ 104,355,371	\$ 64,506,544

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

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As of June 30, 2023 and June 30, 2022, the actuarial valuation dates, the FCERS' Board was utilizing a discount rate of 6.625%. For more details on the current discount rate, please refer to the stand-alone reports issued by the FCERS.

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

Recognition of Deferred Outflows and Inflows or Resources for FCERS

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

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

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

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

Changes in Assumptions - For the measurement period ended June 30, 2024, the wage inflation assumption was updated to reflect currently bargained agreements for FY 24 through FY 26 - 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023. Tier 1 member contributions were updated to exclude any share in the cost of administrative expenses. The pre-retirement death benefit, if eligible for retirement, was updated from 2.5% to 2.0% of final compensation for each year of service, before minimum and maximum restrictions.

For the measurement period ended June 30, 2023, the price inflation was increased from 2.25% to 2.5%. For bargaining units that have agreed to the provision under Tier 1, member contributions cease once a member has 30 years of City service (excluding reciprocal service). The price inflation, wage inflation, amortization payment growth, and discount rates were adopted by the Board of Administration with the actuary's input at the November 17, 2022 Board meeting. All other assumptions were adopted at the November 21, 2019 Board meeting based on recommendations from the actuary's experience study covering plan experience through June 30, 2019. Please refer to the full experience study report and the November 17, 2022 Board presentation for details, including the rationale for each assumption.

(f) Payable to the Pension Plan

At June 30, 2025 and June 30, 2024, the Airport had no outstanding contribution payable to the pension plan.

(g) Other Postemployment Benefits

In addition to the FCERS Defined Benefit Pension Plan, the City also sponsors and administers a single employer FCERS (Postemployment Healthcare Plan), which includes an Internal Revenue Code (IRC) 115

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Trust. The Postemployment Healthcare Plan covers eligible full-time and certain part-time employees of the City and is accounted for in the Pension Trust Funds of the City.

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

Per the terms of the Frameworks discussed in Note IV A.1 of the Notes to the Basic Financial Statements in the City's June 30, 2025 ACFR, the City established a Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare for the members of the FCERS in FY 18. The City does not make contributions into the VEBA, and the VEBA is not subject to the jurisdiction of the Retirement Board.

Additional information can be found in Section IV A.4.1 of the Notes to the Basic Financial Statements in the City's June 30, 2025 ACFR.

Contributions

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

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

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

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

Funding Policy

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

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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, 2023 through June 30, 2024, July 1, 2024 through June 30, 2025 are shown below.

Postemployment Healthcare Plan	City's Contribution	Employees' Contribution
Pay Period	Tier 1 and Tier 2	Tier 1 and Tier 2
July 1, 2023 - June 30, 2024	\$19,095,058	7.50%
July 1, 2024 - June 30, 2025	\$20,351,611	7.50%

In February 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with FY 19. The Airport's contributions paid during the fiscal years ended June 30, 2025 and June 30, 2024 were \$1,537,060 and \$1,648,148, respectively.

Net OPEB Liability

As of June 30, 2025, the Airport reported \$17,275,015 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, 2024, 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, 2023 and rolled forward to June 30, 2024 using standard update procedures by the actuary. The Airport's percentage of the City's net OPEB

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liability of the FCERS was 5.5% as of June 30, 2024, the measurement date.

As of June 30, 2024, the Airport reported \$15,606,660 of net OPEB liability for its proportionate share of the City's net OPEB liability. The Airport's portion of net OPEB liability was based on the Airport's share of its OPEB contributions in Airport funds to FCERS relative to the total City's OPEB contributions to FCERS. The net OPEB liability of FCERS was measured as of June 30, 2023, 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, 2022 and rolled forward to June 30, 2023 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, 2023, the measurement date.

The net OPEB liability of FCERS as of June 30, 2025 and June 30, 2024 was measured as of June 30, 2024 and June 30, 2023, respectively, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2023 and June 30, 2022 based on the following actuarial methods and assumptions and rolled forward to June 30, 2024 and June 30, 2023, respectively, using standard update procedures.

	Method/Assumption (June 30, 2025)	Method/Assumption (June 30, 2024)
Measurement date	June 30, 2024	June 30, 2023
Valuation date	June 30, 2023	June 30, 2022
Actuarial Cost Method	Entry Age Normal, level of percentage of pay	Entry Age Normal, level of percentage of pay
<u>Actuarial assumptions:</u>		
Inflation Rate	2.50% per year.	2.50% per year.
Discount Rate	6.00% per year. The Board expects a long-term rate of return of 8% based on Mcketa's 20-year capital market assumptions and the System's current investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.	6.00% per year. The Board expects a long-term rate of return of 6.3% based on Mcketa's 20-year capital market assumptions and the System's current investment policy.
Merit Increase	Merit component added based on an individual's years of service ranging from 3.25% at hire to 0.25% for members with 18 or more years of service.	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10% for members with over 15 years of service.
Wage Inflation Rate	Reflect currently bargained increases for FYE 2024, 4.5% effective July 1, 2024, and 3.00% thereafter. These increases approximate the bargained increases for the largest bargaining groups.	3.00%
Mortality Rate*	Mortality is projected on a generational basis using the MP-2021 scale. Please see below table.	Mortality is projected on a generational basis using the MP-2021 scale. Please see below table.
Pre-retirement Turnover**	The valuation assumes that future medical	The valuation assumes that future medical
Healthcare Cost Trend Rate	inflation will be at a rate of 8.6% to 3.94% per annum graded down over a 51 year period for medical-pre age 65 and 5.72% to 3.94% per annum for medical-post age of 65. For fiscal year beginning 2024, actual calendar year 2024 premiums are combined with a trend assumption for calendar year 2025. Dental inflation is assumed to be 3.50%.	inflation will be at a rate of 7.16% to 3.94% per annum graded down over a 51 year period for medical-pre age 65 and 4.27% to 3.94% per annum for medical-post age of 65. For fiscal year beginning 2023, actual calendar year 2023 premiums are combined with a trend assumption for calendar year 2024. Dental inflation is assumed to be 3.50%.

* FCERS Mortality Rates

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Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees.	1.020 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	0.990 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees.	0.920 times the 2010 Public General Mortality Table (PubG-2010) for disabled retirees.

**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 real rate of return based on long-term capital market assumptions adopted by the FCERS Board, including real expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

Best estimates of geometric real rates of return for each major asset class included in the FCERS target asset allocation are summarized in the following table.

As of June 30, 2024 and June 30, 2023 measurement dates, using a long-term expected rate of return on investments of 6.00% with a valuation date of June 30, 2023 rolled forward to June 30, 2024 and June 30, 2022 rolled to forward to June 30, 2023:

Asset Class	2024	2024 ⁽¹⁾	2023	2023
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	58%	5.7%	58%	6.5%
Investment grade bonds	14%	2.0%	14%	2.0%
Core real estate	12%	4.1%	12%	3.8%
Short-term investment grade bonds	6%	0.9%	6%	0.9%
Commodities	5%	2.5%	5%	3.0%
Long-term government bonds	5%	2.2%	5%	2.3%
Total	100%		100%	

⁽¹⁾ The FY 24 long-term expected real rate of return has been restated from nominal to real rates for consistency with FY 25.

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Changes in Assumptions - For the measurement period ended June 30, 2024, the per-person cost trends were updated. All claims costs were updated to reflect the changes in plan premiums and the populations. Plan election assumptions and the administrative expense assumption were updated. The wage inflation assumption was revised to reflect currently bargained agreements for FY 24 through FY 26 - 4.5% effective July 1, 2024, 3.5% effective July 1, 2025, and 3.0% thereafter, respectively. Demographic assumptions were updated based on the most recent experience study covering the period through June 30, 2023.

For the measurement period ended June 30, 2023, the per-person cost trends were updated. Plan elections assumptions and the administrative expense assumption were updated. All claims costs were updated to reflect the changes in plan premiums and the populations covered. Any implicit subsidy calculated for Medicare-eligible members is treated as an explicit subsidy reflecting additional anticipated increases in Medicare-eligible premiums attributable to the aging of the Medicare-eligible population.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2024 and June 30, 2023 was 6.00%, based on the long-term expected rate of return on investments, for FCERS plan valuations dated June 30, 2023 rolled forward to June 30, 2024 and June 30, 2022 rolled forward to June 30, 2023. It is assumed that FCERS members' contributions remain fixed at 7.5% of pay for employees eligible to participate in the Postemployment Healthcare Plan and that the City will contribute the actuarially determined contribution toward the explicit subsidy up to a maximum of 14.0% of total payroll for FCERS. In addition, the City will pay the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the Airport's proportionate share of the net OPEB liability for FCERS, as well as what the Airport's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the measurement date rate. The Airport's proportionate share of the City's net OPEB liability was 5.5% at the measurement dates of June 30, 2024 and June 30, 2023.

	1% Decrease	Measurement Date	1% Increase
<u>As of June 30, 2025:</u>	<u>(5.00%)</u>	<u>Discount Rate</u>	<u>(7.00%)</u>
		<u>(6.00%)</u>	
Net OPEB liability	\$ 22,664,541	\$ 17,275,015	\$ 12,856,891

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

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the Airport's proportionate share of the City's net OPEB liability for FCERS if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the measurement date rate. The Airport's proportionate share of the City's net OPEB liability was 5.5% at the measurement date of June 2024 and was 5.4% at the measurement date June 30, 2023.

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As of June 30, 2025:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	\$ 12,396,110	\$ 17,275,015	\$ 23,229,280

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

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

Recognition of Deferred Outflows and Inflows of Resources for FCERS

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

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

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

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

For fiscal year ended June 30, 2025, the Airport recognized OPEB expense of \$1,305,395 for FCERS plan. As of June 30, 2025, 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	\$ 1,537,060	\$ -
Differences between expected and actual experience	1,869,370	448,923
Changes in assumptions	366,405	-
Net difference between projected and actual earnings on OPEB plan investments	-	47,956
Total	\$ 3,772,835	\$ 496,879

As of June 30, 2025, \$1,537,060 reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2024 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as follows:

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	Deferred Outflows (Inflows) of Resources
2026	\$ 240,044
2027	1,244,302
2028	445,120
2029	(190,570)
	<u>\$ 1,738,896</u>

For fiscal year ended June 30, 2024 the Airport recognized OPEB expense of \$574,820 for FCERS. As of June 30, 2023, the Airport reported deferred outflows and inflows of resources related to OPEB from the following sources:

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

As of June 30, 2024, \$1,648,148 reported as deferred outflows of resources related to contributions for FCERS, subsequent to the June 30, 2023 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2025.

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

(9) Related Party Transactions

The City provides certain general support services to the Airport and charges a pro rata fee. The fees charged to the Airport for these services for the fiscal years ended June 30, 2025 and 2024, were \$6,751,624 and \$5,205,653, respectively. The City also charged the Airport fees of \$20,910,210 and \$19,783,655 for the fiscal years ended June 30, 2025 and 2024, 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 \$1,300,646 and \$1,166,689 for the fiscal years ended June 30, 2025 and 2024, respectively. All fees charged by the City are included in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

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(10) Risk Management

(a) Insurance Policies

The Airport is covered under the City's annual all-risk property insurance policy with coverage for City property, including coverage for boiler and machinery exposures, loss due to business interruption, and flood. The City does not carry earthquake insurance as it is not available at reasonable rates. A summary of the City's all-risk property insurance policy coverages applicable to the Airport is provided below for the policy periods of October 1, 2024 to October 1, 2025 and October 1, 2023 to October 1, 2024.

