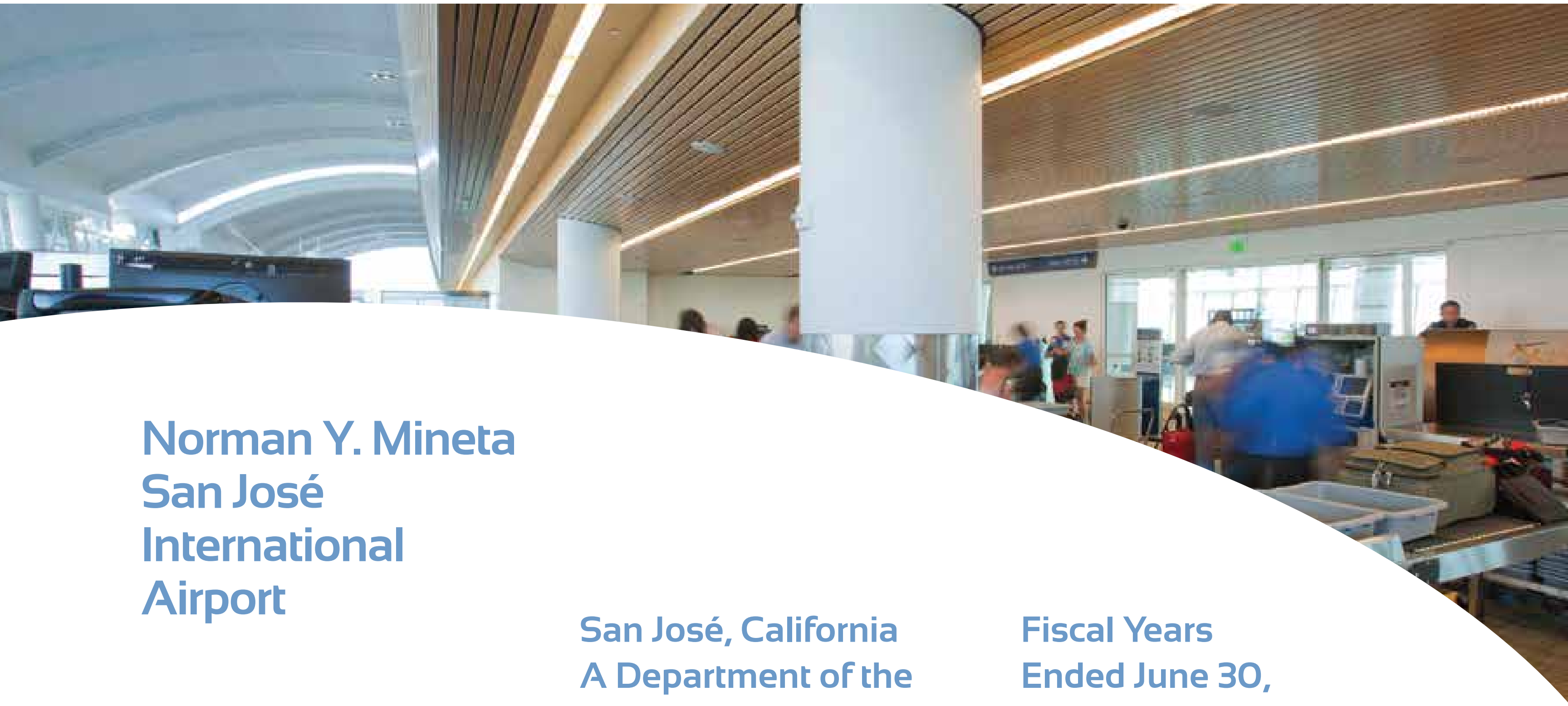
COMPREHENSIVE
Annual Financial Report



Norman Y. Mineta San José International Airport

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

Fiscal Years
Ended June 30,
2013 and 2012

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

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

COMPREHENSIVE
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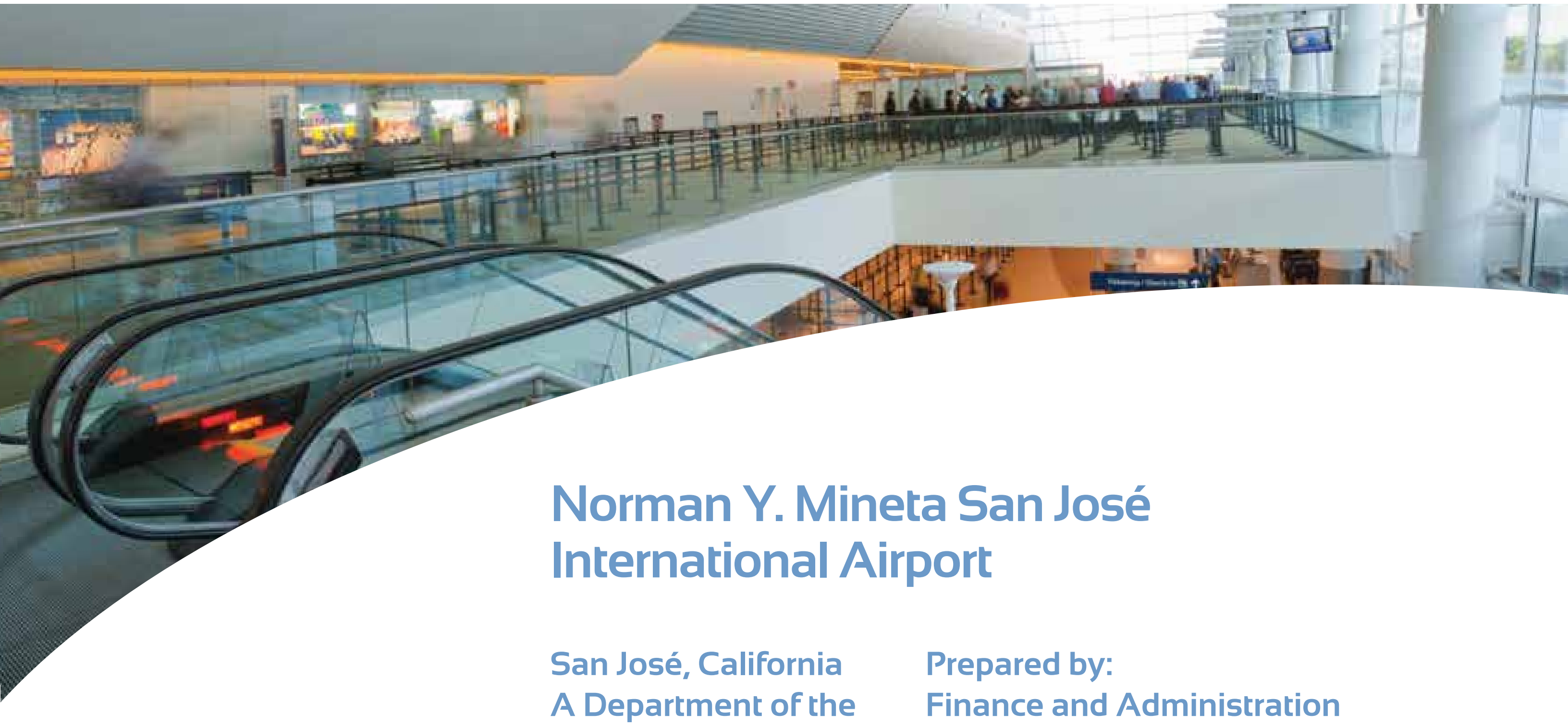

Norman Y. Mineta San José International Airport

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

Fiscal Years Ended June 30, 2013 and 2012

Prepared by:
Finance and Administration

Terri A. Gomes, CPA
Deputy Director

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Norman Y. Mineta San José International Airport
(A Department of the City of San José)
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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Prepared by:
Airport Department
Finance & Administration Division - Accounting Section

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INTRODUCTORY

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

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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(A Department of the City of San José)

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GEO LOCATOR MAP

Norman Y. Mineta San José International Airport

San José, California

A Department of the City of San José

Fiscal Years Ended June 30, 2013 and 2012

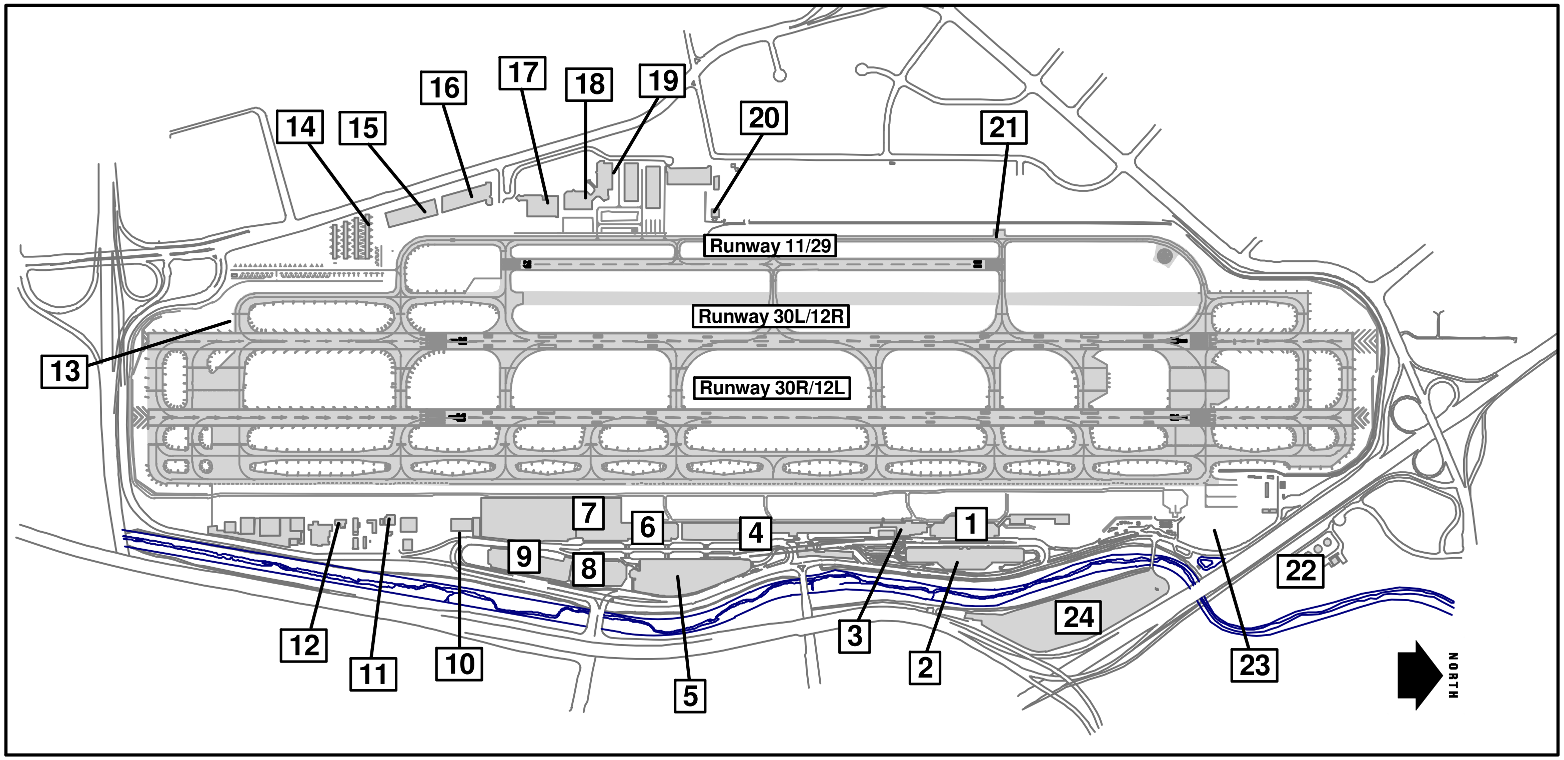
- Primary Service Area
- Secondary Service Area
- Norman Y. Mineta San José International Airport

Reduced View of Service Areas

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Norman Y. Mineta San José International Airport



Map Legend

1. Terminal A
2. Terminal A Parking Garage
3. Interim Federal Inspection Services
4. Terminal B
5. Consolidated Rental Car Center
6. Hourly Lot 5
7. Daily Lot 6
8. Hourly Lot 3
9. Daily Lot 4
10. Air Freight
11. Fire Station 20
12. SJPD Airport Division
13. VOR Checkpoint
14. GA West
15. AvBase Aviation
16. ACM
17. HP Aviation (Corporate)
18. FAA-FSDO
19. Atlantic San Jose (Fueling & Transient Services)
20. FAA Air Traffic Control Tower
21. VOR Checkpoint
22. Fuel Farm Location
23. North Air Cargo
24. Economy Lot 1

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

CITY OF SAN JOSE CAPITAL OF SILICON VALLEY

LOCATOR MAP

September 2013

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

November 12, 2013

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

The Comprehensive Annual Financial Report (CAFR) of the Norman Y. Mineta San José International Airport (Airport), a department of the City of San José (City), for the fiscal years ended June 30, 2013 and 2012, 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 and changes in financial position 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 summary of the Airport's background, economic condition and outlook, and major initiatives.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

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 domestic airport with some international service. The Department's mission is to meet the air transportation needs of the business and public communities in a safe, efficient, and effective manner.

