

**CITY OF SAN JOSE, CALIFORNIA
CUSTOMER FACILITY CHARGE PROGRAM**

Independent Auditor's Report and
Schedule of Customer Facility Charge
Program Revenues and Expenses

For the Year Ended June 30, 2023

CITY OF SAN JOSE, CALIFORNIA
CUSTOMER FACILITY CHARGE PROGRAM
For the Year Ended June 30, 2023

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**Independent Auditor’s Report on Compliance for the Customer Facility Charge Program;
Report on Internal Control Over Compliance; and Report on Schedule of Customer
Facility Charge Program Revenues and Expenses Required by the CFC Code**

To the Honorable City Council
City of San José, California

Report on Compliance for the Customer Facility Charge Program

Opinion

We have audited the San José Mineta International Airport’s (Airport), a department of the City of San José (City), California, compliance with the compliance requirements described in the California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code Section 50474.1 through Section 50474.3 (CFC Code), applicable to the Airport’s Customer Facility Charge (CFC) program for the year ended June 30, 2023.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that are applicable to the Airport’s CFC program for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the State of California’s CFC Code. Our responsibilities under those standards and the CFC Code are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with 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 opinion. Our audit does not provide a legal determination of the Airport’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Airport’s management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Airport’s CFC program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport's compliance based on our audit. 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, *Government Auditing Standards*, and the CFC Code will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport's compliance with requirements of the government program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Airport's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Airport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the CFC Code, but not for the purpose of expressing an opinion of the effectiveness of the Airport's internal control. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's CFC Code. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Customer Facility Charge Program Revenues and Expenses Required by the CFC Code

We have audited the basic financial statements of the Airport, as of and for the year ended June 30, 2023, and have issued our report thereon dated November 15, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Customer Facility Charge Program Revenues and Expenses (CFC Schedule) is presented for purposes of additional analysis as required by the CFC Code and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the CFC Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.



Walnut Creek, California
November 15, 2023

CITY OF SAN JOSE, CALIFORNIA
CUSTOMER FACILITY CHARGE PROGRAM
Schedule of Customer Facility Charge Program Revenues and Expenses
For the Year Ended June 30, 2023

Revenues	
Customer facility charges	\$ 16,489,602
Investment income	17,821
Total revenues	<u>16,507,423</u>
Expenses	
Transportation expenses	1,912,382
Debt service expenses	8,997,049
Total expenses	<u>10,909,431</u>
Revenues over expenses	<u><u>\$ 5,597,992</u></u>

See accompanying notes to the Schedule of Customer Facility Charge Program Revenues and Expenses.

**CITY OF SAN JOSE, CALIFORNIA
CUSTOMER FACILITY CHARGE PROGRAM**

Notes to the Schedule of Customer Facility Charge Program Revenues and Expenses
For the Year Ended June 30, 2023

(1) GENERAL

The Schedule of Customer Facility Charge Program Revenues and Expenses presents only the activity of the Customer Facility Charge (CFC) program of the San José Mineta International Airport (Airport), a department of the City of San José.

California Civil Code Chapter 1.5 (commencing with Section 1939.01) to Title 5 of Part 4 of Division 3, and California Government Code Section 50474.1 through Section 50474.3 (CFC Code), permits an airport sponsor to require rental car companies to collect from a renter a CFC to finance, design and construct a consolidated airport rental car facility; to finance, design, construct, and operate common-use transportation systems that move passengers between airport terminals and those consolidated car rental facilities, and acquire vehicles for use in that system; and to finance, design, and construct terminal modifications solely to accommodate and provide customer access to common-use transportation systems.

From January 1, 2008 through November 30, 2011, the Airport imposed a CFC of \$10.00 per rental contract. Pursuant to the CFC Code, the City increased the CFC to \$6.00 per contract day, to a maximum of five days, on each rental effective December 1, 2011; increased the per contract day CFC to \$7.50 per contract day, to a maximum of five days, on each rental, commencing January 1, 2014; and further increased the per contract day CFC to \$9.00 per contract day, to a maximum of five days, on each rental, commencing April 1, 2021.

(2) BASIS OF ACCOUNTING

The accompanying schedule is presented using the accrual basis of accounting as described in Note 1 to the Airport's basic financial statements.

(3) RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Expenses of CFCs are reported in the Airport's basic financial statements as operating expenses or debt service payments. CFC expenses agree or can be reconciled with the amounts reported in the Airport's basic financial statements.