October 1, 2024 to October 1, 2025

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

⁽¹⁾ Other sub-limits apply.

⁽²⁾ Other deductibles apply.

⁽³⁾ Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.

October 1, 2023 to October 1, 2024

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

⁽¹⁾ Other sub-limits apply.

⁽²⁾ Other deductibles apply.

⁽³⁾ Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.

To mitigate the impact of reduction to the base flood coverage to \$10 million, the City has obtained an excess flood policy for all locations citywide. The excess policy provides \$15 million in limits excess of the primary property policy on a 50/50 quota share basis, where the City and excess insurers share the financing of losses on a 50/50 basis.

The City maintained an Airport General Liability policy covering the Airport for the policy periods of June 30, 2024 to June 30, 2025 and June 30, 2023 to June 30, 2024 including Control Tower Operators, which provides a \$200 million combined single limit for bodily injury and property damage subject to a deductible of \$0 each occurrence and annual aggregate, with a sublimit of \$25 million each occurrence and in the annual aggregate for personal injury, and a sublimit of \$50 million each occurrence and in the annual aggregate for war liability. Additionally, the policy provides automobile liability insurance coverage beyond the Airport's primary automobile liability insurance program. For the period of June 30, 2024 to June 30, 2025, the excess automobile liability coverage limit is \$50 million. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

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The Airport's automobile liability policy for the periods October 1, 2024 to October 1, 2025 and October 1, 2023 to October 1, 2024 provides coverage for the off-premises operation of Airport vehicles including shuttle bus fleets with a limit of \$1 million per occurrence, combined single limit for bodily injury and property damage and subject to a \$250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleets; the Proterra electric buses are subject to a \$10,000 comprehensive and collision deductible, while the Penske Compressed Natural Gas (CNG) buses are subject to a \$5,000 comprehensive and collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy periods of October 1, 2024 to October 1, 2025 and October 1, 2023 to October 1, 2024, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a \$5 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 million per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims have a \$250,000 deductible per occurrence.

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

(b) Workers' Compensation

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

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

	2025	2024	2023
Accrued liability, beginning of fiscal year	\$ 1,425,192	\$ 2,140,187	\$ 2,288,883
Claims payments and adjustments	(260,463)	(244,230)	(292,133)
Provision for current year claims and changes in prior year estimates	408,945	(470,765)	143,437
Accrued liability, end of fiscal year	<u>\$ 1,573,674</u>	<u>\$ 1,425,192</u>	<u>\$ 2,140,187</u>

(11) Commitments and Contingencies

(a) Purchase Commitments and Capital Outlay Projections

As of June 30, 2025, the Airport was obligated for purchase commitments of \$29,087,198 primarily for the Airfield Configuration Updates, Zero Emissions Buses, Aircraft Rescue and Fire Fighting vehicle replacement, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber \$318,091,000 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.

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(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 22,532,000 million annual passengers and 183,900 annual passenger airline aircraft operations with a total of 237,700 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1,800,000 square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

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

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

(c) FAA Audit of Use of Airport Revenue

Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. Generally, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its

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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 \$5,631,465 that would be applied equally to the Airport cost allocation plan (CAP) over a seven-year period beginning in FY 13 and ending in FY 19. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 16, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

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

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

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

On July 15, 2022, the City responded to the FAA's letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City's overall CAP. On June 23, 2022, the City posted a request for proposal (RFP) to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City's current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments.

On June 4, 2024, the City engaged Maximus US Services, Inc. to evaluate its cost allocation practices, including the Airport Cost Allocation Plan (Airport CAP). On March 14, 2025, the consultant delivered its current state assessment report, identifying findings that may align with prior FAA concerns.

Notably, the FAA has questioned the inclusion of capital expenditures in the allocation base for indirect costs. The consultant noted that this approach may be acceptable if expenses are justified by their relation to the allocation base, avoiding inequitable cost allocations.

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Notes to the Financial Statements
June 30, 2025 and 2024

The City is evaluating these issues before proposing changes to the FAA. The City cannot predict the final outcome of the audit.

(d) Federal Funding Risks

The City receives federal funding to support programs and capital projects, including disaster recovery, affordable housing, workforce development, transportation, public safety, and neighborhood services. Federal policies on the federal debt ceiling, taxes, foreign trade and tariffs, immigration, climate change, clean energy, and other topics can shift dramatically from one administration to another. From time to time, such changes can result in shifts in the level of federal funding for various policy priorities, leading to unpredictability in near-term and future federal funding.

The City's federal funding consists of both executed grant awards, for which agreements are already in place, and awarded funds that require additional steps such as execution of agreements or approval of annual plans by the administering agencies. While executed awards may proceed under existing terms, funds not yet under executed agreement remain at risk of delay, modification, or non-issuance if federal requirements change.

The City cannot predict if grant funding or other direct payments to the City in support of governmental services, whether directly or bypass-through to the State and Santa Clara County will continue. Recent executive orders, agency directives, notice of funding opportunities, and grant agreements are conditioning funding to requirements such as cooperation with federal immigration enforcement, and prohibition of diversity, equity, and inclusion (DEI) programs. The City joined as plaintiff in two cases from which the courts have granted preliminary injunctions prohibiting the use of these conditions as a basis to deny or delay federal grants.

Pending resolution of litigation on appeal, routine solicitations may be delayed or cancelled, and previously awarded funds may discontinue if the new conditions can be imposed. The City is mitigating timing and cash flow risks by prioritizing reimbursement requests, pausing non-critical work until agreements are executed, and preparing contingency funding strategies where feasible.

(e) Litigation

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

(12) Subsequent Events

On July 1, 2025, the Airport increased rates for Ground Transportation (GT) Operators from \$3.75. The Airport implemented a three-tiered trip fee system based on vehicle capacity. Vehicles with 1 to 8 seats are charged \$4 per trip, vehicles with 9 to 16 seats are charged \$5.75 per trip, and vehicles with 17 or more seats are charged \$9 per trip.

On July 7, 2025, Delta Airlines resumed nonstop service between SJC and Detroit Metro Airport on a seasonal basis, which will operate until November 30, 2025.

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On August 1, 2025, the Airport daily parking rates for all lots increased \$1 per day. The daily rate increased from \$18 to \$19 for Economy Lot 1, \$24 to \$25 for Hourly Lot 2, \$40 to \$41 for Hourly Lot 3, \$30 to \$31 for Daily Lot 4, and \$30 to \$31 for Hourly & Daily Lot 5. The first-day rate increased from \$2 per 15 minutes to \$4 per 30 minutes for Lot 2, Lot 3, Lot 4, and Lot 5 up to the maximum daily rate.

On August 6, 2025, the Airport transitioned its parking reservation service vendor from Chantry Parking Reservation to AeroParker Revenue Management Services and began dynamic pricing for parking, a pricing method where parking rates are adjusted in real time based on market factors.

Spirit Airlines filed for Chapter 11 bankruptcy on August 29, 2025. After October 4, 2025, Spirit Airlines ended its operations at the Airport. Spirit Airlines is a signatory passenger carrier that started service at the Airport in June 2023. In FY 25, Spirit Airlines represented 6.4% of the Airport's total passenger levels. After Spirit Airlines ceased operations at the Airport, the Airline Lease Agreement provisions require the other carriers to fully cover all costs in the airfield and terminal.

On September 15, 2025, Moody's updated its credit analysis on the Airport Revenue Bonds, which remained at "A2" rating with a stable outlook.

On September 17, 2025, the Airport was awarded three grants totaling \$24,250,563 in federal funding from the FAA. Two grants were awarded under the Infrastructure Investment and Jobs Act Airport Infrastructure Grant Program, with \$3,916,780 allocated for the New Taxiway V Phase 2 Adjustment and \$20,011,525 allocated for the Terminal A Ground Transportation Island Accessibility Upgrades. The third grant award was under the Airport Improvement Program totaling \$322,258 for the Pavement Management Study.

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

(Continued)

Schedule of the Proportionate Share of the Net Pension Liability

	2025	2024	2023	2022	2021
Proportion of the collective net pension liability	5.3%	5.3%	5.3%	5.2%	5.4%
Proportionate share of the collective net pension liability	\$ 104,355	\$ 105,134	\$ 105,527	\$ 86,042	\$ 113,363
Covered payroll (for measurement period)	\$ 22,093	\$ 19,598	\$ 18,057	\$ 17,857	\$ 17,270
Proportionate share of the collective net pension liability as percentage of covered payroll	472.4%	536.5%	584.4%	481.8%	656.4%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	59.5%	57.7%	63.7%	51.1%

Schedule of Contributions

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 13,104	\$ 12,178	\$ 10,807	\$ 11,470	\$ 10,596
Contributions in relation to the actuarially determined contributions	\$ 13,104	\$ 12,178	\$ 10,807	\$ 11,470	\$ 10,596
Covered payroll	\$ 24,419	\$ 22,093	\$ 19,598	\$ 18,057	\$ 17,857
Contributions as a percentage of covered payroll	53.7%	55.1%	55.1%	63.5%	59.3%

Note to Schedules

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

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

(Concluded)

Schedule of the Proportionate Share of the Net Pension Liability

	2020	2019	2018	2017	2016
Proportion of the collective net pension liability	5.4%	5.3%	3.4%	3.4%	3.6%
Proportionate share of the collective net pension liability	\$ 112,615	\$ 105,487	\$ 108,167	\$ 102,069	\$ 81,313
Covered payroll (for measurement period)	\$ 16,190	\$ 15,335	\$ 13,694	\$ 13,163	\$ 12,903
Proportionate share of the collective net pension liability as percentage of covered payroll	695.6%	687.9%	789.9%	775.4%	630.2%
Plan fiduciary net position as a percentage of the total pension liability	50.4%	51.0%	50.3%	50.4%	57.8%

Schedule of Contributions

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

Note to Schedules

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

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

(Continued)

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

	2025	2024	2023	2022	2021
Proportion of the collective net OPEB liability	5.5%	5.4%	5.4%	5.4%	5.4%
Proportionate share of the collective net OPEB liability	\$ 17,275	\$ 15,607	\$ 17,711	\$ 15,082	\$ 18,650
Covered payroll (for measurement period)	\$ 22,093	\$ 19,598	\$ 18,057	\$ 17,857	\$ 17,270
Proportionate share of the collective net OPEB liability as percentage of covered payroll	78.2%	79.6%	98.1%	84.5%	108.0%
Plan fiduciary net position as a percentage of the total OPEB liability	56.7%	56.3%	51.5%	57.8%	46.7%

Schedule of Contributions

	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 1,537	\$ 1,648	\$ 1,249	\$ 1,346	\$ 1,425
Contributions in relation to the actuarially determined contributions	\$ 1,537	\$ 1,648	\$ 1,249	\$ 1,346	\$ 1,425
Covered payroll	\$ 24,419	\$ 22,093	\$ 19,598	\$ 18,057	\$ 17,857
Contributions as a percentage of covered payroll	6.3%	7.5%	6.4%	7.5%	8.0%