The primary area served by the Airport consists of Santa Clara County, which is also the San José Primary Metropolitan Statistical Area (MSA) and is commonly referred to as Silicon Valley. Furthermore, the primary service area includes the 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

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

Region, with Santa Clara and Alameda Counties ranking first and second, and the County of San Mateo ranking fifth. In addition to the Airport, two other commercial airports serve the San Francisco/San José/Oakland area: San Francisco International Airport and Oakland International Airport. A separate unit of local government operates each of the three facilities independently.

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 origin-destination passengers is most responsive to local economic and population growth. As a predominantly origin-destination, medium-hub airport, the Airport is dependent upon the regional economy, national and international economic conditions, airline service, airfare levels, and population for the passengers who produce its revenue base.

Passenger activity at the Airport increased at a compound annual growth rate of 1.4% between fiscal years 2003 and 2006, the most recent recovery period for the Airport. Since 2006, the Airport had seen a substantial decline in the number of passengers, from 10.9 million in fiscal year 2006 to 8.3 million in fiscal year 2012, which in turn had reduced Airport revenues and resources. Several notable events occurred during this period (both locally and nationwide), most notably a nationwide recession from December 2007 to June 2009, as well as a peak in oil prices, and significant airline capacity cuts at most medium hub airports nationwide. In fiscal year 2013, a total of approximately 8.5 million passengers travelled through the Airport resulting in passenger traffic growth of approximately 2.8%.

In response to the declining activity in recent years, the Airport has taken many steps to reduce its operating budget costs including, among others, (a) elimination of more than 200 positions since 2008, (b) outsourcing of custodial, and parking and traffic control services, (c) relocation of the off-Airport administrative offices, and (d) reductions in police and fire-related costs. By reducing operating costs, the Airport is able to offer services at competitive prices to attract and retain airlines, flights, and passengers. In addition, the Airport has aggressively sought to increase revenues for the past several years. Through its new concessions program, the Airport has increased the number of shops and restaurants in the new terminal, and its contracts with concessionaires require a minimum annual guarantee that results in higher revenues when the new terminal opened. The recently approved lease with Signature Flight Support, to develop and operate a first-class general aviation facility on the west side of the Airport, is estimated to provide $2.6 million in annual ground rent as well as minimum annual guarantee of $400,000 for flowage fees.

The City and the Airport continue to work with the Silicon Valley Leadership Group and the San Jose Silicon Valley Chamber of Commerce to help attract new airlines and routes. In an effort to increase service and restore lost flights, the Airport and airports across the nation have been developing and enhancing air service incentive programs. Since its original adoption in 2006, the Airport's incentive program has evolved from a basic one-year waiver for any new route to a flexible program that associates the length of a waiver period to the length of a flight. It also includes incentives for underserved markets, as well as unserved markets and international flights. In addition, on December 1, 2009, the City Council adopted a separate resolution establishing a Focus City Promotional Fee Waiver Incentive Program. This program encourages carriers to increase their overall commitment to the Airport by agreeing to incremental growth in flights for two full consecutive years. A Focus City Airline would agree to add a minimum of four new year-round daily flights to a minimum of at least two unserved cities each year. As a return on investment, these incentive programs will stimulate revenue from parking, concessions, and other Airport services, which will directly offset the short-term loss of revenue from waived airline fees and charges for qualifying new service.

The enhanced incentive programs resulted in additional flights. Past participants included Southwest Airlines with service to Austin, jetBlue Airways with service to Boston, Hawaiian Airlines with service to Kahului (Maui), and Alaska Airlines, with service to Austin, Kona and Kahului (Maui), Lihue (Kauai), and Cabo San Lucas. Virgin America and Delta Airlines, both with service to Los Angeles, and All-Nippon Airways, with service to Tokyo-Narita, are current participants.

Population and Income

The City is the county seat of Santa Clara County. It is the tenth largest city in the United States and the third largest in California behind Los Angeles and San Diego. According to the California Department of Finance estimates, San José has an estimated population of 984,299 as of January 1, 2013, reflecting a growth of 1.5% over the prior year. San José is located in Santa Clara Valley, at the southern end of the San Francisco Bay Area, a region referred to as Silicon Valley. Santa Clara County is the sixth largest county in California and the largest in Northern California. The population of Santa Clara County grew 1.6% from 2012 to 2013, with the population increasing to 1,842,254 as of January 1, 2013. The six counties comprising the primary area for the Airport grew 1.0% from 2012, in line with the State growth rate of 0.8%. In total, the population of the primary area increased by 58,698 from the prior year and accounts for 12.8% of the State's population.[2]

The per capita income information described below is the information available from the Bureau of Economic Analysis as updated on November 26, 2012.

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 the U.S. Bureau of Economic Analysis, in 2011 Santa Clara County had a PCPI of $61,833 and was 142% of the state average of $43,647, and 145% of the national average of $42,693, and it ranked 4th in the State of California. Within the Air Service Area, the remaining counties personal income and PCPI were as follows:

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

County Name	Personal Income (Millions of Dollars) 2010	2011	% Change 2010-2011	Per Capita Personal Income (Dollars) 2010	2011	% Change 2010-2011	2011 Rank
Alameda	$72,025	$75,908	5.4%	$47,603	$49,617	4.2%	9
Monterey	16,678	17,356	4.1%	40,055	41,138	2.7%	22
San Benito	1,882	1,964	4.4%	33,904	35,029	3.3%	37
San Mateo	47,947	50,597	5.5%	66,629	69,577	4.4%	3
Santa Cruz	12,247	12,920	5.5%	46,586	48,883	4.9%	11
Santa Clara	102,590	111,880	9.1%	57,433	61,833	7.7%	4
California	$1,564,209	$1,645,138	5.2%	$41,893	$43,647	4.2%	

[2] *California Department of Finance*

Per capita income increased by 7.7% from 2010 in Santa Clara County compared to an increase of 4.2% and 6.9% for California and the nation, respectively. [3]

Employment

Both the California and U.S. unemployment rates remain high in comparison to pre-recession levels but are on a downward trend. In 2013, the unemployment rate in Santa Clara and San Benito counties declined from the previous year for the second time since 2006. Employment growth in this region had declined sharply after growing at a solid pace between 2006 and 2007. California's economic problems originated in the housing and financial sectors, spread into the consumer economy, and subsequently into the rest of the economy. [4]

Santa Clara County's unemployment rate at June 2013 was 6.8%, with 63,000 unemployed, an increase of 5,600 from May 2013.[3] Likewise, the unemployment rate in the San José-Sunnyvale-Santa Clara MSA was 6.9% in June 2013, up from a revised 6.3% in May 2013, and below the year-ago estimate of 8.9%. This compares with an unadjusted unemployment rate of 9.6% in San Benito County, 8.8% for California, and 7.8% for the nation during the same period. [3]

San José-Sunnyvale-Santa Clara MSA	May-2013 Revised	Jun-2013 Prelim	Change	Jun-2012	Jun-2013 Prelim	Change
Total Employment Numbers, All Industries	933,500	942,000	8,500	917,100	942,000	24,900
Total Farm	4,800	5,100	300	5,100	5,100	-
Total Nonfarm	928,700	936,900	8,200	912,000	936,900	24,900
Mining and Logging	200	200	-	200	200	-
Construction	37,800	39,500	1,700	35,400	39,500	4,100
Manufacturing	156,300	158,300	2,000	158,900	158,300	(600)
Trade, Transportation & Utilities	131,900	133,900	2,000	130,700	133,900	3,200
Information	51,800	53,000	1,200	50,600	53,000	2,400
Financial Activities	34,200	34,500	300	33,900	34,500	600
Professional & Business Services	188,400	190,200	1,800	181,300	190,200	8,900
Educational & Health Services	122,500	119,500	(3,000)	117,700	119,500	1,800
Leisure & Hospitality	87,900	89,200	1,300	83,200	89,200	6,000
Other Services	24,100	24,600	500	25,200	24,600	(600)
Government	93,600	94,000	400	94,900	94,000	(900)

[3] *U.S. Department of Commerce, Bureau of Economic Analysis*
[4] *Employment Development Department – State of California*

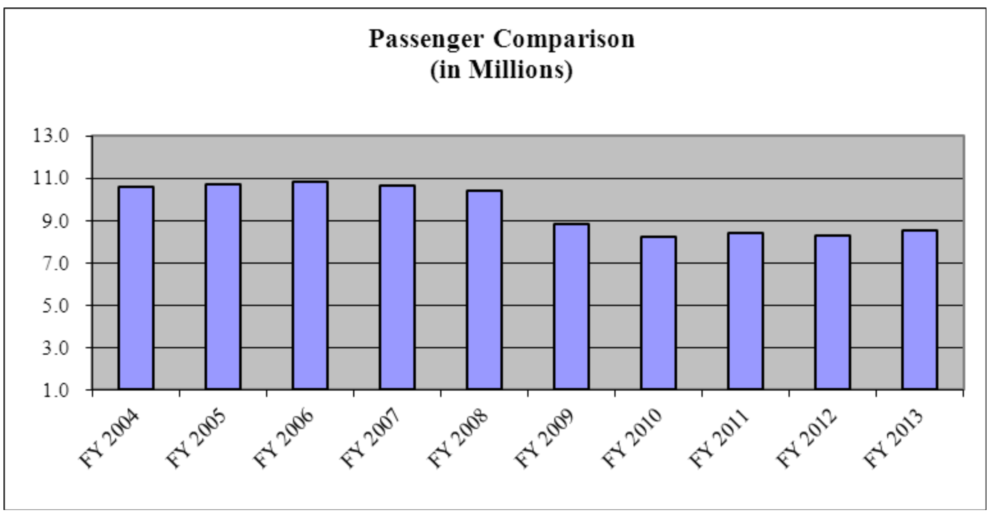
Professional and business services lead the way in posting a monthly increase in jobs on a year-over basis, increasing by 8,900 jobs, while leisure and hospitality increased by 6,000 jobs. Other industries with significant year-over-year job additions included: construction by 4,100 jobs, trade, transportation, and utilities increased 3,200 jobs, and information increased by 2,400 jobs. In contrast, government decreased by 900 jobs from last June.

<u>Norman Y. Mineta San José International Airport: Passenger and Air Traffic</u>

The Airport is classified as a medium hub airport by the Federal Aviation Administration (FAA) and ranked as the 46th busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2012. As of June 30, 2013, 14 carriers provided scheduled passenger service to 29 destinations, including nine mainline carriers, three regional/commuter carriers, and two international carriers. In addition, two all-cargo carriers provided scheduled cargo service at the Airport.

For FY 2013, the Airport enplaned and deplaned 8.5 million passengers, which represents an increase of 2.8% from the previous fiscal year.

The graph below displays fiscal year-to-date passenger comparison for the last ten fiscal years.



For FY 2013, the Airport experienced an overall increase of 0.4% in traffic operations due to gains in the following categories: passenger carriers (an increase of 1,030 operations or 1.2%) and General Aviation Itinerant (an increase of 1,350 or 5.3%).