Note to Schedules

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

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

SAN JOSE MINETA INTERNATIONAL AIRPORT
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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS
(in \$ 000's)

(Concluded)

Schedule of the Proportionate Share of the Net OPEB Liability

	2020	2019	2018
Proportion of the collective net OPEB liability	5.4%	5.4%	5.5%
Proportionate share of the collective net OPEB liability	\$ 20,342	\$ 19,983	\$ 28,086
Covered payroll (for measurement period)	\$ 16,190	\$ 15,335	\$ 13,694
Proportionate share of the collective net OPEB liability as percentage of covered payroll	125.6%	130.3%	205.1%
Plan fiduciary net position as a percentage of the total OPEB liability	43.8%	42.6%	34.0%

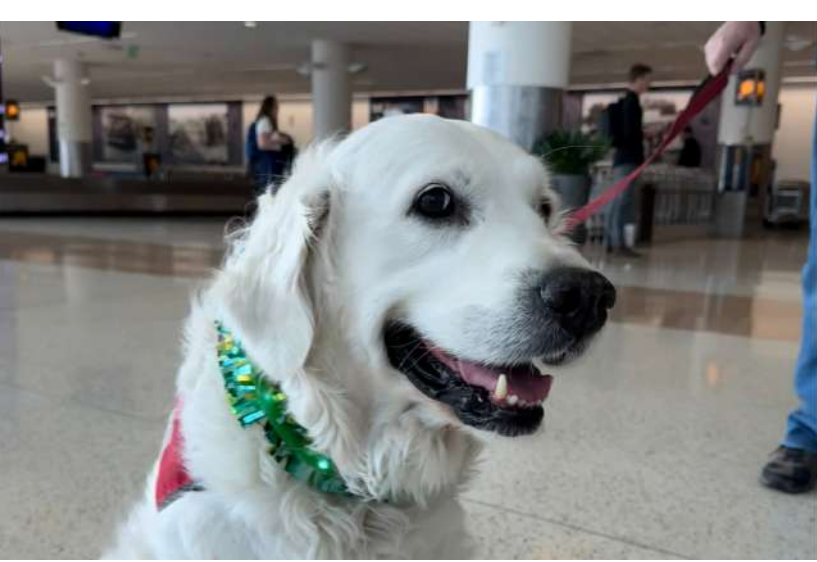
Schedule of Contributions

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

Note to Schedules

The Airport as a cost-sharing department of the City is required to recognize a liability for its proportionate share of the City's collective net 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.



STATISTICAL

Shortly after 9/11, SJC was the first airport to offer therapy dogs in the terminals to help calm passengers' nerves before flying. SJC's Interfaith Chaplain Volunteer Kathryn Liebschutz owned a trained rescue/therapy Boxer/Great Dane mix dog named Orion. She asked for permission to bring Orion to SJC to alleviate travelers' anxieties about taking to the skies again. Orion was an immediate hit with passengers and employees alike as he and Kathryn spent long hours during that week offering comfort. Today, the Airport's program, SJC Happy Tails, has over 50 active and certified therapy animals including dogs and cats.



SAN JOSE MINETA INTERNATIONAL AIRPORT
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Statistical Section
June 30, 2025

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.

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Schedule

Financial Trends

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

Annual Revenues, Expenses, Changes in Net Position, and Net Position *A*

Revenue Capacity

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

Airline Cost Per Enplaned Passenger *B*
Gross Concession Revenue Per Enplaned Passenger *C*
Scheduled Airline Rates and Charges *D*

Debt Capacity

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

Outstanding Debt and Debt Service *E*
Debt Service Coverage *F*

Demographic and Economic Information

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

Service Area Population in the Air Trade Area *G*
Service Area Personal Income in the Air Trade Area *H*
Service Area Per Capita Personal Income in the Air Trade Area *I*
Principal Employers in the City of San José *J*
Service Area Annual Average Unemployment Rate in the Air Trade Area *K*

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statistical Section
June 30, 2025

Contents

Schedule

Operating Information

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

<i>Airport Employees</i>	<i>L</i>
<i>Airport Information</i>	<i>M</i>
<i>Enplaned Commercial Passengers by Airline</i>	<i>N</i>
<i>Airline Landed Weights</i>	<i>O</i>
<i>Airline Flight Operations by Airline and Cargo Carrier</i>	<i>P</i>
<i>Scheduled/Cargo Airline Service</i>	<i>Q</i>
<i>Passengers, Mail, Freight, and Cargo Statistics</i>	<i>R</i>
<i>Historical Aircraft Operations</i>	<i>S</i>

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

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

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

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

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

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

	2021 ⁽³⁾	2022 ⁽⁴⁾⁽⁵⁾	2023 ⁽⁵⁾⁽⁶⁾	2024 ⁽⁶⁾	2025
Operating revenues:					
Airline rates and charges:					
Landing fees	\$ 16,933	\$ 24,545	\$ 28,525	\$ 28,413	\$ 36,593
Terminal rental	62,005	68,490	60,314	75,522	82,708
Total airline rates and charges	78,938	93,035	88,839	103,935	119,301
Terminal buildings/concessions	11,106	13,164	22,432	26,759	27,714
Airfield	3,454	4,263	4,755	4,985	4,894
Parking and roadway	25,244	47,023	59,877	61,471	60,120
Fuel handling fees	1,722	57	77	96	108
General aviation/other	10,684	14,810	16,323	17,463	21,222
Customer facility charges ⁽¹⁾	-	5,689	7,492	7,429	5,765
Total operating revenues	131,148	178,041	199,795	222,138	239,124
Operating expenses:					
Terminal buildings/concessions	38,346	39,331	43,489	48,639	55,205
Airfield	22,096	24,777	23,680	24,934	27,835
Parking and roadway	12,217	14,431	16,404	18,669	20,680
Fuel handling costs	63	71	69	102	135
General aviation	962	913	2,079	2,213	2,052
General and administrative	21,231	19,318	24,801	25,313	30,562
Depreciation and amortization	53,235	56,040	56,297	57,192	58,654
Total operating expenses	148,150	154,881	166,819	177,062	195,123
Operating income (loss)	(17,002)	23,160	32,976	45,076	44,001
Nonoperating revenues (expenses):					
Passenger facility charges	9,378	19,674	23,215	22,484	21,443
Customer facility charges for debt service ⁽¹⁾	6,539	7,967	8,997	9,995	11,999
Participating airline net revenue sharing	(1,325)	(27,396)	(5,077)	(8,790)	(16,211)
Investment income (loss)	1,236	(4,681)	5,519	17,751	22,248
Lease interest income	288	274	246	373	298
Interest expense	(53,649)	(39,379)	(40,432)	(39,805)	(37,551)
Bond issuance costs	(2,239)	-	-	-	(464)
Other noncapital grants	619	718	486	315	418
Loss on capital assets disposal	(13)	-	-	-	-
Federal relief grants	55,185	32,103	28,911	10,000	10,000
Other, net	1,840	164	533	404	1,235
Total nonoperating revenues (expenses), net	17,859	(10,556)	22,398	12,727	13,415
Income (loss) before capital contributions	857	12,604	55,374	57,803	57,416
Capital contributions (grants)	12,023	5,894	12,150	17,291	20,702
Capital contribution (from others)	-	-	45	-	-
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Change in net position	\$ 12,880	\$ 18,498	\$ 67,569	\$ 75,094	\$ 78,118
Net position at year-end					
Net investment in capital assets	\$ 171,354	\$ 156,611	\$ 170,653	\$ 183,326	\$ 200,780
Restricted	27,538	48,905	54,680	58,201	73,458
Unrestricted	26,409	38,284	86,036	144,935	190,343
Net position at year-end ⁽²⁾⁽³⁾⁽⁴⁾	\$ 225,301	\$ 243,800	\$ 311,369	\$ 386,462	\$ 464,581

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

(4) The FY 22 revenues and expenses have been restated due to the implementation of GASB Statement No. 96.

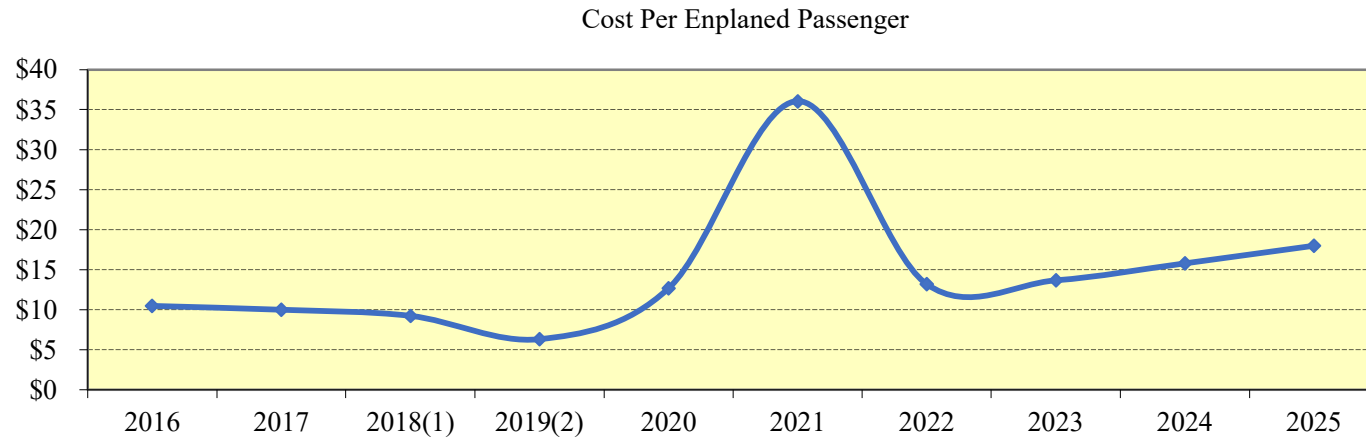
(5) Certain revenue amounts for FY 22 and FY 23 have been reclassified to be consistent with the presentation of FY 24. These reclassifications had no effect on the changes in net position for the years ended June 30, 2022 and 2023.

(6) The FY 23 and FY 24 revenues and expenses have been restated due to the implementation of GASB Statement No. 101.

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

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

Schedule B



	<u>2016</u>	<u>2017</u>	<u>2018⁽¹⁾</u>	<u>2019⁽²⁾</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Airline revenues:										
Terminal rental	\$ 40,800	\$ 39,778	\$ 43,477	\$ 28,871	\$ 50,780	\$ 60,680	\$ 41,094	\$ 55,237	\$ 66,732	\$ 66,497
Landing fees (passenger carriers)	<u>12,528</u>	<u>17,697</u>	<u>18,690</u>	<u>18,453</u>	<u>21,012</u>	<u>15,977</u>	<u>23,754</u>	<u>27,664</u>	<u>27,528</u>	<u>35,699</u>
Total	\$ 53,328	\$ 57,475	\$ 62,167	\$ 47,324	\$ 71,792	\$ 76,657	\$ 64,848	\$ 82,901	\$ 94,260	\$ 102,196
Enplaned passengers	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963	5,681
Unadjusted cost per enplaned passenger (not in 000's)	<u>\$ 10.48</u>	<u>\$ 10.01</u>	<u>\$ 9.24</u>	<u>\$ 6.34</u>	<u>\$ 12.68</u>	<u>\$ 36.06</u>	<u>\$ 13.20</u>	<u>\$ 13.67</u>	<u>\$ 15.81</u>	<u>\$ 17.99</u>

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

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

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

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

Schedule C

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross concession revenue: ⁽¹⁾										
Public parking ⁽²⁾	\$ 29,392	\$ 28,635	\$ 31,053	\$ 32,330	\$ 24,141	\$ 9,590	\$ 24,288	\$ 31,811	\$ 31,493	\$ 29,434
Rental cars	157,857	162,142	166,291	173,631	129,609	69,030	144,128	158,997	163,548	158,793
Food and beverage	32,870	39,060	45,024	50,588	35,529	9,534	30,550	37,830	41,964	43,013
Advertising	2,368	3,550	4,525	5,022	6,591	7,222	8,009	6,865	10,358	11,874
Gift shop & retail	15,742	17,636	19,739	21,243	16,526	7,736	16,845	18,631	19,403	17,907
In-flight kitchen ⁽³⁾	22,893	40,790	39,559	29,203	17,578	4,529	17,925	26,901	31,247	30,319
Total gross concession revenue	<u>\$ 261,122</u>	<u>\$ 291,813</u>	<u>\$ 306,191</u>	<u>\$ 312,017</u>	<u>\$ 229,974</u>	<u>\$ 107,641</u>	<u>\$ 241,745</u>	<u>\$ 281,035</u>	<u>\$ 298,013</u>	<u>\$ 291,340</u>
Enplaned passengers:	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963	5,681
Gross concession revenue per enplaned passenger (not in 000's)	<u>\$ 51.32</u>	<u>\$ 50.84</u>	<u>\$ 45.53</u>	<u>\$ 41.81</u>	<u>\$ 40.63</u>	<u>\$ 50.63</u>	<u>\$ 49.23</u>	<u>\$ 46.34</u>	<u>\$ 49.98</u>	<u>\$ 51.28</u>

⁽¹⁾ Gross revenues of major concessionaires only.

⁽²⁾ In November 2021, the Airport launched an online parking reservations system for the Economy Lot 1. Lot 5 reservation started in June 2023 and Lot 2 in August 2023. Lot 4 reservations became available in November 2024. Public parking revenues includes revenues from parking reservations and are net of credit card fees and refunds.

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

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

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

Schedule D
(Continued)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020⁽¹⁾</u>	<u>Unit</u>
Landing fees:	\$ 2.13	\$ 2.70	\$ 2.45	\$ 2.18	\$ 2.87	per 1,000 lbs. MGLW ⁽²⁾
Terminal rental rates:						
<u>Group A</u>						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	287,230	273,042	255,345	233,439	251,675	per counter
Common	88	54	73	78	131	per hour
Airline Ticket Office, Club/VIP	195.75	186.08	206.25	218.88	316.71	per sq. ft.
Holdroom (gate)						
Preferential	883,722	763,701	632,610	720,993	963,503	per gate
Common	552	521	633	492	660	per turn
<u>Group B</u>						
Baggage claim ⁽³⁾	156.60	148.86	165.00	175.11	253.37	per sq. ft.
<u>Group C</u>						
Baggage make-up ⁽⁴⁾ /Operations space	97.87	93.04	103.12	109.44	158.36	per sq. ft.

⁽¹⁾ A new Airline Agreement went into effect on July 1, 2019, which changed the methodology for determining some of the rates and charges.

⁽²⁾ MGLW - Maximum Gross Landing Weight.

⁽³⁾ The baggage claim requirement is allocated among the airlines using the 20/80 formula. 20% of the revenue requirement is divided equally among the domestic airlines. The remaining 80% of the revenue requirement is distributed among the airlines based on the number of domestic deplaned passengers.

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

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

Schedule D
(Concluded)

	<u>2021⁽⁵⁾</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Unit</u>
Landing fees:	\$ 4.30	\$ 4.00	\$ 3.78	\$ 3.98	\$ 5.13	per 1,000 lbs. MGLW ⁽²⁾
Terminal rental rates:						
<u>Group A</u>						
Ticket counter and queuing,						
skycap/curbside check-in						
Preferential	283,872	243,826	265,329	288,756	315,682	per counter
Common	149	161	176	195	225	per hour
Airline Ticket Office, Club/VIP	283.68	246.54	268.28	309.10	338.32	per sq. ft.
Holdroom (gate)						
Preferential	967,624	991,845	974,923	1,088,134	1,188,282	per gate
Common	663	722	787	903	1,039	per turn
<u>Group B</u>						
Baggage claim ⁽³⁾	226.95	197.23	214.63	247.28	270.66	per sq. ft.
<u>Group C</u>						
Baggage make-up ⁽⁴⁾ /Operations space	141.84	123.27	134.14	154.55	169.16	per sq. ft.

⁽⁴⁾ The baggage make-up requirement is allocated among the airlines using the 20/80 formula. 20% of the revenue requirement is divided equally among all airlines. The remaining 80% of the revenue requirement is distributed among the airlines based on the number of all enplaned passengers.

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

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

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

Schedule E
(Continued)

	2016 ⁽²⁾	2017	2018	2019	2020
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds ⁽³⁾	\$ 1,313,480	\$ 1,229,545	\$ 1,187,645	\$ 1,158,730	\$ 1,127,690
Commercial paper notes	34,672	25,461	7,509	52,216	51,930
Lease liabilities ⁽⁴⁾	-	-	-	-	-
Subscription liabilities ⁽⁵⁾	-	-	-	-	-
Total outstanding debt	1,348,152	1,255,006	1,195,154	1,210,946	1,179,620
Enplaned passengers	5,088	5,740	6,725	7,462	5,660
Total outstanding debt per enplaned passenger (not in 000's)	\$ 265	\$ 219	\$ 178	\$ 162	\$ 208
Total outstanding bond & commercial paper per enplaned passenger (not in 000's)	\$ 265	\$ 219	\$ 178	\$ 162	\$ 208
Debt service					
Revenue bonds ⁽⁶⁾	\$ 95,452	\$ 95,660	\$ 103,766	\$ 92,501	\$ 93,258
Commercial paper notes ^{(7) (8)}	2,116	1,728	686	317	593
Total debt service	97,568	97,388	104,452	92,818	93,851
Less: Funds available for debt service					
Passenger facility charges	24,829	24,789	24,792	27,026	27,479
Customer facility charges ^{(2) (9)}	17,701	18,026	18,364	18,704	19,057
Unspent bond proceeds ^{(9) (11)}	11,083	4,295	-	-	-
Series 2007 Bond Reserve Fund ⁽¹⁰⁾	-	-	7,411	-	-
Net debt service	\$ 43,955	\$ 50,278	\$ 53,885	\$ 47,088	\$ 47,315
Net debt service per enplaned passenger (not in 000's)	\$ 8.64	\$ 8.76	\$ 8.01	\$ 6.31	\$ 8.36

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

⁽²⁾ CFC revenues available for debt service were restated in FY 16 to be limited to the amount of CFC eligible debt service.

⁽³⁾ Outstanding revenue bond debt was restated in FY 16 through FY 22 to exclude unamortized premiums and discounts.

⁽⁴⁾ Lease liabilities were added related to GASB Statement No. 87, which was implemented in FY 22 and restated for FY 21.

⁽⁵⁾ Subscription liabilities were added related to GASB Statement No. 96, which was implemented in FY 23 and restated for FY 22.

⁽⁶⁾ 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.

⁽⁷⁾ As required by the Letter of Credit and Reimbursement Agreements related to the Airport's Commercial Paper (CP) Program, the principal amount of the CP is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective project to which such obligations relate or the date of issuance if the CP proceeds were not used for a project. As also required, the interest rate on the CP is assumed to be equal to an interest rate calculated by multiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor.

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

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

Schedule E
(Concluded)

	2021	2022	2023	2024 ⁽¹²⁾	2025
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds ⁽³⁾	\$ 1,048,925	\$ 1,047,025	\$ 1,044,800	\$ 1,020,645	\$ 990,568
Commercial paper notes	51,930	34,112	10,000	27,728	20,056
Lease liabilities ⁽⁴⁾	195	94	101	97	-
Subscription liabilities ⁽⁵⁾	-	2,947	2,191	1,593	747
Total outstanding debt	1,101,050	1,084,178	1,057,092	1,050,063	1,011,371
Enplaned passengers	2,126	4,911	6,065	5,963	5,681
Total outstanding debt per enplaned passenger (not in 000's)	\$ 518	\$ 221	\$ 174	\$ 176	\$ 178
Total outstanding bond & commercial paper per enplaned passenger (not in 000's)	\$ 518	\$ 220	\$ 174	\$ 176	\$ 178
Debt service					
Revenue bonds ⁽⁶⁾	\$ 93,907	\$ 45,705	\$ 47,482	\$ 69,405	\$ 73,660
Commercial paper notes ⁽⁷⁾⁽⁸⁾	586	1,876	331	357	1,492
Total debt service	94,493	47,581	47,813	69,762	75,152
Less: Funds available for debt service					
Passenger facility charges	14,339	12,420	13,640	23,072	23,788
Customer facility charges ⁽²⁾⁽⁹⁾	11,142	8,000	8,998	9,995	11,999
Unspent bond proceeds ⁽⁹⁾⁽¹¹⁾	23	-	-	-	-
Series 2007 Bond Reserve Fund ⁽¹⁰⁾	-	-	-	-	-
Net debt service	\$ 68,989	\$ 27,161	\$ 25,175	\$ 36,695	\$ 39,365
Net debt service per enplaned passenger (not in 000's)	\$ 32.45	\$ 5.53	\$ 4.15	\$ 6.15	\$ 6.93

⁽⁸⁾ Includes letter of credit fees associated with subordinated commercial paper.

⁽⁹⁾ Under the MTA, the Airport may for any period elect to designate CFCs and Unspent Bond Proceeds as Other Available Funds eligible for payment of debt service.

⁽¹⁰⁾ 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.

⁽¹¹⁾ 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.

⁽¹²⁾ FY 24 debt service amounts have been revised to show corrected information.