Airport Master Plan

In 1997, after extensive planning and environmental studies and reports, the City Council approved a new master plan for the Airport (the "Master Plan"). In a Record of Decision issued on December 6, 1999, the FAA conditionally approved a new Airport Layout Plan (the "ALP") displaying the Master Plan projects and unconditionally approved all of the near-term projects. Both the Master Plan and the ALP have been amended several times since 1997 and currently are intended to provide facility improvements needed to accommodate forecast demand in the year 2027 for commercial passenger service, air cargo and corporate general aviation demand. The Master Plan includes both the substantially complete Phase 1 and the planned Phase 2 of the Airport Development Program, which collectively comprise improvements to the Airport's terminal facilities, roadways, parking facilities and airfield facilities and includes 1.075 million square feet of passenger terminal facilities comprised of up to 49 gates; parking and garage facilities comprised of up to 16,200 public parking spaces, 2,600 employee parking spaces and 10,000 rental-car parking spaces (including 2,000 ready-return spaces); air cargo facilities; ground transportation, roadway and other access improvements; and runway improvements. In the fall of 2005, and in recognition of how current market conditions were impacting passenger growth, the Airport and its airline tenants reexamined the Master Plan and developed the Terminal Area Improvement Program, a program for implementing the Master Plan by aligning ongoing and planned construction activities with available fiscal resources, taking into account revised passenger growth projections. In June 2006, the City Council approved an amendment to the Master Plan to incorporate the Terminal Area Improvement Program and other Airport Development Program revisions. In June 2010, the City Council approved an additional amendment to the Master Plan that updated projected aviation demand and facility requirements, and modified specific components of the Airport Development Program. Pursuant to the amended Master Plan, the former interim long-term public parking and employee parking lots on the northwest side of the Airport (which have been relocated to the east side terminal area) will be gradually converted to new general aviation leasehold facilities.

Construction of the Phase 1 projects was substantially complete in FY 2011. The Phase 1 projects included nine new gates and approximately 366,000 square feet of new terminal space; design and construction of the new Terminal B; improvements to the existing Terminal A, including new ticketing facilities, a new in-line baggage system that serves both Terminals A and B and security checkpoint, lobby concessions and other improvements; the phased demolition of Terminal C; design and construction of the Consolidated Rental Car (ConRAC) facility; realignment and improvement of existing terminal roadways; parking improvements; airfield projects, including noise mitigation and the reconstruction of Taxiway Y; and other improvements, including construction of a new belly freight facility and an aircraft rescue and fire fighting facility. Additional program elements of Phase 1 that were completed in FY 2013 included the common use lounge, a taxi staging building, Terminal A/A+ space refurbishment, and building system upgrades. Ongoing projects include Terminal A baggage system ceiling protection, relocation of northeast electrical services, and completion of the northeast area (formerly the rental car fueling and wash site). Construction of the northeast area began in August 2013 and will provide for a fuel truck maintenance facility, shuttle bus staging and storage, and adjacent employee parking. In April 2013, the City completed a request for proposal process to provide for new general aviation aeronautical services facilities on the west side of the Airport and the City Council approved the proposal to award the contract to the successful proposer, Signature Flight Support. It is anticipated that negotiation with Signature will be completed in the fall of 2013 with issuance of a site development permit allowing for the start of construction to follow in early 2014. Signature will be funding the costs related to this project. Lawsuits were filed by Atlantic Aviation against the City challenging the environmental clearance for the facilities and the selection process in which the City Council awarded the lease to Signature.

Phase 2 projects will consist primarily of the design and construction of the South Concourse of Terminal B and the second phase of Terminal B, including a total of 12 additional gates, and a new central plant facility. Under certain circumstances, the City is required to consult with the Signatory Airlines before proceeding with additional future capital developments. Phase 2 projects are preapproved in the Airline Lease Agreement, but construction of the Phase 2 projects is contingent upon satisfying specified activity based triggers. Pursuant to the terms of the Airline Lease Agreement, the Airport must have either 217 scheduled operations on any one day or 12.2 million enplaned and deplaned passengers in any given fiscal year in order to begin the Phase 2 projects.

MAJOR INITIATIVES

The Airport's mission is to meet the air transportation needs of the business and public communities in a safe, efficient, and effective manner. In concert with the City's move towards a more customer-focused service delivery government, the Airport embraced the following Vision Statements:

Norman Y. Mineta San José International Airport will be the region's gateway and first choice for air transportation services.

It will be a place where travelers want to come, and people want to work. It will be easy to get into, around, and out of the Airport. Because the Airport will be an innovator in its use of technology and delivery of services, it will create an exciting environment to visit and use.

Travelers will feel the anticipation and sense of adventure that air travel should generate.

Business travelers will have a hassle free experience. Families and leisure travelers will feel their vacation has begun when they arrive at the Airport. People will leave the Airport feeling like guests who have been treated well, and will want to come back.

The Airport will be a partner with businesses working to drive the regional economy.

The airlines and other tenants will feel the Airport provides opportunities for their business to succeed.

The Community will be proud to have the Airport in their midst, seeing it as a good neighbor and understanding its benefits to the region.

The Airport will be a landmark representing San José and the Silicon Valley.

The Airport will be a great place to work for all employees.

The Airport organization will be a place where an individual can enjoy building a career. Each employee will feel they have made a meaningful contribution and their efforts are valued. It will be a place where all employees are recognized for their contributions and where a "can-do" attitude prevails. Norman Y. Mineta San José International Airport will be the employer of choice. Employees will be proud to be a part of the Airport organization and proud to tell their friends and neighbors they are part of this vision.

These Vision Statements are used by the Airport as a guide in making better decisions and sound management practices.

Highlights of the Airport's activities and accomplishments for the fiscal year ended June 30, 2013, include the following:

- Air Service Development

  The much anticipated international flight to Narita International Airport in Tokyo on All Nippon Airways (ANA) began on January 11, 2013. Issues with the grounding of all Boeing 787 aircraft temporarily suspended service. ANA resumed the five-weekly flights on June 1 and soon thereafter, announced increased service to daily flights effective July 10, 2013. The Airport became the first local airport to have regularly scheduled international Boeing 787 Dreamliner air service.

  A favorite of tech savvy travelers and recently recognized as the nation's best performing airline by the annual Airline Quality Rating, Virgin America launched nonstop service to Los Angeles International Airport with four daily flights. Delta Airlines also resumed service to Los Angeles in June 2013 with four daily nonstop flights. Delta previously served this market until 2008.

  In December 2012, Alaska Airlines increased service to both Guadalajara and Cabo San Lucas, Mexico to year-round daily service from the previous three times-weekly and twice-weekly flights, respectively.

- $82 Million Corporate Aviation Facility to be Built at the Airport

  Airport staff is finalizing negotiations on a 50-year lease for Signature Flight Support, a global leader in corporate aviation, to build and operate a private development on 29 acres on the Airport's west side. Signature will service, most notably, the personal aircraft of the principals at Google, as well as other clients in the Silicon Valley business community. Signature will construct a full-service, world-class fixed base operation (FBO) to support based and itinerant corporate and general aviation aircraft operations at the Airport. The 270,000 square foot facility will be LEED gold-certified and include: an executive passenger terminal, seven hangars, ramp space accommodating large business jets and aircraft servicing facilities.

- Taxiway W Grant

  The Airport received a $5.2 million grant from the FAA to fund the fifth phase of construction of the Taxiway W extension. The project will enhance safety and reduce the risk of accidents on the airfield. The long-term plan to complete the new taxiway also will help support the future development of the west side of the Airport for general and corporate aviation services.

- The Club

  The Airport and Airport Lounge Development opened *The Club at SJC*, a "common use" VIP lounge open to all airline passengers, on January 10, 2013. By purchasing a day pass for $35, travelers have access to all the amenities of an airport lounge where they can escape the hustle and bustle of the terminals to work quietly, meet with clients, or freshen up during their journey. Priority Pass members have access to the lounge and some airlines offer their premium class or high-mileage status passengers access, at no additional cost.

- New Taxi Staging Business Facility Now Open at Silicon Valley's Airport

  A newly-constructed taxi staging building and associated 1.6 acre parking lot, located at 2470 Airport Boulevard has been opened. This permanent and professional business facility supports the needs of Taxi San Jose (TSJ), the taxi dispatch service contractor, and on-demand taxi and door-to-door shuttle permitted operators. The building is appropriately-sized at 1,900 square feet, and offers basic amenities for TSJ staff and permitted drivers.

- Airport Information at Travelers' Fingertips with the FlySmart App

  The Airport launched a smartphone app from FlySmart™ giving customers another reason to choose tech-savvy and customer friendly SJC for their travel plans. The free app (FlySmartapp.com) offers real-time flight notifications and airport information, and features listings for concessions, all available to iPhone, iPad, Android and Blackberry users. The FlySmart app gives travelers free access to information about the Airport and over 100 U.S. and international airports before and during their journey, all at their fingertips via smartphones and tablets. Detailed maps offer quick links to airport driving directions, on-airport parking information, ground transportation options, and terminal layout. Passengers can access the airline directory and visually locate check-in counters, restaurants and shops. Other important features are real-time push alerts to update itinerary changes and departure notifications, as well as the ability to track flight itinerary on one screen, enabling travelers to manage their time more efficiently.

- Faster and Free Wi-Fi for Airport Travelers

  The Airport completed an upgrade to the passenger free wi-fi network providing faster speed, new hardware and the elimination of all advertising. Airport travelers can enjoy the fastest and easiest-to-use wi-fi system among U.S. airports. Fast and free wi-fi is offered in all public locations at the Airport. Providing faster and free wi-fi gives high-tech travelers another reason to choose the Airport for their travel plans.

- The First and Only Bay Area Airport to Offer Zipcar

  The Airport now offers Zipcar, the world's largest car sharing service. It's easy for the travelers who are Zipcar members to use a car. By simply accessing the Zipcar app or website and reserving a vehicle, travelers can go directly to the reserved Zipcar in Airport's ConRAC facility, located across from Terminal B. Travelers do not have to stop at a counter. Once arriving at the reserved car, travelers can simply use the Zipcard to open the car and drive off. Upon return, travelers return the Zipcar to the same location. The Airport is the first and only airport in the Bay Area to offer this ground transportation service.

- Airport Participates in Golden Guardian 2013 Exercise, Simulating the Response to a Catastrophic Earthquake

  Earthquake aftershocks, steel rods protruding from a runway, piles of broken glass inside and outside Terminal B, roadway closures and press briefings are just a few of the many stressful and simulated situations that staff had to contend with as part of the Airport's participation, along with the City of San José, in the statewide Golden Guardian 2013 Exercise held in May 2013. Emergency Operations Centers (EOC) for both the City and the Airport were activated as part of Santa Clara County's biennial participation in this annual state-sponsored exercise. The drill involved the response and recovery during day No. 3 of a catastrophic earthquake along the San Andreas Fault. Numerous Airport staff played a role in the EOC, the simulation cell – where scenario injects were coordinated and disseminated - or the Joint

Information Center (JIC) throughout the day. With the completion of this exercise, the Airport continues to reaffirm its commitments to safety and customer service as the first priorities for passengers and personnel.

- Annual Emergency Tabletop Exercise

  The Airport completed its annual emergency tabletop exercise in March 2013, to meet FAA requirements and to evaluate the effectiveness of the Airport Emergency Plan. The scenario involved an air carrier aircraft arriving at the Airport that experienced landing gear failure resulting in injuries to passengers and crew members. Role players included representatives of the Airport Department, San José Fire, San José Police, FAA and an Airport-based airline. The audience included evaluators from other air carrier airports. With the completion of this drill, the Airport has reaffirmed its commitment to safety as the first priority through compliance with Federal Aviation Regulation Part 139 and the Airport Operating Certificate.

- Airport Passes Annual FAA Inspection with Flying Colors

  The Airport passed its annual FAA inspection in January with a finding of no discrepancies. The three-day inspection included: a briefing with airport management; an examination of airport records; inspections of the airfield, rescue and firefighting vehicles, and fueling facilities; and a review of night-time safety operations. The FAA performs these operational safety inspections on all commercial service airports each year, and has once again reaffirmed the Airport's commitment to safety as the first priority through compliance with Federal Aviation Regulation Part 139, the Airport Certification Manual, and the Airport Operating Certificate.

- Issuance of Series 2012A Airport Revenue Bonds

  In November 2012, the Airport refunded the Series 2002A Bonds in the amount of $49,140,000 by issuing the Series 2012A Bonds. The Series 2012A bonds were purchased as direct placement with Banc of America Public Capital Corp with an interest rate of 1.53%. The refunding provides approximately $6,152,462 in aggregate debt service savings or $5,905,688 on a present value basis.

- Standard & Poor's Affirms Rating for the Airport

  Standard & Poor's (S&P) affirmed its underlying rating of "A-" on outstanding senior-lien debt issued by the Airport and maintained an outlook of "stable" on February 27, 2013. S&P cited the strong regional economic base and the Airport's proactive management as credit strengths justifying the "A-" rating. The stable outlook reflects S&P's view that Airport management will be able to maintain adequate liquidity and debt service coverage over the next two years, and that passenger activity will remain constant or improve modestly due to actual and announced additional airline service routes on All Nippon Airways, Delta Air Lines and Virgin America.

- Moody's Revises Rating Outlook to Stable for the Airport

  Moody's Investors Service has affirmed the A2 rating on the Airport's general airport revenue bonds, and has revised the rating outlook to stable from negative. The A2 rating is based on a number of factors: The Airport's large and economically diverse service area combined with a strong passenger traffic base, improved financial position achieved through aggressive operating cost reductions, as well as increased revenue from rental car operations, food and beverage and retail concessions, and more revenue anticipated from a new corporate aviation facility; and a fully funded capital improvement program with no additional planned borrowing. The change in outlook to stable from negative is due to the rating agency's expectation that the number of passengers departing the Airport will continue to stabilize and, in fact, grow due to general economic improvement in the region and actual and announced additional airline service routes, on All Nippon Airways, Delta Air Lines and Virgin America.

- Incentive Reward for the Airlines

  The lease agreement with the airlines has a built-in incentive provision, which reduces the Airport's share of indirect overhead expenses allocated to it by the City for support services the City provides to the Airport. Because the operation and management of the Airport are supported by a number of City departments, employees, and resources that are not directly charged to the Airport operating budget, the City allocates a percentage of its total indirect overhead expenses to the Airport operating budget. If in any year during the term of the airline agreement the percentage growth in enplaned passengers at the Airport exceeds the growth in enplaned passengers nationwide (as measured by data published in the FAA Aviation Forecast or similar report/forecast if the FAA Aviation Forecast is no longer available), then the City agrees to reduce the amount of its indirect overhead expenses that would otherwise be allocated to the Airport's operating budget for the next fiscal year by a corresponding percentage.

  The Airport's enplanements grew by 2.7% in FY 2013. The FAA projected enplanement growth of 0.0% in FY 2013. As a result, the City will reduce the amount of its indirect overhead expenses allocated to the Airport in FY 2014 by $419,833.

- Airport Recognized for Marketing Excellence Among Industry Peers

  The Airport received a third place award in the Airports Council International – North America (ACI-NA) 2013 Excellence in Marketing and Communications Contest in the *Video & Film Productions* category. SJC: This is the Silicon Valley Opportunity is the Air Service Development video created to showcase the Airport as Silicon Valley's airport of choice, highlight the region as home to many of the world's largest global technology companies within a close proximity of the Airport, and illustrate San José as the gateway to Northern California to new and existing airlines. The video, shared at international air service networking conferences, captures the spirit of Silicon Valley and San José by highlighting the cultural diversity of the area, the global crossroads of high technology and innovation, and world-famous destinations surrounding the Airport.

- Airport Named as a Top 10 Airport Globally Where Travelers Will Welcome a Layover

  Mother Nature Network, a website sharing advice on eco-tourism, named the Airport as one of the world's 10 best airports for a layover. Reasons cited for the Airport's distinction as a place that offers passengers plenty to do if stuck for a few hours include: tech-themed art installations throughout the terminals such as the Space Observer, and the competitively-priced *Club at SJC*, the new VIP Lounge open to all passengers and located conveniently between both terminals, which features works of local artists.

- Airport Named Nation's No. 3 Airport for Kids

  Travelnerd.com, a blog site dispensing advice on air travel, named the Airport the nation's third best airport for traveling with kids. Reasons cited for this distinction include six dedicated nursing rooms and Airport's free and fast Wi-Fi, allowing kids to entertain themselves on their tech gadgets. The Airport and tenants offer numerous other kid-friendly amenities, including family restrooms; child-friendly restrooms offering diaper changing stations and wall-mounted seats in each stall to secure little ones; the Space Observer and Dreaming F.I.D.S., aka the fish tank, public art works; children's play tables and seating in holdrooms for Southwest Airlines and Alaska Airlines; and Hicklebee's Children's Bookstore within the Authors retail concession in Terminal A.

- Airport Received Transportation Security Administration (TSA) Partnership Award

  This award recognized the Airport's accomplishments and excellence in performance that distinctly benefit the interests of the U.S. and clearly advance the TSA's mission to protect the nation's transportation systems while significantly enhancing TSA's ability to achieve its strategic goals.

- The Airport's Concessions Program Recognized by Airport Peers at Industry Conference

  The Airport received a third place award in the Best Food & Beverage Program – Medium Airport category at the Airports Council International – North America 2012 Airport Concessions Conference held in Denver in November 2012. The Airport's Terminal B food and beverage concessions program was recognized for aesthetics and the variety of menu items and price points to appeal to a broad audience with varying tastes, requirements and budgets.

  - Best On-Time Performance

    The Airport is ranked the best airport in California for on-time performance for medium to large size airports, according to data from the Bureau of Transportation Statistics. Oakland ranked 5th while San Francisco International Airport (SFO) came in last with the worst on-time performance for airports throughout California. For medium to large size airports in the U.S., the Airport was tied with Minneapolis-St. Paul for fourth overall. Performance rankings of other Bay Area airports included Oakland at 17th, Sacramento International at 20th, and SFO at 64th out of the 65 major airports in the U.S.

  - Airport Facilities Division Received National Honor

    The Airport's Facilities Division was awarded by the Maintenance Solution Magazine the 2012 Maintenance Solutions Achievement Award in the area of Renovations and Retrofits. The Facilities Division was recognized for their work in upgrading the Airport's central plant operating system during the Airport's modernization program. The central plant operating system is critical in providing cooling, heating, temperature control for building occupants 24 hours a day, seven days a week. The result of the upgrade of the central plant resulted in 170,00kWh less energy consumption, reduced the carbon dioxide output by 173,000 pounds, and provided $32,000 in cost savings. The Facilities Division was one of two maintenance and facilities departments at a commercial or institutional facility in the U.S. to receive this honor.

OUTLOOK FOR THE FUTURE

San José's economic development strategy identifies the Airport's role in providing an important infrastructure resource to support the economy. Businesses need Airport infrastructure and services in order to successfully market goods and services. Global economic demands mean that it is critical that Airport infrastructure be developed and services continue to meet emerging needs.

The Airport works in partnership with various City departments, such as the Department of Transportation, Police and Public Works Departments, to improve the transportation systems to benefit the residents of San José as well as support successful business development. These partnerships allow the City to focus coordination efforts on critical transportation projects. The synergy from these efforts is promoted by the Transportation and Aviation City Service Area (CSA), where the Airport Operating Budget is organized and reported.

The mission of the CSA is to provide the community with safe, secure, and efficient surface and air transportation systems that support San José's livability and economic vitality. The following are the Transportation and Aviation Services CSA desired outcomes:

- Provide safe and secure transportation systems
- Provide viable transportation choices that promote a strong economy
- Travelers have a positive, reliable and efficient experience
- Preserve and improve transportation assets and facilities
- Provide a transportation system that enhances community livability

In May 2010, the City Council directed the City Manager and Director of Aviation to take steps necessary to ensure the ability of the Airport to successfully compete for air service and continue to keep costs to airlines at a nationally competitive level. This direction led to a comprehensive Airport Competitiveness Strategy, as well as the development of a standing City Council Committee focused on Airport Competitiveness. The Airport Competitiveness Committee's purpose is to ensure the success of the Airport by: 1) facilitating the implementation of the Airport Competitiveness Strategic Plan; 2) retaining air carriers; and 3) attracting new air service to the Airport.

The need to carefully manage expenditures and reduce ongoing operating costs is especially critical due to the higher debt service costs associated with the new facilities and the limited growth in the number of enplaned passengers. The focus of the direction for the Operating Budget has been on evaluating alternatives for providing Airport services in the most cost-effective manner and implementing those alternative service delivery models that create efficiencies and ongoing savings as well as improve customer service experience.

The 2013-14 Adopted Budget contains several ongoing cost reduction elements. The largest operating savings for 2013-2014 have been accomplished by revisions to the commercial paper-letter of credit program and the associated fees, renegotiation of the on-demand ground transportation dispatch services agreement with allocation of administrative tasks to the contractor rather than the City, and elimination of funding for an airport lounge operator and customer cart delivery services which were implemented in alternative ways. Reductions to utilities budgets for gas and electricity reflect the development of history in operation of the new facilities heating and air conditioning needs. Several years of consistent utility expenditures enables the refinement of budgeted funds.

The Airport continues to analyze and identify other potential cost reduction measures. The long-term key to success is increasing the number of passengers and flights, allowing costs to be distributed over a larger enplanement base thus reducing the cost per enplaned passenger (CPE). City leadership from the Mayor and Council, with the support from Silicon Valley Leadership Group and the San José Silicon Valley Chamber of Commerce, is actively engaged in efforts to help attract new air carriers and routes. Enplanement growth is the key, not only to making the Airport more price competitive to the airlines, but also increased passengers generate non-airline revenues such as parking fees, concession sales and rental car fees.

Creation of a Business Development Division in the Department supports revenue generation strategies by dedicating staff to explore and develop new revenue sources and pursue air service development strategies to retain and increase airline passengers. The Mayor acknowledged the importance of collaborating with airline partners to achieve successful launches of new service and directed that $500,000 be used in marketing efforts focused on new flights, destinations and airlines.

Several capital projects currently under development have also been determined to be key elements to the Airport's competiveness strategy. To accommodate future international air traffic, extension of the Federal Inspection Facility (FIS) Sterile Corridor at Terminal B Gates 17 and 18 provides flexibility to use the gates for domestic flights or supports the simultaneous arrival of multiple international aircraft. Construction of the final Phase of Taxiway W, anticipated for completion around the end of the year, results in a full length parallel taxiway to serve large aircraft operating on the west side of the Airport.

Conservative budget and fiscal policies have led to a surplus for FY 2013. For the fiscal year ended June 30, 2013, Airport's revenues exceeded its expenses and other reserve requirements by $29.7 million which was $5.8 million greater than the $23.9 anticipated and utilized in the preparation of the Adopted 2013-14 Rates and Charges (as computed pursuant to the Airline-Airport Lease and Operating Agreement). The additional $5.8 million surplus will assist in balancing the budget and achieving the targeted CPE of $12 in future years.

The Airport's 2014-2018 Adopted Capital Improvement Program (CIP) totals $280.7 million and reflects a shift in focus from the many projects comprising the Terminal Area Improvement Program (TAIP) to the maintenance and preservation of the Airport infrastructure. Airport staff has been working with the Finance Department, City Attorney's Office, and bond counsel to evaluate legally allowable uses for unspent bond proceeds associated with the 2007A and 2007B bonds. Uses include prospective projects such as completion of projects that were deferred from the original TAIP program due to funding issues during the construction phase of the program. The projects include Terminal A arrivals roadway repairs, Terminal A bag system ceiling protection, and completion of the northeast area (formerly the rental car fueling and wash site). The northeast area will provide for a fuel truck maintenance facility, shuttle bus staging and storage, adjacent employee parking in addition to the completed taxi staging building. The remaining funds are anticipated to be used to maintain the CPE at $12 for the next five years.