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

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

Schedule F

	Adjusted General Airport Revenues ⁽¹⁾	Operating Expenses ^{(2) (3)}	Net Revenues	Other Available Funds ⁽⁷⁾	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
2016	\$ 145,809	\$ 73,118	\$ 72,691	\$ 71,466 ⁽⁸⁾	\$ 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 ⁽⁹⁾	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	93,907 ⁽¹¹⁾	14,339	78,379	1.82	586	1.81
2022 ⁽¹²⁾	213,330	97,717	115,613	32,226	147,840	45,705	12,420	33,285	4.44	1,876	4.20
2023	235,654	105,362	130,292	43,987	174,279	47,482	13,640	33,842	5.15	331	5.10
2024 ⁽¹³⁾	245,012	116,541	128,471	29,429	157,900	69,405	23,072	46,333	3.41	357	3.38
2025	265,341	121,815	143,526	35,444	178,970	73,660	23,788	49,872	3.59	1,492	3.48

⁽¹⁾ Does not include Passenger Facility Charges (PFC) revenues, Airport Improvement Program (AIP) grant proceeds, or Customer Facility Charges (CFC) revenues classified as nonoperating revenues. PFC revenues and AIP grant proceeds are included in the Statements of Revenues, Expenses, and Changes in Net Position as nonoperating revenues. CFC revenues are recorded as operating and nonoperating revenues. Between July 1, 2016 and June 30, 2019, the Airport used a portion of CFC revenues to pay for the transportation costs, which is recorded as operating revenue. CFC revenues are recorded as nonoperating revenues for the amount that exceeds the annual debt service on the Airport Revenue Bond Series 2021C (refunding of 2011B). The Airport did not expend CFC revenues on the transportation costs in the fiscal years ended June 30, 2021 and June 30, 2020. The Airport was awarded \$65.6 million of funding from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES), which became law on March 27, 2020, to assist with the economic crisis caused by the COVID-19 pandemic. The Airport was also awarded \$13.4 million in the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) funds on March 22, 2021, which will be used to pay for operating expenses. In August 2021, the Airport was notified that the CRRSA agreement would be amended to increase the award by \$11,095. An additional \$1.6 million in CRRSA funding was awarded to provide relief from rent and minimum annual guarantees to on-airport car rental and in-terminal airport concessions. In March 2021, the Airport was also awarded \$48.9 million in American Rescue Plan (ARP Act) funds to use for operating expenses and an additional \$6.6 million to provide relief to in-terminal airport concessions. In fiscal year (FY) 2021, the Airport used \$53.5 million of CARES funding toward debt service payments and payroll expenses and received reimbursement for the full \$1.6 million in concession relief. Both CARES and CRRSA funding are classified as nonoperating revenue in the Statements of Revenues, Expenses, and Changes in Net Position in accordance with Government Accounting Standard Board (GASB) Technical Bulletin 2020-1. In FY 22, the Airport used \$6.6 million in ARP Act to provide relief to eligible in-terminal airport concessions. Grants funding is available for any purpose for which the Airport revenues may lawfully be used per the Master Trust Agreement (MTA). Therefore, they are classified as General Airport Revenue and included in operating revenue for the purpose of debt service coverage. The Airport used \$28.9 million, \$10.0 million, and \$10.0 million from the ARP Act funds for Airport operating expenses in FY 23, FY 24, and FY 25, respectively.

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

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

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

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

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

⁽⁷⁾ Other Available Funds include the Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior FY, unspent bond proceeds in FY 16 through FY 17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

⁽⁸⁾ Other Available Funds was restated to include CFC revenues available for debt service not to exceed the amount of CFC eligible debt service and transportation costs.

⁽⁹⁾ FY 18 operating expenses were revised to exclude expenses related to GASB Statement No. 75.

⁽¹⁰⁾ FY 21 amounts were revised to reflect restated revenues and expenses related to GASB Statement No. 87.

⁽¹¹⁾ FY 21 total bond debt service amount was revised to reflect total gross bond debt service payments.

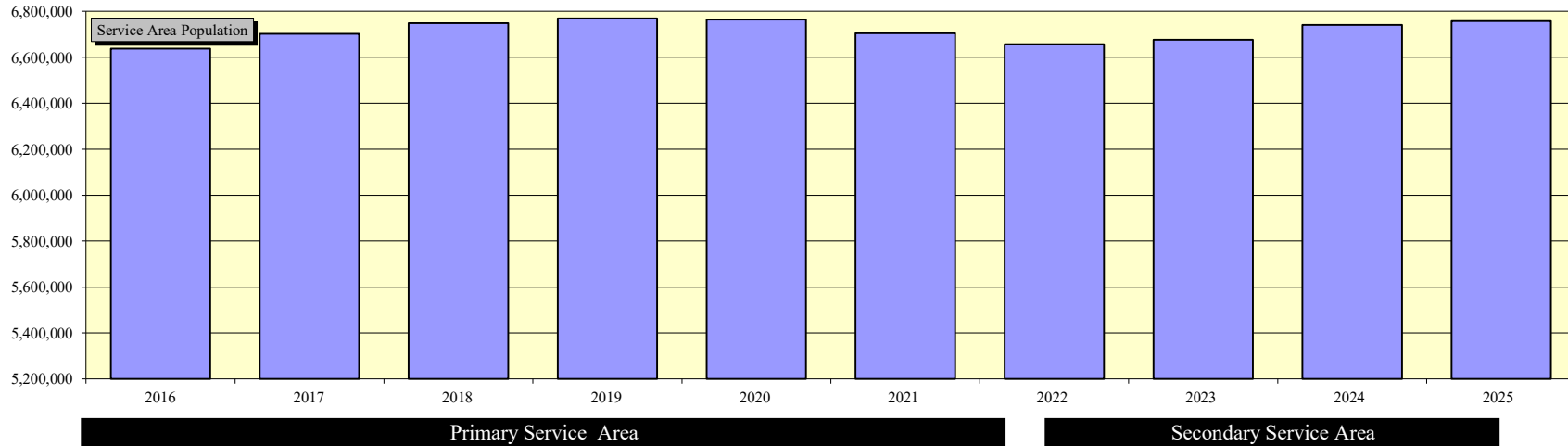
⁽¹²⁾ FY 22 amounts were revised to reflect restated expenses related to GASB Statement No. 96.

⁽¹³⁾ FY 24 amounts were revised to reflect restated expenses related to GASB Statement No. 101.

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

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

Schedule G



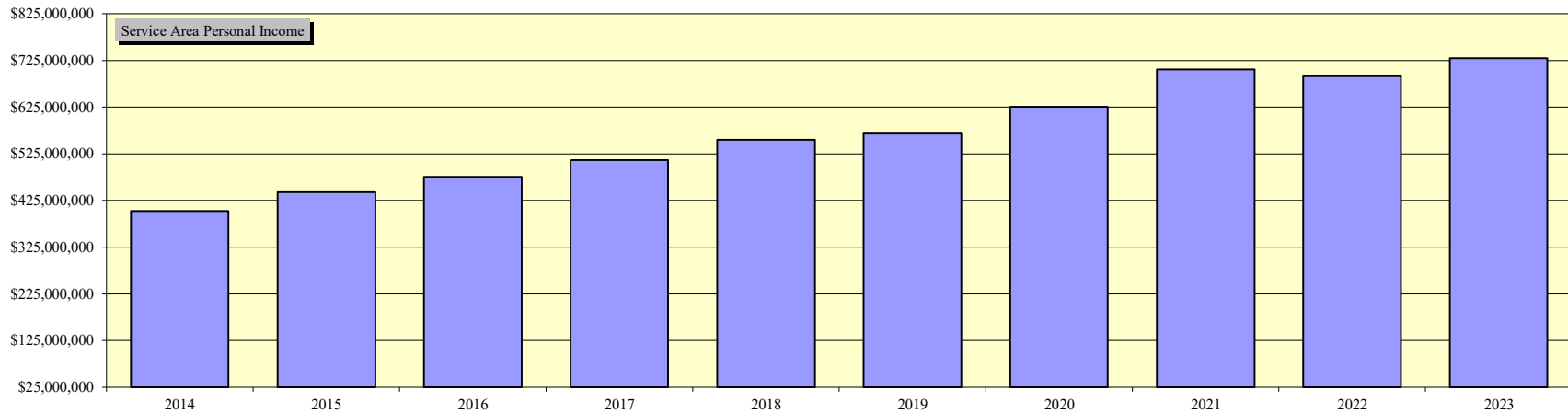
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2016	1,629,233	438,171	56,621	765,895	1,922,619	275,557	271,547	735,677	541,466	6,636,786
2017	1,646,405	442,149	56,879	770,256	1,937,473	276,504	275,104	747,263	549,976	6,702,009
2018	1,656,884	442,940	60,841	772,372	1,947,798	276,071	279,424	757,279	554,108	6,747,717
2019	1,664,783	441,304	61,513	774,231	1,954,833	272,501	280,735	765,556	554,018	6,769,474
2020	1,663,114	440,393	62,486	771,061	1,945,166	270,373	283,352	773,505	554,931	6,764,381
2021	1,662,370	435,721	64,769	751,596	1,907,693	266,553	281,874	782,372	551,737	6,704,685
2022	1,644,248	433,964	65,543	740,821	1,890,967	264,912	284,130	782,811	548,719	6,656,115
2023	1,650,656	433,953	65,165	745,302	1,902,799	263,338	285,193	783,903	545,753	6,676,062
2024 ⁽¹⁾	1,658,061	436,613	66,514	747,777	1,921,406	263,454	291,752	802,328	553,614	6,741,519
2025	1,662,482	438,831	66,822	748,337	1,922,259	263,710	293,080	805,856	555,765	6,757,142

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

Source: California Department of Finance, Demographic Research Unit

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

Schedule H



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2014	\$ 93,290,149	\$ 20,028,430	\$ 2,364,002	\$ 69,717,150	\$ 147,251,454	\$ 14,814,476	\$ 9,197,957	\$ 26,089,638	\$ 19,869,327	\$ 402,622,583
2015	102,742,614	22,142,878	2,622,190	77,283,538	163,034,586	15,911,723	9,683,705	28,279,556	21,578,734	443,279,524
2016	111,354,955	22,828,552	2,870,816	82,046,470	178,029,092	16,766,106	9,913,086	30,102,917	22,360,836	476,272,830
2017	118,655,307	23,511,124	3,067,422	90,249,278	193,680,090	17,854,678	10,320,877	31,475,861	23,094,445	511,909,082
2018	128,728,021	24,576,499	3,235,448	98,568,258	213,221,976	18,697,119	10,696,798	33,634,157	23,915,119	555,273,395
2019	131,535,494	24,505,664	3,316,389	101,056,496	220,402,406	18,825,262	10,517,004	34,327,494	23,860,986	568,347,195
2020	149,239,559	26,794,525	3,971,313	108,469,755	237,047,825	20,866,180	12,390,335	40,404,026	27,153,448	626,336,966
2021	162,176,203	28,333,347	4,143,744	129,090,019	272,711,739	23,183,258	13,532,782	43,999,624	28,820,142	705,990,858
2022 ⁽²⁾	164,187,433	28,280,705	4,212,450	118,715,807	268,052,614	22,005,209	13,325,802	44,768,456	28,163,193	691,711,669
2023	173,018,284	29,695,203	4,520,677	125,533,945	283,522,548	23,168,187	13,619,268	47,545,901	29,258,030	729,882,043