The 2014-2018 Adopted Capital Improvement Program (CIP) provides funding of $280.7 million, of which $167.0 million is allocated in FY 2014. The majority of project funding ($159.6 million) is set aside to pay debt service on outstanding bonds. An additional $2.4 million funds general non-construction activities, leaving $87.4 million for capital construction over the next 5 years.

The Airport Capital Program is guided chiefly by the Airport Master Plan. The many projects comprising the $1.3 billion TAIP are largely complete and the Airport has shifted its focus to the redevelopment of the non-terminal areas, including the Airport's west side.

On April 16, 2013 the City Council authorized the execution of an agreement with a fixed base operator for a 50-year land lease to develop and operate a first-class general aviation facility on 29-

acres of Airport west side property. The proposed development will bring in $82 million in private capital investment and is expected to generate roughly $3 million annually in new revenues for the Airport. An additional 15 acres north of the FAA air traffic control tower remains available for future development opportunities. The phased extension of Taxiway W, addresses FAA recommendations on the Airport's Runway Safety Action Plan and is the first step in providing the infrastructure to support development on the Airport's west side. Additional airfield projects are programmed in the out years of the CIP and, like the Taxiway W Improvements project, are contingent upon the receipt of $31.3 million in FAA grant funding.

Highlights of the Airport's 2014-2018 Adopted CIP are as follows:

Airfield Facilities

The Adopted CIP allocates **$**34**.**9 million towards projects that will maintain and improve airfield infrastructure to accommodate the demands for air carrier and general aviation operations. The timing and completion of Airfield improvement projects are largely contingent upon the receipt of AIP grants. Below are the highlights of the Airfield Facilities over the next five years:

- $11.8 million for the Taxiway W Improvements, which includes the closeout of Phases III and IV and the construction of Phase V, which will construct the final phase of Taxiway W from Taxiway D to Taxiway G. Upon completion, the Airport will have a full length parallel taxiway to serve large aircraft operating on the west side of the Airport. The award of grant funding in the amount of $5.2 million from the FAA was received in July 2013. The contract was awarded in August 2013.

- $6.8 million for the design and construction of two cross taxiways at Taxiway E and Taxiway F from Runway 30L to Taxiway V. This project requires environmental clearance.

- $6.4 million for the design and construction of the extension of Taxiway H from Runway 30L to Taxiway V, and Taxiway K from Taxiway W to Taxiway V to accommodate large aircraft (Group IV taxiways).

- $3.0 million for the initial implementation of projects on the west side of the Airport that may be necessary once studies to evaluate the existing airfield against new FAA design standards are complete. These projects could include removal of Runway 11-29 and relocation of Taxiway V. If modifications are not needed, this funding would be used to rehabilitate the existing Taxiway V and Runway 11-29.

Aviation Support Facilities - General

The Adopted CIP provides $25.7 million to fund various new infrastructure improvements and to renovate, maintain, or upgrade existing facilities. The largest project in this category, the Airport Rescue and Fire Fighting (ARFF) Facility, is programmed in the final year of the CIP and is dependent upon the receipt of FAA grant funding. The Vehicle Replacement program begins to address deferred replacement of the Airport's aging fleet of vehicles and rolling stock.

Significant projects in Aviation Support Facilities – General are highlighted below:

- $14 million upgrade of the current ARFF Facility, known as Fire Station 20, to correct building deficiencies, address diversity in the workforce, and increase vehicle capacity and training capabilities. The timing and completion of this project are contingent upon the receipt of grant funding from the FAA.

- $2.6 million for the Pavement Maintenance that includes repair, replacement, or reconstruction of asphalt and concrete pavement, including striping and markings, at various locations throughout the Airport to meet airfield and roadway safety requirements.

- $2.4 million for the Operations System Replacement, which includes as needed capital renewal and replacement to maintain various operations' systems throughout the Airport including access control, security, noise and curfew, shared use and parking, revenue systems.

- $1.6 million for Vehicle Replacement Program. The Airport currently has an aging fleet of 122 vehicles and rolling stock. The average age of the Airport's 92 street legal vehicles is over 15 years old and the acquisition of new and replacement vehicles are needed to maintain a reliable and cost-effective fleet.

- $1.1 million for Coleman Entrance Landscaping. This project funds approximately 32,000 square feet of landscape at the Coleman Avenue entrance to the Airport in 2017-2018.

Passenger Terminal Facilities

A total of $21.3 million funds various new infrastructure improvements and to maintain, renovate, or upgrade existing facilities, including the deferred maintenance of Airport elevators and the Terminal A Baggage Claim escalators. Significant projects in Passenger Terminal Facilities are highlighted below:

- $14.2 million is allocated for project close-out and improvements in the northeast quadrant of the campus including fuel truck maintenance facility, shuttle bus staging, employee parking lot and relocation of electrical services.

- $2.0 million is allocated for terminal building modifications and other minor alterations to accommodate expansions or changes at all Airport buildings and terminals.

- $1.9 million for the FIS Sterile Corridor Extension to construct a secure interior corridor connecting Terminal B Gates 17 and 18 to accommodate up to three international airport arrivals simultaneously.

- $1.5 million refurbishment of two escalators located in the Terminal A Baggage Claim area. This project was originally programmed to begin in 2008-2009 but was deferred due to scheduling and limited resources, and will start in 2015-2016.

Other Support Facilities and General Non-Construction

Additional funding of $7.9 million is included in the Adopted CIP for various Aviation Support Environmental and Transportation Facilities, as well as Non-Construction projects. To continue the assessment and clean up of the former fuel farm site, funding of $1.9 million is included in Aviation Support Environmental Facilities. Funding of $1.9 million is also included for the design and renovation of the Terminal A Ground Transportation Island to increase operational efficiency and to match the appearance of the Terminal B Ground Transportation Island. Funding of $1.0 million is included in the General Non-Construction to continue the Advanced Planning project which funds preliminary planning, programming, special studies, and surveys for the Airport.

FINANCIAL INFORMATION

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

Single Audit

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 in place, including those controls relating to Federal award programs, and whether the Airport has complied with all applicable laws and regulations. The City's Single Audit for the year ended June 30, 2013 is still in progress.

The Airport was authorized to impose Passenger Facility Charges (PFCs) effective September 1, 1992. Legislation authorizing the collection of PFCs 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. At least annually, during the period in which the PFC is collected, held, or used, the Airport must provide for an audit of its PFC accounts. The audit must be conducted by an independent certified public accountant. The scope of the audit must include evaluation of the Airport's internal accounting controls to account for the collection and use of PFCs. The audit can be performed separately for the PFC account or as part of the Single Audit. For FY 2013, the audit of the Airport's PFC accounts was performed as part of the Single Audit. The audit is complete and there were no noted material weaknesses in the Airport's internal accounting controls or instances of noncompliance with applicable PFC regulations.

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 appropriated budget. 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 San José 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–Airport Lease and Operating 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

Independent Audit

In accordance with Sections 805(a) and 1215 of the City Charter, the annual audit of Airport funds was completed by Macias Gini & O'Connell LLP, Certified Public Accountants for the fiscal year ended June 30, 2013. 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 Single Audit Act Amendments of 1996 and the related Office of Management and Budget Circular A-133. The Airport's federal awards programs are included in the City-wide Single Audit Report. The auditor's report on the Airport's financial statements is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Norman Y. Mineta San José International Airport for its CAFR for the fiscal year ended June 30, 2012. This was the sixteenth consecutive year that the Airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Airport must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,

Kim Becker Aguirre
Director of Aviation

Terri A. Gomes, CPA
Deputy Director
Finance and Administration Division

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norman Y. Mineta
San Jose International Airport
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Jeffrey R. Emer

Executive Director/CEO

Norman Y. Mineta San José International Airport
(A Department of the City of San José)
Listing of Principal Officials
June 30, 2013

ELECTED OFFICIALS:

Chuck Reed …………………………………	Mayor
Pete Constant …………………………………	Council Member, District 1
Ash Kalra. …………………………………	Council Member, District 2
Sam Liccardo…………………………………	Council Member, District 3
Kansen Chu. …………………………………	Council Member, District 4
Xavier Campos…………………………………	Council Member, District 5
Pierluigi Oliverio…………………………………	Council Member, District 6
Madison Nguyen …………………………………	Council Member, District 7
Rose Herrera…………………………………	Council Member, District 8
Donald Rocha …………………………………	Council Member, District 9
Johnny Khamis…………………………………	Council Member, District 10

AIRPORT COMMISSION:

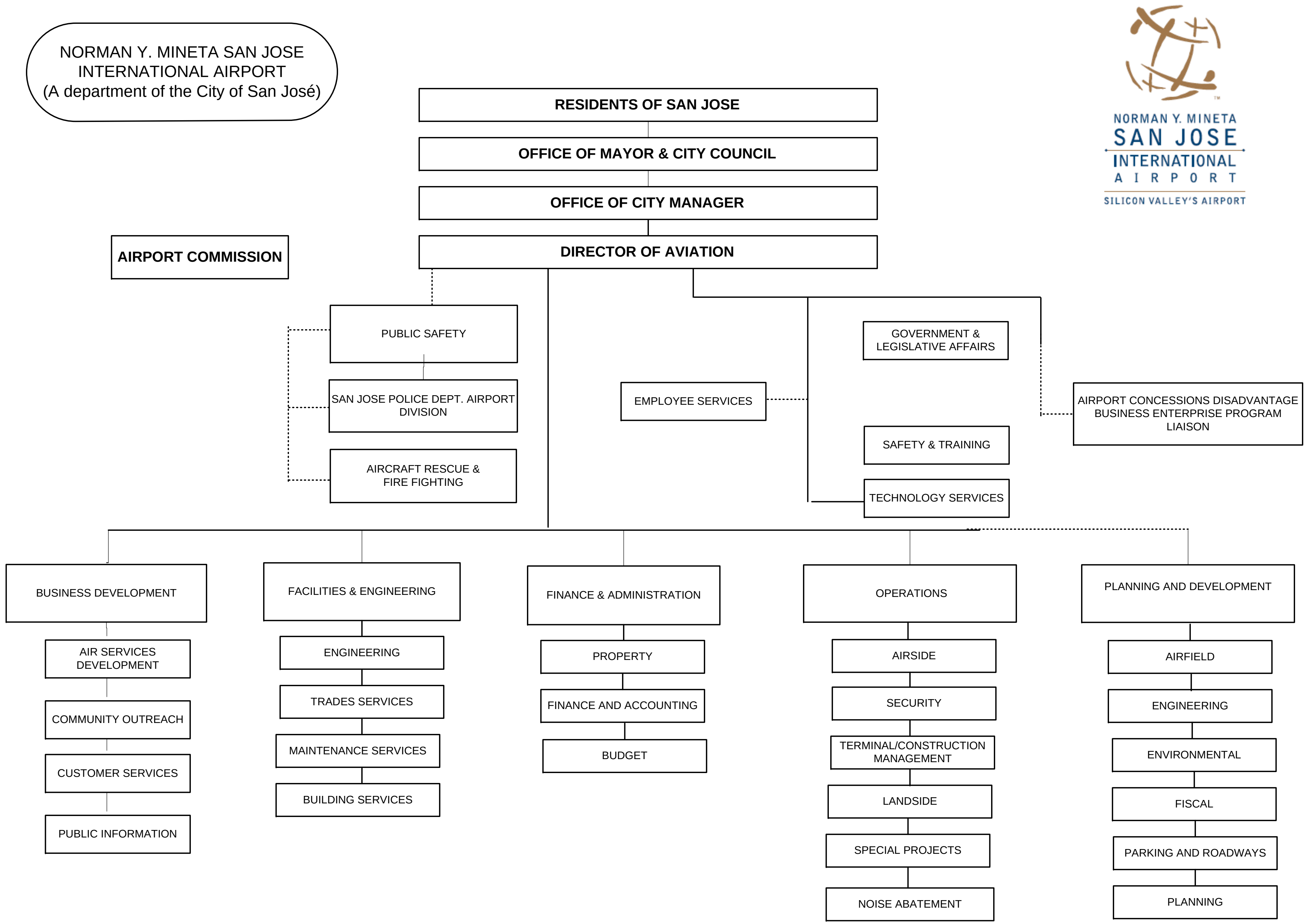
Keith Ian Graham…………………………………	Chairperson
Andrés Quintero…………………………………	Vice-Chairperson
E. Ronald Blake…………………………………	Member
AJ Borade…………………………………	Member
Matt Domenici…………………………………	Member
Alain Dussau…………………………………	Member
George Gange…………………………………	Member
Spencer Horowitz…………………………………	Member
Julie Riera Matsushima…………………………………	Member
Stephen McMinn…………………………………	Member
Robert Varich…………………………………	Member
Donald Rocha…………………………………	Council Member, Airport Liaison