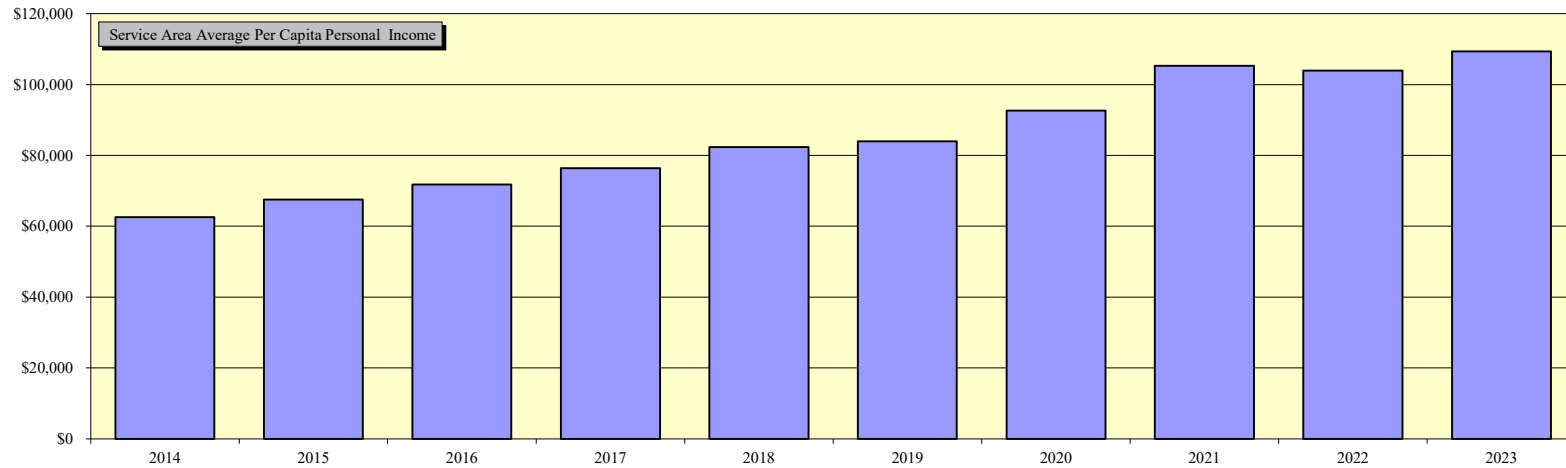
⁽¹⁾ Information for calendar years 2024 and 2025 is not available.

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

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

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

Schedule I



Years	Primary Service Area						Secondary Service Area			Average PCPI ⁽³⁾
	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	
2014	\$ 57,842	\$ 46,438	\$ 40,543	\$ 91,935	\$ 77,663	\$ 54,585	\$ 34,567	\$ 36,483	\$ 37,352	\$ 62,504
2015	62,926	51,256	44,844	101,264	85,354	58,151	36,255	39,087	40,305	67,527
2016	67,356	52,316	48,383	106,615	92,168	60,924	36,868	40,996	41,305	71,763
2017	71,560	53,989	50,955	117,389	100,177	64,901	38,037	42,391	42,354	76,381
2018	77,233	56,634	52,637	128,230	110,344	68,277	39,018	44,697	43,631	82,291
2019	78,839	56,545	52,806	132,133	114,649	68,990	37,952	45,075	43,402	83,957
2020	88,841	61,105	61,564	142,264	122,785	77,181	43,980	51,766	49,128	92,593
2021	98,657	64,799	62,148	174,668	144,552	88,997	47,574	55,827	52,130	105,298
2022 ⁽²⁾	100,836	65,331	62,275	162,863	142,708	83,277	45,918	56,363	51,092	103,921
2023	106,657	68,943	66,310	172,828	151,003	88,581	46,654	59,361	53,058	109,328

⁽¹⁾ Information for calendar years 2024 and 2025 is not available.

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

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

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

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

Schedule J

Company or Organization	2025			2016		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	24,000	1	4.7%	17,800	1	3.4%
City of San José ⁽¹⁾	8,053	2	1.6%	6,679	3	1.3%
Cisco Systems, Inc.	7,500	3	1.5%	14,000	2	2.7%
Kaiser Permanente	4,400	4	0.9%	2,100	10	0.4%
San José State University	4,300	5	0.8%	4,300	4	0.8%
Broadcom Inc. ⁽²⁾	3,206	6	0.6%	1,700	13	0.3%
Second Harvest of Silicon Valley ⁽³⁾	3,004	7	0.6%	n/a	n/a	n/a
Paypal Inc.	2,748	8	0.5%	2,800	7	0.5%
Adobe Inc.	2,604	9	0.5%	2,100	9	0.4%
Target Corporation	2,460	10	0.5%	1,900	12	0.4%
Super Micro Computer, Inc. ⁽³⁾	2,422	11	0.5%	n/a	n/a	n/a
eBay Inc.	2,364	12	0.5%	2,800	6	0.5%
Western Digital Corporation	2,221	13	0.4%	3,000	5	0.6%
IBM Corporation	1,854	14	0.4%	2,800	8	0.5%
Good Samaritan Hospital	1,850	15	0.4%	2,000	11	0.4%

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

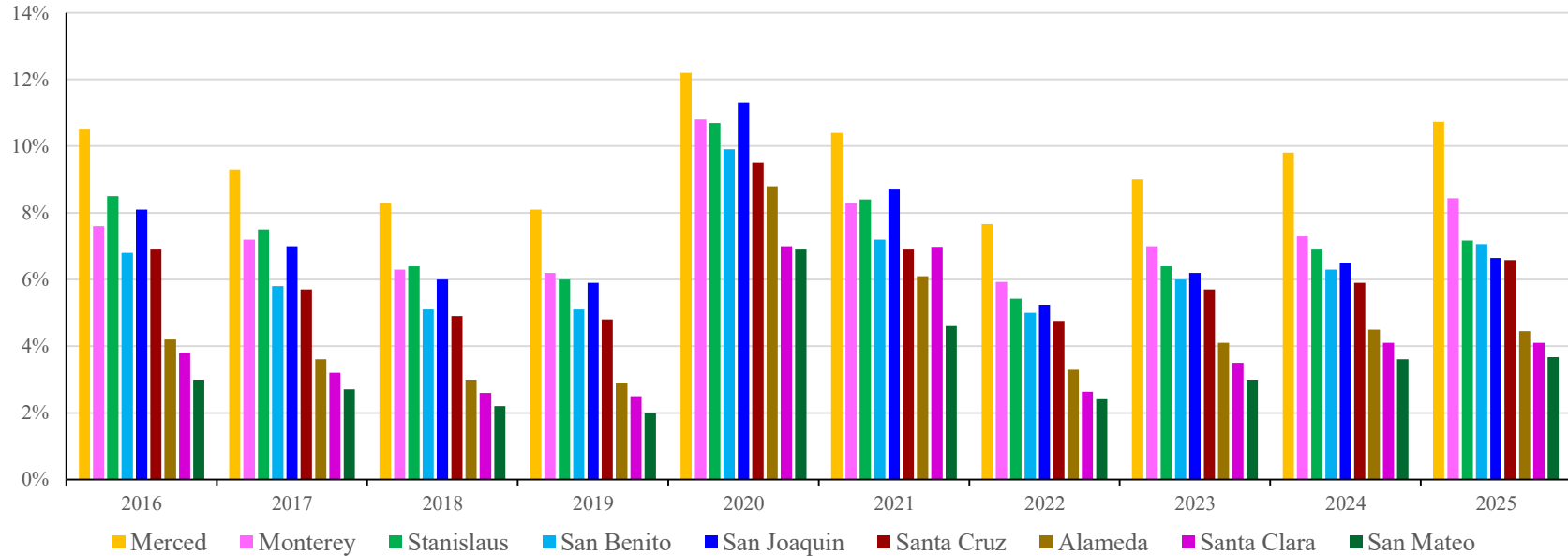
⁽²⁾ Broadcom Inc. completed the acquisition of Brocade Communications Systems in November 2017. FY 16 ACFR lists Brocade Communications Systems Inc's ranking as No. 13.

⁽³⁾ Companies or organizations not included in top 15 principal employers in FY 16.

Source: California Employment Development Department, Labor Market Information Division
City of San José Finance Department (payroll division)
City of San José FY 25 Proposed Operating Budget
City of San José FY 16 ACFR

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

Schedule K



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

⁽²⁾ Information for 2025 is the average of January through June 2025.

Source: California Employment Development Department, Labor Market Information Division

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

Schedule L

<u>Functional Area</u>	Budgeted Full-time-Equivalent ⁽¹⁾ Employees as of Fiscal Year-End									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Administration	28	30	30	31	32	30	30	32	32	33
Air service development	1	1	1	1	1	1	1	1	1	1
Airport technology services	13	11	11	11	11	11	12	13	14	14
Airside operations	43	51	51	50	52	53	53	53	53	53
Customer service and outreach	8	10	10	11	13	11	11	11	11	10
Capital and airport development	18	19	19	20	21	20	20	21	21	23
Environmental	1	2	2	2	2	2	2	2	3	3
Facilities (building services, trades, and maintenance)	61	68	68	70	73	66	66	68	70	68
Landside operations and services	8	9	9	10	10	10	10	11	11	11
Property management	8	10	10	10	11	10	10	11	12	12
	<u>189</u>	<u>211</u>	<u>211</u>	<u>216</u>	<u>226</u>	<u>214</u>	<u>215</u>	<u>223</u>	<u>228</u>	<u>228</u>

⁽¹⁾ A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.
Totals may not add due to rounding.

Source: Finance and Administration, San José Mineta International Airport

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT INFORMATION
JUNE 30, 2025

Schedule M

Location:	Four miles north of downtown San José, "Capital of Silicon Valley"		
Area:	1,124 acres		
Elevation:	62.2 ft.		
Airport Code:	SJC		
Runways:	12R/30L	North/South	11,000 × 150 ft. ILS/VOR/GPS
	12L/30R	North/South	11,000 × 150 ft. GPS (VOR 30R only)
Terminal:	Airlines		282,547 sq. ft.
	Concessions and Other Rentables		79,246 sq. ft.
	Public/Common		545,569 sq. ft.
	Vacant		22,312 sq. ft.
	Other		98,413 sq. ft.
	Total		<u>1,028,087 sq. ft.</u>
	Number of passenger gates - Terminal A and FIS		16
	Number of passenger gates - Terminal B		20
	Number of loading bridges		36
	Number of open concessionaires in terminal		46
	22 Food & Beverage Concessions		
	24 Retail Concessions		
	Number of rental car brands		11
Apron:	Commercial Airlines		1,330,140 sq. ft.
	Cargo Airlines		596,482 sq. ft.
	Fixed Base Operator (FBO) and		
	Specialized Aviation Service Operator (SASO)		1,515,294 sq. ft.
	General Aviation West		308,218 sq. ft.
	Total		<u>3,750,134 sq. ft.</u>
Public Parking			
Spaces:	Lot 1 (Economy Lot 1)		2,495
	Lot 2 (Terminal A Garage)		953
	Lot 3 (Terminal B Garage & Surface)		346
	Lot 4		732
	Lot 5		937
	Total		<u>5,463</u>
Cargo:	Air Freight Building		19,112 sq. ft.
International:	Customs / Federal Inspection Service Facility		
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7		
FBOs:	Atlantic Aviation		
	Signature Flight Support		
SASO:	AvBase		
	SJC Hangars		

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

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2025 Results)

Schedule N
(Continued)

<u>Airline</u>	2016		2017		2018		2019		2020	
	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>
Southwest Airlines	2,507,648	49.3%	2,607,667	45.4%	3,050,314	45.4%	3,569,213	47.8%	2,893,513	51.1%
Alaska Airlines ⁽¹⁾	795,136	15.6%	988,852	17.2%	1,183,145	17.6%	1,416,446	19.0%	1,004,249	17.7%
Delta Airlines ⁽²⁾	551,084	10.8%	648,825	11.3%	701,037	10.4%	783,809	10.5%	640,408	11.3%
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
American Airlines ⁽³⁾	642,626	12.6%	634,827	11.1%	628,683	9.3%	606,477	8.1%	443,899	7.8%
United Airlines ⁽⁴⁾	184,570	3.6%	237,281	4.1%	314,024	4.7%	323,965	4.3%	215,104	3.8%
Volaris	58,385	1.1%	61,585	1.1%	60,602	0.9%	91,784	1.2%	89,250	1.6%
Frontier Airlines	-	-	-	-	80,943	1.2%	99,539	1.3%	52,646	0.9%
Hawaiian Airlines	164,088	3.2%	153,379	2.7%	169,044	2.5%	143,314	1.9%	88,139	1.6%
ZIPAIR	-	-	-	-	-	-	-	-	-	-
JetBlue Airways	73,950	1.5%	151,587	2.6%	222,987	3.3%	155,313	2.1%	92,699	1.6%
British Airways	9,872	0.2%	54,145	0.9%	54,092	0.8%	59,099	0.8%	37,503	0.7%
Air Canada	6,882	0.1%	46,701	0.8%	57,145	0.8%	56,389	0.8%	37,232	0.7%
All Nippon Airways	49,717	1.0%	49,160	0.9%	49,735	0.7%	48,901	0.7%	31,735	0.6%
Hainan Airlines	34,939	0.7%	44,123	0.8%	38,995	0.6%	42,025	0.6%	23,111	0.4%
AeroMexico	-	-	-	-	51,326	0.8%	34,761	0.5%	5,670	0.1%
Lufthansa	-	-	40,490	0.7%	30,057	0.4%	17,756	0.2%	-	-
Air China	-	-	15,511	0.3%	25,829	0.4%	4,436	0.1%	-	-
All other airlines ⁽⁵⁾	8,808	0.2%	5,636	0.1%	7,169	0.1%	8,899	0.1%	4,909	0.1%
Total ⁽⁶⁾	<u>5,087,705</u>	<u>100%</u>	<u>5,739,769</u>	<u>100%</u>	<u>6,725,127</u>	<u>100%</u>	<u>7,462,126</u>	<u>100%</u>	<u>5,660,067</u>	<u>100%</u>

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

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

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

Source: San José Mineta International Airport activity reports

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2025 Results)

Schedule N
(Concluded)

<u>Airline</u>	2021		2022		2023		2024		2025	
	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>	<u>Enplanements</u>	<u>% of Total</u>
Southwest Airlines	1,151,709	54.2%	2,800,739	57.0%	3,727,889	61.5%	3,512,597	58.9%	3,072,408	54.1%
Alaska Airlines ⁽¹⁾	394,867	18.6%	888,396	18.1%	964,487	15.9%	790,163	13.3%	755,250	13.3%
Delta Airlines ⁽²⁾	159,862	7.5%	421,620	8.6%	489,224	8.1%	540,933	9.1%	532,793	9.4%
Spirit Airlines	-	-	-	-	13,040	0.2%	211,193	3.5%	367,143	6.5%
American Airlines ⁽³⁾	195,189	9.2%	300,852	6.1%	297,814	4.9%	279,177	4.7%	259,590	4.6%
United Airlines ⁽⁴⁾	69,106	3.3%	192,677	3.9%	201,302	3.3%	241,915	4.1%	223,379	3.9%
Volaris	90,049	4.2%	131,547	2.7%	147,254	2.4%	169,066	2.8%	162,673	2.9%
Frontier Airlines	15,010	0.7%	6,847	0.1%	-	-	-	-	126,331	2.2%
Hawaiian Airlines	42,474	2.0%	107,849	2.2%	114,200	1.9%	103,394	1.7%	120,387	2.1%
ZIPAIR	-	-	-	-	29,041	0.5%	55,055	0.9%	45,901	0.8%
JetBlue Airways	3,726	0.2%	50,761	1.0%	31,796	0.5%	36,706	0.6%	8,393	0.1%
British Airways	-	-	2,965	0.1%	41,759	0.7%	16,065	0.3%	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
All Nippon Airways	-	-	-	-	-	-	-	-	-	-
Hainan Airlines	-	-	-	-	-	-	-	-	-	-
AeroMexico	-	-	-	-	-	-	-	-	-	-
Lufthansa	-	-	-	-	-	-	-	-	-	-
Air China	-	-	-	-	-	-	-	-	-	-
All other airlines ⁽⁵⁾	3,831	0.2%	6,953	0.1%	7,669	0.1%	7,003	0.1%	6,530	0.1%
Total ⁽⁶⁾	<u>2,125,823</u>	<u>100%</u>	<u>4,911,206</u>	<u>100%</u>	<u>6,065,475</u>	<u>100%</u>	<u>5,963,267</u>	<u>100%</u>	<u>5,680,778</u>	<u>100%</u>

⁽⁴⁾ Includes enplaned passengers on flights operated by Skywest and GoJet.

⁽⁵⁾ Consists of charter airlines and airlines no longer serving the Airport.

⁽⁶⁾ Percentage totals may not add due to rounding.

Source: San José Mineta International Airport activity reports

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

Schedule O

<u>Airline⁽¹⁾</u>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	864,768	1,127,836	1,359,717	1,682,496	1,334,216	726,375	1,090,775	1,114,145	912,184	893,457
All Nippon Airways	140,925	138,790	141,175	139,285	100,995	-	-	-	-	-
American Airlines	726,312	730,283	735,296	688,165	528,987	272,518	346,462	306,202	291,268	274,484
British Airways	24,650	152,150	138,460	146,625	98,175	-	5,835	117,700	38,895	-
Delta Airlines	677,209	829,238	849,208	894,266	810,877	328,342	537,224	571,494	622,109	648,972
Frontier Airlines	-	-	80,893	94,850	53,660	26,802	5,561	-	-	150,386
Hainan Airlines	80,559	97,695	82,815	85,785	56,534	12,368	-	-	-	-
Hawaiian Airlines	230,052	206,901	229,459	184,495	95,472	69,248	127,864	126,415	110,875	125,716
JetBlue Airways	82,039	199,784	302,960	216,553	135,081	4,379	61,730	34,656	40,494	8,777
Lufthansa	-	99,364	62,646	35,556	-	-	-	-	-	-
Southwest Airlines	2,976,117	3,161,461	3,635,596	4,223,415	3,944,466	2,052,349	3,494,415	4,695,143	4,218,387	3,843,568
Spirit Airlines	-	-	-	-	-	-	-	14,085	223,815	405,548
United Airlines	214,585	268,074	353,304	347,168	259,896	103,010	229,038	240,142	294,685	290,562
Volaris	59,565	61,549	61,549	96,214	98,045	101,256	141,140	147,730	160,538	164,024
ZIPAIR	-	-	-	-	-	-	-	51,300	101,840	76,760
All other airlines	29,020	19,857	27,580	29,505	17,826	18,555	31,581	36,855	30,050	29,880
Subtotal	<u>6,113,904</u>	<u>7,202,172</u>	<u>8,244,933</u>	<u>8,984,703</u>	<u>7,591,258</u>	<u>3,715,202</u>	<u>6,071,623</u>	<u>7,455,867</u>	<u>7,045,138</u>	<u>6,912,134</u>
<u>Cargo Carriers</u>										
Fedex	164,527	149,908	146,996	147,188	143,939	122,582	86,622	108,968	137,348	94,889
United Parcel Service	101,377	98,944	100,450	97,171	89,692	87,193	111,040	118,744	85,052	79,321
All other cargo airlines	440	168	161	82	-	630	-	-	-	-
Subtotal	<u>266,344</u>	<u>249,020</u>	<u>247,607</u>	<u>244,440</u>	<u>233,630</u>	<u>210,406</u>	<u>197,662</u>	<u>227,712</u>	<u>222,401</u>	<u>174,210</u>
Total	<u>6,380,248</u>	<u>7,451,193</u>	<u>8,492,540</u>	<u>9,229,143</u>	<u>7,824,888</u>	<u>3,925,608</u>	<u>6,269,285</u>	<u>7,683,578</u>	<u>7,267,538</u>	<u>7,086,344</u>

⁽¹⁾ See notes on Schedule N.

Totals may not add due to rounding.

Source: San José Mineta International Airport activity reports

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

Schedule P

<u>Airline⁽¹⁾</u>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AeroMexico	-	-	722	526	64	-	-	-	-	-
Air Canada	214	1,538	1,920	1,952	1,396	-	-	-	-	-
Air China	-	256	306	48	-	-	-	-	-	-
Alaska Airlines	14,314	20,330	25,400	30,784	23,948	14,764	20,242	20,090	16,412	16,580
All Nippon Airways	732	730	730	730	528	-	-	-	-	-
American Airlines	12,356	12,042	12,256	11,452	8,614	3,844	5,674	4,958	4,812	4,598
British Airways	116	716	652	690	462	-	30	574	204	-
Delta Airlines	14,300	15,958	16,496	17,338	14,872	7,848	11,010	10,896	12,172	13,176
Frontier Airlines	-	-	1,132	1,294	682	358	74	-	-	1,922
Hainan Airlines	424	504	420	420	268	60.00	-	-	-	-
Hawaiian Airlines	1,462	1,324	1,466	1,454	1,078	788	1,462	1,448	1,270	1,440
JetBlue Airways	1,146	2,740	4,126	2,924	1,856	58	826	490	606	134
Lufthansa	-	476	296	168	-	-	-	-	-	-
Southwest Airlines	46,918	48,538	55,466	64,484	59,594	29,792	51,234	68,912	61,420	55,820
Spirit Airlines	-	-	-	-	-	-	-	190	3,026	5,416
United Airlines	3,444	4,042	5,624	5,434	4,052	2,102	3,670	3,496	3,962	4,044
Volaris	820	846	846	1,328	1,352	1,392	1,940	1,994	2,104	2,212
ZIPAIR	-	-	-	-	-	-	-	270	536	404
All other airlines	394	296	384	428	252	252	472	514	402	364
Subtotal	96,640	110,336	128,242	141,454	119,018	61,258	96,634	113,832	106,926	106,110
<u>Cargo Carriers</u>										
FedEx	936	928	918	916	922	802	510	680	864	532
United Parcel Service	670	664	676	644	572	540	760	842	558	520
All other cargo airlines	8	4	2	2	-	2	-	-	-	-
Subtotal	1,614	1,596	1,596	1,562	1,494	1,344	1,270	1,522	1,422	1,052
Total	98,254	111,932	129,838	143,016	120,512	62,602	97,904	115,354	108,348	107,162

⁽¹⁾ See notes on Schedule N.