CITY OFFICIAL

Debra Figone…………………………………	City Manager

AIRPORT DEPARTMENT:

Kim Becker Aguirre…………………………………	Director of Aviation
John Aitken…………………………………	Acting Assistant Director of Aviation & Deputy Director, Operations
Terri A. Gomes, CPA …………………………………	Deputy Director, Finance & Administration
Patrick R. Tonna…………………………………	Deputy Director, Facilities & Engineering
David Maas, P.E…………………………………	Deputy Director, Planning & Development
Cheryl Marcell…………………………………	Deputy Director, Air Service Development
Diane Mack-Williams …………………………………	Division Manager, Airport Technology Services
Jim Webb…………………………………	Assistant to Director, Government Relations
Vicki L. Day…………………………………	Program Manager - Customer Services & Interim Air Service Manager
Rosemary Barnes …………………………………	Public Information Manager
Lieutenant Loyd Kinsworthty…………………………………	San José Police Dept. – Airport Division


NORMAN Y. MINETA SAN JOSE
INTERNATIONAL AIRPORT
(A department of the City of San José)
NORMAN Y. MINETA
SAN JOSE
INTERNATIONAL
AIRPORT
SILICON VALLEY'S AIRPORT
RESIDENTS OF SAN JOSE
OFFICE OF MAYOR & CITY COUNCIL
OFFICE OF CITY MANAGER
AIRPORT COMMISSION
DIRECTOR OF AVIATION
PUBLIC SAFETY
SAN JOSE POLICE DEPT. AIRPORT DIVISION
AIRCRAFT RESCUE & FIRE FIGHTING
EMPLOYEE SERVICES
GOVERNMENT & LEGISLATIVE AFFAIRS
SAFETY & TRAINING
TECHNOLOGY SERVICES
AIRPORT CONCESSIONS DISADVANTAGE BUSINESS ENTERPRISE PROGRAM LIAISON
BUSINESS DEVELOPMENT
AIR SERVICES DEVELOPMENT
COMMUNITY OUTREACH
CUSTOMER SERVICES
PUBLIC INFORMATION
FACILITIES & ENGINEERING
ENGINEERING
TRADES SERVICES
MAINTENANCE SERVICES
BUILDING SERVICES
FINANCE & ADMINISTRATION
PROPERTY
FINANCE AND ACCOUNTING
BUDGET
OPERATIONS
AIRSIDE
SECURITY
TERMINAL/CONSTRUCTION MANAGEMENT
LANDSIDE
SPECIAL PROJECTS
NOISE ABATEMENT
PLANNING AND DEVELOPMENT
AIRFIELD
ENGINEERING
ENVIRONMENTAL
FISCAL
PARKING AND ROADWAYS
PLANNING

FINANCIAL

Signature Flight Support, a global leader in corporate aviation, will construct a full service, world class fixed base operation (FBO) to support based and itinerant corporate and general aviation aircraft operations at the Airport.

The 270,000 square foot facility will be LEED gold-certified and include: an executive passenger terminal, seven hangars, ramp space accommodating large business jets, and aircraft servicing facilities.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

MGO Certified Public Accountants.

Walnut Creek
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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

Honorable City Council
City of San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Norman Y. Mineta San José International Airport (Airport), a department of the City of San José, California (City), as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Basis of Presentation

As discussed in Note 1, the financial statements of the Airport are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and major fund of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013 and 2012, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Changes in Accounting Principles

As described in Note 1, effective July 1, 2011, the Airport adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the GASB 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 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 for the fiscal year ended June 30, 2013. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2013

This section of the Norman Y. Mineta San José International Airport's (Airport) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2013 and 2012.

AIRPORT ACTIVITIES HIGHLIGHTS

A total of approximately 8.5 million passengers travelled through the Airport in 2013 compared to approximately 8.3 million in 2012, resulting in passenger traffic growth of 2.8%. The Airport faced a decline of 1.6% in 2012 after experiencing a slight increase in passenger traffic of 1.9% in 2011.

As of June 30, 2013, Airport carriers served 29 nonstop markets with 135 daily departures compared to 29 nonstop markets with 126 daily departures as of June 30, 2012 and 30 nonstop markets with 128 daily departures as of June 30, 2011.

The following shows major air traffic activities at the Airport during the last three fiscal years:

	2013	2012	2011
Flight operations	120,575	120,105	122,091
	0.4%	-1.6%	-7.2%
Landed weight (passenger carriers)	5,213,194	5,125,391	5,221,002
	1.7%	-1.8%	-3.5%
Landed weight (cargo carriers)	248,067	268,748	319,185
	-7.7%	-15.8%	-1.0%
Total enplaned and deplaned passengers	8,488,459	8,256,223	8,389,050
	2.8%	-1.6%	1.9%
Enplaned passengers	4,234,753	4,124,885	4,189,223
	2.7%	-1.5%	2.0%
Deplaned passengers	4,253,706	4,131,338	4,199,827
	3.0%	-1.6%	1.8%
Domestic passengers	8,265,327	8,092,059	8,232,103
	2.1%	-1.7%	1.6%
International passengers	223,132	164,164	156,947
	35.9%	4.6%	21.6%
Cargo tonnage (in tons)	43,184	41,883	47,327
	3.1%	-11.5%	-11.0%
Parking (vehicles) exits	996,029	956,259	1,073,622
	4.2%	-10.9%	7.1%

The Airport continues to offer several air service incentive programs to support the development of new passenger air service at the Airport, including a program aimed at increasing service to unserved or underserved cities (the "New Service Program"), another program aimed at encouraging airlines to add additional service to designated cities (the "Focus City Program") and a program that reduces the Airport's share of indirect overhead expenses allocated to it by the City for support services the City provides to the Airport (the "Municipally-Funded Air Service Incentive Program").

(Continued)

As part of the New Service Program, the Director of Aviation designates certain unserved or underserved cities as either qualifying short-haul domestic cities, medium-range domestic or international cities or long-haul international cities. The Director has the authority to change the cities on the list from time to time depending on market conditions, passenger data, market research, route feasibility studies and community feedback. Under the New Service Program, an airline providing new nonstop service between the Airport and an airport in a qualifying short-haul domestic city, medium-range domestic or international city or long-haul international city will receive credits against landing fees, eligible facility rental charges, gate use fees, aircraft parking charges and Airport imposed international passenger processing fees (excluding Passenger Facility Charges) that the airline would otherwise have incurred for the new service, for a promotional period ranging from one to three years from the commencement of the service. All eligible fees are waived during the one-year promotional period for new nonstop service to qualifying short-haul domestic cities. New nonstop service to qualifying medium-range domestic or international cities is eligible for a two-year promotional period, with all eligible fees waived during the first year and fifty percent (50%) of eligible fees waived during the second year of the promotional period. New nonstop service to qualifying long-haul international cities is eligible for a three-year promotional period, with all eligible fees waived during the first year, sixty-six percent (66%) of eligible fees waived during the second year, and thirty-three (33%) of eligible fees waived during the third year. All airlines, including both new and incumbent carriers, are eligible to participate in the program. Past participants have included Southwest Airlines with service to Austin, jetBlue Airways with service to Boston, Hawaiian Airlines with service to Kahului (Maui), and Alaska Airlines with service to Austin, Kona, Kahului (Maui), Lihue (Kauai), and Cabo San Lucas. Virgin America and Delta, both with service to Los Angeles, and All-Nippon Airways, with service to Tokyo-Narita, are current participants. To receive the fee waiver credits, the airline must agree to begin new nonstop service between the Airport and an airport in a qualifying domestic or international city, and the qualifying service must be continuously operated during the length of the promotional period. In addition, an airline will qualify for the fee waiver only if the new service is not offset by a reduction in service by that airline on an existing nonstop route.

The Focus City Program is designed to encourage airlines to add new air service at the Airport. Compared to the New Service Program, the Focus City Program offers longer incentive periods to any airline that designates the City as a focus city and commits to two consecutive years of incremental growth at the Airport, adding a minimum number of new qualifying routes and frequencies. Under the Focus City Program, an airline would qualify for a waiver of fees for two years if it adds at least four flights each year, with at least two of those flights to currently unserved or underserved cities. Additional flights to destinations that are already well served would not receive the fee waiver, but those flights would count toward meeting the remaining Focus City Program incentive threshold of four new flights per year.

The Municipally-Funded Air Service Incentive Program reduces the Airport's share of indirect overhead expenses allocated to it by the City for support services the City provides to the Airport. Because the operation and management of the Airport are supported by a number of City departments, employees, and resources that are not directly charged to the Airport operating budget, the City allocates a percentage of its total indirect overhead expenses to the Airport operating budget. If in any year during the term of the airline agreement the percentage growth in enplaned passengers at the Airport exceeds the growth in enplaned passengers nationwide (as measured by data published in the FAA Aviation Forecast or similar report/forecast if the FAA Aviation Forecast is no longer available), then the City agrees to reduce the amount of its indirect overhead expenses that would otherwise be allocated to the Airport's operating budget for the next fiscal year by a corresponding percentage. The airline agreement also provides that in no event will the City's indirect overhead expenses allocated to the Airport operating budget exceed twenty-five percent (25%) or be less than fifteen percent (15%) during the term of the airline agreement.

FINANCIAL HIGHLIGHTS

The Airport continues to remain vigilant in its efforts to maintain reasonable airline costs and to meet the cost per enplaned passenger of under $12 as directed by the City Council. The Airport posted a decrease in net position for the 2013 fiscal year.

- Operating revenues decreased by 3.0% from $127.0 million in 2012 to $123.1 million in 2013.
- Operating expenses before depreciation and amortization decreased by 11.1% from $78.8 million in 2012 to $70.1 million in 2013.
- Operating income before depreciation and amortization increased from $48.2 million in 2012 to $53.0 million in 2013.
- Depreciation and amortization increased from $51.5 million in 2012 to $54.4 million in 2013.
- The above resulted in operating loss before nonoperating revenues and expenses of $1.3 million in 2013 and $3.3 million in 2012.
- Nonoperating expenses, net of nonoperating revenues, increased from $43.7 million 2012 to $43.8 million in 2013.
- Capital contributions received in the form of grants from the federal government decreased from $7.4 million in 2012 to $7.0 million in 2013.
- Net position was a decrease of $38.2 million in 2013 compared to a decrease of $39.6 million in 2012. This was the result of the increases in depreciation and amortization and nonoperating expenses and decreases in operating revenues and capital contributions, offset by the decrease in operating expenses.

In addition, the Airport posted a decrease in net position at the end of 2012 fiscal year.

- Operating revenues increased by 0.5% from $121.0 million in 2011 to $127.0 million in 2012.
- Operating expenses before depreciation and amortization decreased by 12.3% from $89.9 million in 2011 to $78.8 million in 2012.

(Continued)

- Operating income before depreciation and amortization increased from $31.1 million in 2011 to $48.2 million in 2012.

- Depreciation and amortization was $51.5 million in both fiscal years.

- The above resulted in operating loss before nonoperating revenues and expenses of $3.3 million in 2012 and $20.5 million in 2011.

- Nonoperating expenses, net of nonoperating revenues, increased from $26.5 million 2011 to $43.7 million in 2012.

- Capital contributions received in the form of grants from the federal government decreased from $10.9 million in 2011 to $7.4 million in 2012.

- Net position was a decrease of $39.6 million in 2012 compared to a decrease of $36.1 million in 2011. This was the result of the increases in nonoperating expenses and decrease in capital contributions, offset by the increase in operating revenues and decrease in operating expenses.

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, 2013, 2012, and 2011:

	2013	2012	2011
Operating revenues	$ 123,115	$ 126,975	$ 120,963
Operating expenses before depreciation and amortization	(70,074)	(78,802)	(89,904)
Operating income before depreciation and amortization	53,041	48,173	31,059
Depreciation and amortization	(54,353)	(51,520)	(51,532)
Operating loss	(1,312)	(3,347)	(20,473)
Nonoperating revenues and expenses, net	(43,816)	(43,650)	(26,527)
Loss before capital contributions	(45,128)	(46,997)	(47,000)
Capital contributions	6,954	7,399	10,862
Decrease in net position	(38,174)	(39,598)	(36,138)
Net position - beginning, as previously reported	371,077	416,626	452,764
Change in accounting principle	-	(5,951)	-
Net position - beginning, as restated	371,077	410,675	452,764
Total net position - ending	$ 332,903	$ 371,077	$ 416,626

NET POSITION SUMMARY

Net position serves over time as a useful indicator of the Airport’s financial position. The Airport adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* as of July 1, 2011. The Airport restated the July 1, 2011 net position to write off unamortized bond issuance costs previously reported as an asset and included in the deferred amounts on refunding of debt. The 2011 financial statements were not restated.

The Airport’s assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by $332.9 million, $371.1 million, and $410.7 million at June 30, 2013, 2012 and 2011, respectively, a $38.2 million decrease from June 30, 2012 to June 30, 2013 and a $39.6 million decrease from June 30, 2011 to June 30, 2012.

A condensed summary of the Airport’s net position (in thousands) at June 30, 2013, 2012 and 2011 is shown below:

	2013	2012	2011
Assets:			
Unrestricted assets	$ 99,976	$ 94,842	$ 70,452
Restricted assets	273,238	291,882	290,294
Capital assets	1,443,362	1,483,245	1,517,327
Other assets	13,016	13,831	12,061
Total assets	1,829,592	1,883,800	1,890,134
Deferred outflow of resources:			
Loss on refundings of debt	698	1,758	-
Liabilities:			
Current liabilities – unrestricted	55,600	59,385	422,312
Current liabilities payable from restricted assets	49,924	41,805	36,543
Noncurrent liabilities	1,389,759	1,413,291	1,020,604
Total liabilities	1,495,283	1,514,481	1,479,459
Deferred inflows of resources:			
Gains on refundings of debt	2,104	-	-
Net position:			
Net investment in capital assets	209,381	242,916	272,598
Restricted	65,408	69,350	64,128
Unrestricted	58,114	58,811	79,900
Net position	$ 332,903	$ 371,077	$ 416,626

The largest portion, 62.9%, 65.5%, and 66.4% of the Airport’s net position at June 30, 2013, 2012, and 2011, respectively, represents its investment in capital assets (e.g. land, buildings, improvements and equipment), less the debt outstanding used to acquire those capital assets. 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.

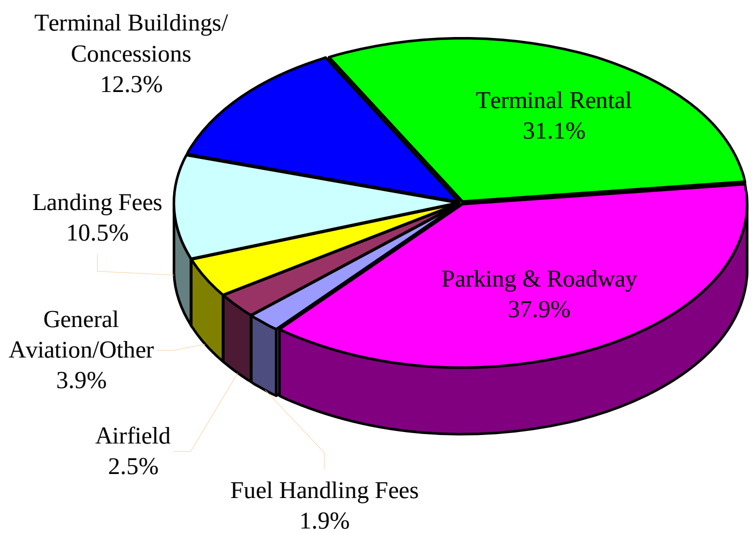
(Continued)

A portion of the Airport's net position represents amounts that are subject to restrictions under the Airline Lease Agreement, the Master Trust Agreement, and the rental car agreement, and passenger facility charges (PFC) and customer facility charges (CFC) that are restricted by Federal regulations and Civil Code §1936, respectively.

REVENUES

The following chart reflects the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2013:

OPERATING REVENUES
FISCAL YEAR 2013



Percentage total does not add to 100% due to rounding.

As illustrated in the above chart, parking and roadway revenue represents 37.9% of the total operating revenues. Parking and roadway revenues include public parking, utility and concession fees from rental cars, employee parking, 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 is equal to the sum of annual debt service associated with the ConRAC plus coverage amounts and reserve fund requirements applicable to the ConRAC-related debt service, less revenues from CFCs plus operating costs for any transportation system operated by the Airport to transport passengers between the terminals and the ConRAC facility, plus the City's cost to demolish the previous temporary common use rental car facilities at the Airport, amortized over the initial ten-year term of the agreement. Facility rent will vary each year in relation to changes in any of these amounts.

The next largest category is airline terminal rental which represents 31.1% of the total operating revenues. Revenues from terminal buildings/concessions, which came in at 12.3% of total operating revenues, include food and beverage, news and gift shops, advertising, and telephony fees. Fees for the use of the Federal Inspection Services (FIS) facility and rental of space, other than airline space, are also included in this category.

Landing fees from passenger and cargo carriers represent 10.5% of the total operating revenues. General aviation/other revenues (3.9%) are comprised of rents for aircraft hangars, aircraft parking spaces, building and land rentals, fingerprinting fees, and fees for tenant plan reviews, which are calculated on a cost recovery basis. The remaining categories, airfield and fuel handling fees represent 2.5% and 1.9%, of the total operating revenues, respectively. The airfield area category is comprised of air carrier parking fees, fees from the in-flight kitchen services, and fees from ground service providers. Fuel handling fees include sales of diesel, unleaded, propane, and compressed natural gases (CNG), as well as jet flowage fees, a fee charged to operators for engaging in the activity of retail sales of aviation fuel petroleum products.

A summary of revenues (in thousands) for the fiscal years ended June 30, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Operating revenues:			
Landing fees	$ 12,888	$ 11,414	$ 13,370
Terminal rental	38,256	39,864	34,446
Terminal buildings/concessions	15,102	15,770	16,877
Airfield	3,038	2,783	2,925
Parking and roadway	46,700	51,023	47,320
Fuel handling fees	2,361	1,690	1,504
General aviation/other	4,770	4,431	4,521
Total operating revenues	123,115	126,975	120,963
Nonoperating revenues:			
Passenger facility charges	17,294	16,787	17,311
Customer facility charges	13,385	10,137	6,840
Investment income (loss)	(257)	2,217	1,614
Operating grants	565	670	701
Other, net	451	698	1,438
Total nonoperating revenues	31,438	30,509	27,904
Capital contributions	6,954	7,399	10,862
Total revenues	$ 161,507	$ 164,883	$ 159,729

(Continued)

2013 versus 2012

Total operating revenues decreased by 3.0% from $127.0 million in 2012 to $123.1 million in 2013. Growth trends of various revenue categories showed mixed results when compared to the prior year. Terminal rental, terminal building/concessions, and parking and roadway revenues trended lower compared to prior year's performance. The decreases were offset by the increases in landing fees, airfield, fuel handling fees, and general aviation/other revenues.

Terminal rental decreased from $39.9 million in 2012 to $38.3 million in 2013. The decrease can be attributed to the lower terminal rental requirement as a result of higher surplus and debt service coverage carried over from the prior fiscal year. Terminal buildings/concessions declined by 4.2% or $668,000 primarily due to the elimination of the Orange Alert surcharge effective July 1, 2012.

Parking and roadway revenues posted a decrease of 8.5% or $4.3 million principally due to the significantly lower facility rents from rental car companies for the use of the ConRAC facility which decreased from $6.7 million in 2012 to $4.9 million in 2013. Lower facility rents were required from the rental car companies as a result of the higher CFC revenues generated. The decrease can also be attributed to the one-time revenue of $3.4 million recorded in 2012 relating to the purchase/buyout agreement of 14 compressed natural gas (CNG) powered buses. The Airport had an operating lease contract covering the 14 CNG powered buses that was scheduled to expire on July 31, 2015. In May 2012, the contract was amended to allow the early termination of the lease with the Airport's payment of approximately $4.4 million. Simultaneously, the Airport entered into an agreement relinquishing the use of the 14 CNG powered buses to a third party for a total price of $3.4 million to relieve the Airport of its lease commitment. The Airport used the proceeds together with the difference of $1.0 million to make the early termination payment of $4.4 million.

Lower parking and roadway revenues can also be attributed to the lower ground transportation revenues, which declined from $2.9 million in 2012 to $1.9 in 2013. This was primarily due to the new agreement with the contractor providing on-demand ground transportation dispatch services at the Airport. Under the new agreement, which took effect in January 2013, the contractor is responsible for collecting fees and performing administrative functions directly. The decreases in parking and roadway revenues were partially offset by the $1.9 million increase in public parking revenues over the prior fiscal year.

Landing fees posted a gain of 12.9% or $1.5 million principally due to the increase in rate from $2.14 in 2012 to $2.38 per thousand pounds of the maximum gross landing weight. Higher ground support and in-flight kitchen concession fees accounted for the increase in airfield revenues by 9.2% or $255,000. Fuel handling fees went up by 39.7% or $671,000 boosted by the increases in CNG fuel sales and the jet flowage fees as a result of the increase in flowage fee rate from $0.10 per gallon to $0.20 per gallon that took effect in November 2012.

General aviation/other revenues tracked higher by 7.7% or $339,000 due to the land rental rate adjustments based on increases in appraised values and consumer price index and additional land rental revenues derived from the temporary Westside parking lot leases.

(Continued)

PFC revenues grew by 3.0% or $507,000 reflective of the growth in passenger activity. Investment income in 2013 fell substantially lower compared to 2012. Investments posted a decrease in fair value of $1.0 million as opposed to an increase in fair value of $1.2 million in 2012. Interest earnings decreased from $1.1 million 2012 to $700,000 in 2013 due to lower interest rates.

CFCs are the charges to customers of rental car companies at the Airport in accordance with California Civil Code §1936 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 Terminal A and the ConRAC.

CFC revenues trended 32.0% or $3.2 million higher than the prior year revenues. The increases were mainly attributed to the 6.9% increase in the number of rental car contracts compared to the prior year and the move to a new fee structure from $10 per contract to a $6.00 per day (up to a maximum of five days per rental car contract) which went into effect on December 1, 2011.

The operating grants pertained to grant funds awarded by the Transportation Security Administration (TSA) for the costs associated with the law enforcement officers at security checkpoints ($252,200), canine security grant from TSA ($241,500), and a grant from the Bay Area Air Quality Management District for the incremental costs of leasing compressed natural gas buses ($71,300).

Other nonoperating revenues posted a decrease of 35.4% or $247,000. The major contributor to this decline was the reversal of the $296,000 revenue accrued in prior fiscal year related to an audit finding regarding the failure of the advertising concession contractor to expend the minimum capital improvement requirements in certain advertising categories. In October 2012, the City approved an amendment to the agreement which combined the minimum capital investment requirements of the various advertising categories. As a result, the advertising concession contractor is no longer liable for meeting the capital investment threshold for each category.

Capital contributions received during the fiscal year pertained to reimbursement from the FAA of $7.0 million for the reconstruction of the Taxiway W project.

<u>2012 versus 2011</u>

Despite the decline in major airport traffic activities, operating revenues generated in 2012 increased by approximately $9.3 million or 7.3% over that in 2011. Growth trends were mixed. While revenues grew in the terminal rental, parking and roadway, CFCs, and fuel handling fees, declines were experienced in the landing fees, terminal buildings/concessions, airfield, and general aviation/other revenues.