Source: San José Mineta International Airport activity reports

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

Schedule Q
(Continued)

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

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

Schedule Q
(Concluded)

CARRIER

NONSTOP SERVICE

SCHEDULED DOMESTIC AIRLINE SERVICE

Southwest Airlines

Las Vegas (LAS)
Long Beach (LGB)
Los Angeles (LAX)
Nashville (BNA)
Ontario (ONT)
Palm Springs (PSP)
Phoenix (PHX)
Portland (PDX)
Reno (RNO)
Salt Lake City (SLC)
San Diego (SAN)
Santa Ana (SNA)
Seattle (SEA)
Spokane (GEG)
St. Louis (STL)

United Airlines

Chicago (ORD)
Denver (DEN)
Houston (IAH)

SCHEDULED FOREIGN AIRLINE SERVICE

Alaska Airlines

Guadalajara (GDL)
Los Cabos (SJD)
Puerto Vallarta (PVR)

Volaris

Guadalajara (GDL)
León (BJX)
Morelia (MLM)
Zacatecas (ZCL)

ZIPAIR

Tokyo (NRT)

ALL-CARGO AIRLINES

Federal Express Corporation

United Parcel Service

Source: San José Mineta International Airport activity reports

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

Schedule R

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Passengers (1,000's):										
Enplanements	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963	5,681
Deplanements	5,125	5,775	6,765	7,488	5,669	2,100	4,903	6,063	5,978	5,695
Total Passengers	<u>10,213</u>	<u>11,515</u>	<u>13,490</u>	<u>14,950</u>	<u>11,329</u>	<u>4,226</u>	<u>9,814</u>	<u>12,128</u>	<u>11,941</u>	<u>11,376</u>
Mail/freight/cargo (1,000 lbs):										
Mail	1,786	1,856	4,132	3,497	760	1,474	1,851	1,629	1,051	32
Freight/express	22,344	42,126	43,228	42,402	27,287	10,321	8,477	16,135	16,093	12,101
Cargo	92,294	78,013	74,868	68,887	69,556	68,924	61,025	55,460	46,895	47,805
Total mail/freight/cargo	<u>116,424</u>	<u>121,995</u>	<u>122,228</u>	<u>114,786</u>	<u>97,603</u>	<u>80,719</u>	<u>71,353</u>	<u>73,224</u>	<u>64,039</u>	<u>59,938</u>

Source: San José Mineta International Airport activity reports

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

Schedule S

Fiscal Year	Air Carrier Operations ⁽²⁾	Cargo Operations	Total Commercial Operations	Percent Commercial Operations	General Aviation Operations ⁽³⁾	Military Operations	Total Operations
2016	96,640	1,614	98,254	74.7%	33,048	259	131,561
2017	110,336	1,596	111,932	76.3%	34,551	239	146,722
2018	128,242	1,596	129,838	78.3%	35,664	249	165,751
2019	141,454	1,562	143,016	74.5%	48,762	230	192,008
2020	119,018	1,494	120,512	71.6%	47,724	148	168,384
2021	61,258	1,344	62,602	56.1%	48,959	99	111,660
2022	96,634	1,270	97,904	64.7%	53,125	204	151,233
2023	113,832	1,522	115,354	68.5%	52,900	26	168,280
2024	106,926	1,422	108,348	66.2%	55,276	137	163,761
2025	106,110	1,052	107,162	66.1%	54,843	129	162,134

Annual compound growth rate

FY 2016 through FY 2025

0.9%	(4.2)%	0.9%	5.2%	(6.7)%	2.1%
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⁽¹⁾ An aircraft operation is defined as the takeoff or landing of an aircraft.

⁽²⁾ Includes domestic, including regional commuter operations, and international airlines.

⁽³⁾ Includes local and itinerant general aviation.

Source: San José Mineta International Airport activity reports

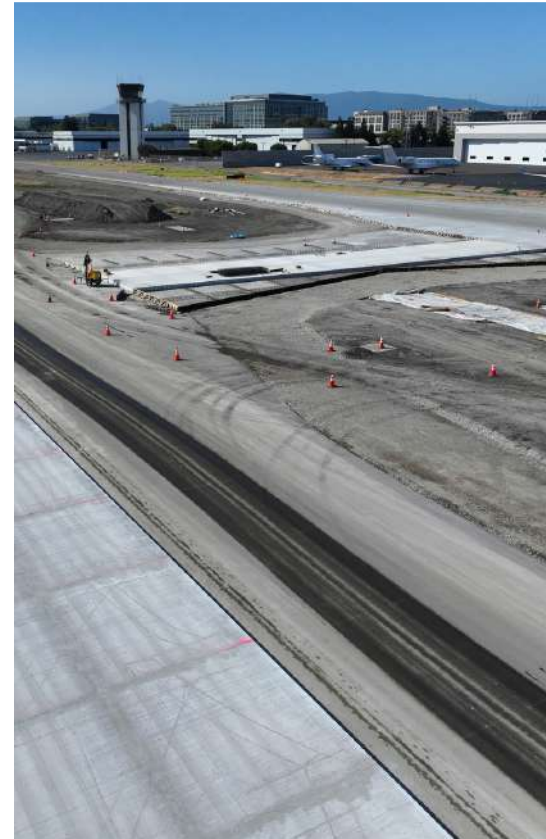
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BOND DISCLOSURE



The 22,600 square foot, state-of-the-art, new Facilities and Vehicle Maintenance Campus officially opened in November 2024. This project relocated the Airport Facilities Division from the east side of the Airport to the west side and includes a new building to house all administration and field personnel, along with storage of materials and equipment required by the division. In March 2025, the buildings were awarded Leadership in Energy and Environmental Design (LEED) Silver certification. LEED is the world's most widely used green building rating system and is a globally recognized symbol of sustainability achievement.

Work continues on the multi-phase construction of the full-length New Taxiway V on the west side of the Airport, which began in April 2023. In addition to prior FAA grant funding, the Airport was awarded an \$18.8 million FAA grant in August 2024 for a portion of Phase 2 of the project.



SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Bond Disclosure Report
June 30, 2025

In accordance with the requirements of the Disclosure Agreements for the City of San José Airport Revenue Bonds Series 2017A, 2017B, 2021A, 2021B, 2021C, and 2024A, the Airport is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule).

In July 2024, the City issued Airport Revenue Refunding Bonds, Series 2024A, to refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 2014A, 2014B, and 2014C (collectively, the Series 2014 Bonds). The remaining balances of the Series 2014 Bonds not included in the refunding were fully called and redeemed in September 2024, thereby terminating the reporting obligations related to those bonds. Additional information about the Airport's revenue bonds can be found in Note 5 to the financial statements.

Section 4 of the Disclosure Agreements requires the City to provide an Annual Report, which is consistent with the requirements of Section 4 of the Disclosure Agreements, no later than 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 - 72 of this report.

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

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 passenger enplanements.

Refer to Table 2, page B-4 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 3, page B-5 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.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Bond Disclosure Report
June 30, 2025

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

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

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

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

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

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

REPORTING OF SIGNIFICANT EVENTS

Airport revenue bond ratings

The underlying ratings of the outstanding Airport Revenue Bonds were "A", "A2", and "A" by Fitch Ratings, Inc. (Fitch), Moody's Investors Service (Moody's), and S&P Global Ratings (S&P), respectively. In August 2023, Moody's updated its credit analysis and retained an "A2" rating with a stable outlook. In March 2025, Fitch reaffirmed its "A" rating with a stable outlook for the Airport Revenue Bonds and maintained an "A-" rating on the bank note associated with the Airport's Subordinated Commercial Paper Notes. In May 2025, S&P also maintained its current "A" rating with a stable outlook.

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

Table 1

Fiscal Year Ending June 30	Total Debt Service on Outstanding Bonds ⁽¹⁾	Principal Requirements on Series 2024A Bonds	Interest Requirements on Series 2024A Bonds	Total Debt Service on Series 2024A Bonds	Total Debt Service
2026	\$ 61,464,243	\$ 7,665,662	\$ 2,486,866	\$ 10,152,528	\$ 71,616,771
2027	54,183,082	16,920,590	2,196,188	19,116,778	73,299,860
2028	53,948,334	17,774,950	1,558,828	19,333,778	73,282,112
2029	65,112,485	7,561,976	880,552	8,442,528	73,555,013
2030	65,109,162	7,851,972	593,807	8,445,779	73,554,941
2031	65,106,226	7,807,714	296,064	8,103,778	73,210,004
2032	74,406,124	-	-	-	74,406,124
2033	82,409,892	-	-	-	82,409,892
2034	82,409,089	-	-	-	82,409,089
2035	78,588,703	-	-	-	78,588,703
2036	78,583,960	-	-	-	78,583,960
2037	78,586,512	-	-	-	78,586,512
2038	78,588,290	-	-	-	78,588,290
2039	78,581,080	-	-	-	78,581,080
2040	78,586,564	-	-	-	78,586,564
2041	78,591,771	-	-	-	78,591,771
2042	48,644,250	-	-	-	48,644,250
2043	48,639,750	-	-	-	48,639,750
2044	48,644,250	-	-	-	48,644,250
2045	48,643,250	-	-	-	48,643,250
2046	48,642,250	-	-	-	48,642,250
2047	48,641,250	-	-	-	48,641,250
Total ⁽²⁾	<u>\$ 1,446,110,517</u>	<u>\$ 65,582,864</u>	<u>\$ 8,012,305</u>	<u>\$ 73,595,169</u>	<u>\$ 1,519,705,686</u>

⁽¹⁾ These amounts pertain to total debt service requirements on outstanding Airport Revenue Bonds Series 2017A, 2017B, 2021A, 2021B, and 2021C.

⁽²⁾ Totals may not add due to rounding.

Source: City of San José.

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

Table 2

Fiscal Year	Air Carrier Domestic Enplanements⁽¹⁾	Air Carrier International Enplanements	Total Enplanements	Total Percent Change
2016	4,847,098	240,607	5,087,705	6.8%
2017	5,334,312	405,457	5,739,769	12.8%
2018	6,258,431	466,696	6,725,127	17.2%
2019	6,997,766	464,360	7,462,126	11.0%
2020	5,358,074	301,993	5,660,067	(24.1)%
2021	1,988,654	137,169	2,125,823	(62.4)%
2022	4,672,808	238,398	4,911,206	131.0%
2023	5,762,352	303,123	6,065,475	23.5%
2024	5,619,101	344,166	5,963,267	(1.7)%
2025	5,386,744	294,034	5,680,778	(4.7)%

Annual compound growth rate

FY 2016 through FY 2025

1.1%

2.0%

1.1%

⁽¹⁾ Includes commuter enplanements previously reported separately.

Source: San José Mineta International Airport activity reports

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

Table 3

<u>Fiscal Year</u>	<u>Air Carrier⁽¹⁾</u>	<u>Cargo⁽²⁾</u>	<u>Total⁽³⁾</u>
2016	6,113,904	266,344	6,380,248
2017	7,202,172	249,020	7,451,193
2018	8,244,933	247,607	8,492,540
2019	8,984,703	244,440	9,229,143
2020	7,591,258	233,630	7,824,888
2021	3,715,202	210,406	3,925,608
2022	6,071,623	197,662	6,269,285
2023	7,455,867	227,712	7,683,578
2024	7,045,138	222,401	7,267,538
2025	6,912,134	174,210	7,086,344

Annual compound growth rate

FY 2016 through FY 2025

1.2%

(4.2)%

1.1%

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

⁽²⁾ Includes all-cargo airlines.

⁽³⁾ Totals may not add due to rounding.

Source: San José Mineta International Airport activity reports