Terminal rental increased from $34.4 million to $39.9 million or an increase of approximately $5.5 million due to higher terminal rental requirement as a result of the increase in debt service, largely offset by the reduced police service cost.

Parking and roadway revenues posted a substantial increase of approximately $3.7 million principally due to a receipt of $3.4 million relating to the purchase/buyout of 14 compressed natural gas (CNG) powered buses. The increase in parking and roadway revenues was attributed to increases in public parking and rental car activities and the collection of additional revenues of approximately $354,000 from Fox Rent A Car relating to prior years' concession fee audit adjustments. Ground transportation revenues also increased due to the change in the fee structure for off-airport parking courtesy van operators eliminating the percentage gross revenue fees and increasing the trip fees from $1.50 per trip ($1.00 per trip for clean fuel vehicles) to $7.00 per trip ($6.00 per trip for clean fuel vehicles). The increases were largely offset by lower facility rents charged to the rental car companies mainly due to the higher CFC revenues collected.

Higher compressed natural gas fuel sales in 2012 accounted for the increase in fuel handling fees by 12.4% or approximately $186,000.

Landing fees decreased by $2.0 million or 14.6% due to a variety of factors, including (1) the decrease in rate from $2.47 to $2.14 per thousand pounds of the maximum gross landing weight, (2) the termination of two daily flights to Reno by Southwest Airlines, (3) the reduction in American Airlines' flight schedule after its bankruptcy filing, (4) the reduction in routes by United Airlines when its merger with Continental airlines became official in March 2011, and (5) the termination of operations by Air Transportation International in September 2011.

Terminal buildings/concession revenues declined by $1.1 million or 6.6% due to lower Orange Alert surcharge fees and the reduction of the minimum annual guarantee associated with the closure of the food and retail concessions in Terminal A+.

General aviation/other revenues in 2011 were higher by $90,000 compared to 2012 due to a one-time billing to San Jose Jet Center in 2011 representing a rent adjustment covering the period November 2008 through March 2011.

PFC revenues declined by approximately $524,000 or 3% compared to 2011 reflective of the decline in passenger activity.

CFC revenues posted a substantial increase of approximately $3.3 million or 48.2% over that in 2011 primarily due to the approval of the alternative CFC. In November 2011, the City Council modified the CFC from $10 per contract to $6 per day, up to a maximum of five days per rental contract effective December 1, 2011.

Investment income in 2012 increased by approximately $603,000 or 37.4% compared to 2011. Investments posted an increase in fair value of $1.2 million in 2012 as opposed to a decline in fair value of $1.0 million in 2011. The increase is largely offset by the $1.6 million decrease in interest earnings as a result of lower interest rates.

The operating grants pertained to grant funds awarded by the Transportation Security Administration (TSA) for the costs associated with the law enforcement officers at security checkpoints ($329,500), canine security grant from TSA ($242,500), and a grant from the Bay Area Air Quality Management District for the incremental costs of leasing compressed natural gas buses ($97,600).

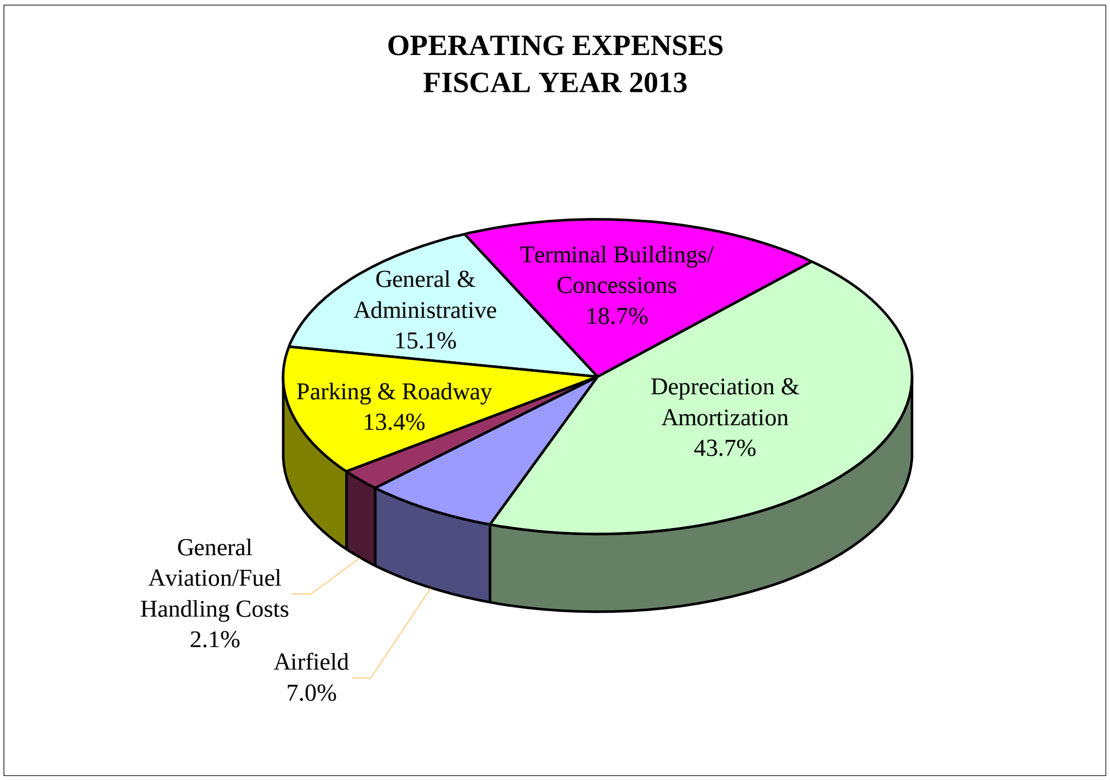
(Continued)

Other net nonoperating revenues in 2012 were lower than the prior year revenues by $740,000 or 51.5%. As provided in the operating sublease with City of San José Financing Authority, the Airport received reimbursements in 2011 amounting to $429,000 representing costs incurred in the development of the Airport West property. Also, in 2011 the General Fund transferred back an amount of $214,000 representing retiree healthcare contributions initially funded by the Airport. In 2012, the Airport transferred $115,000 to the General Fund intended for the acquisition of a new payroll system.

Capital contributions received during the fiscal year pertained to reimbursement from the FAA of $7.3 million for the reconstruction of Taxiway W and for use in the South Apron replacement project. The Airport also received $81,000 from FAA's Voluntary Low Emissions program for use in retrofitting the gates at the terminals with preconditioned air and 400 Hz ground power to reduce airline engine use while parked at the gate, thereby reducing emissions.

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2013:



A summary of expenses (in thousands) for the fiscal years ended June 30, 2013, 2012, and 2011 is as follows:

	2013	2012	2011
Operating expenses:			
Terminal buildings/concessions	$ 23,303	$ 23,659	$ 33,019
Airfield area	8,707	9,069	9,749
Parking and roadway	16,631	25,514	25,344
Fuel handling costs	1,065	556	288
General aviation	1,605	1,676	2,409
General and administrative	18,763	18,328	19,095
Depreciation and amortization	54,353	51,520	51,532
Total operating expenses	124,427	130,322	141,436
Nonoperating expenses:			
Interest expense	75,058	70,009	54,431
Bond issuance costs	196	4,141	-
Loss on capital assets disposal	-	9	-
Total nonoperating expenses	75,254	74,159	54,431
Total expenses	$ 199,681	$ 204,481	$ 195,867

2013 versus 2012

Operating expenses in 2013 tracked 4.5% or $5.9 million lower than the prior fiscal year. Decreases were experienced in nonpersonnel, overhead, and fees charged by the City for police and firefighting services. These were partially offset by increases in expensed capital costs, depreciation and amortization and workers' compensation.

Personnel expenses remained relatively flat compared to the prior fiscal year while overhead reflected a decrease of 4.9% or $217,000 due to the rate change from 21.97% in 2012 to 21.1% in 2013.

Nonpersonnel expenses in 2013 posted a significant decline of $8.1 million or 21.2%. The decrease can be attributed to a variety of factors. Nonpersonnel expenses in 2012 included the $4.4 million buyout payment for the early termination of the lease agreement for the 14 CNG shuttle buses. Due to the early termination of the lease agreement for the 14 CNG buses and the reduced hours for the shuttle bus operator, the Airport saved an additional amount of $1.1 million. The Airport also issued revenue bonds in December 2011 to refund $224.7 million of commercial paper (CP) notes thus, resulting in $2.7 million decline in the letter of credit fees associated with the CP program.

The fees charged by the City for airport rescue and firefighting services (ARFF) were reduced by $1.4 million as a result of the negotiated matching of costs with outsourced service costs for the full fiscal year versus five months of the prior fiscal year and the capping of overhead at

 (Continued)

approximately 25% with the balance covered with the Staffing for Adequate Fire and Emergency Response grant.

Workers' compensation costs in 2013 posted an increase of $551,000 when compared to the prior fiscal year. Workers' compensation costs reflect a combination of the actual claim payments during the fiscal year and the adjustment of liability as of the end of the fiscal year. Actual claim payments amounted to $383,000 in 2013 and $554,000 in 2012 while adjustment of the liability amounted to an increase of $48,000 in 2013 and a decrease of $674,000 in 2012.

Operating expenses included certain costs for capital projects that did not meet the criteria for capitalization into capital assets. These costs increased from $2.6 million in 2012 to $3.4 million in 2013. A major portion of these costs in 2013 pertained to the clean-up of the old fuel tank farms and miscellaneous pavement improvements.

Depreciation and amortization increased by $2.8 mainly due to assets placed in service, particularly the taxiway project, the taxi staging building, and the lounge. The increase can also be attributed to the cost segregation of systems installed in the terminals totaling $9.3 million from building to equipment, thus accelerating the depreciation life from 40 to 15 years.

Interest expense in 2013 grew by $5.0 million due to the fact that the Airport issued airport revenue bonds in the prior fiscal year to refund the $224.7 million CP notes. The fixed rate bonds have higher interest rates compared to the variable rate CP notes. The CP notes were an interim financing vehicle used during the construction period of the Airport Master Plan. Refunding of CP notes allowed the Airport to mitigate the variable rate exposure and substantially reduce the size of the CP program at a time when market conditions had made it increasingly difficult to obtain credit facilities required to support the CP program.

Bond issuance costs of $196,000 were paid in 2013 for the issuance of the Series 2012A Airport Revenue Bonds of $49.1 million. In 2012, the Airport paid $4.1 million bond issuance costs for the issuance of Series 2011A-1, Series 2011A-2, and Series 2011B Airport Revenue Bonds totaling $508.6 million.

2012 versus 2011

Operating expenses declined by $11.1 million from $141.4 million in 2011 to $130.3 million in 2012. Decreases were experienced in personnel and nonpersonnel expenses, fees charged by the City for police and firefighting services, workers' compensation costs, and expensed capital costs. These were partially offset by the increases in other postemployment benefits (OPEB) costs and overhead.

Personnel expenses in 2012 decreased by approximately $297,000 due to the wage reductions implemented for all staff and the elimination of seven positions. The decreases were largely offset by higher retirement contributions (excluding OPEB costs), which increased from approximately 25.75% of salary in 2011 to approximately 28.34% in 2012. Overhead expenses increased by $427,000 due to the rate change from 17.26% in 2011 to 21.97% in 2012.

Nonpersonnel expenses decreased by approximately $239,000 principally due to the termination of leased space for the off-Airport administrative offices. Staffing levels were reduced to a level

(Continued)

that made it possible to consolidate all staff on the Airport property. Additionally, lower nonpersonnel expenses were due to decreases in both parking and shuttle bus operator costs. A one-time reimbursement of parking operator costs was paid in 2011 to cover for the delay in the implementation of the new parking control system resulting in the reduction of the year-to-year costs. Also, the new agreement with the parking operator for parking management and in-lot shuttle services took effect on April 1, 2012. The new contract changed the compensation model from paying a percentage of revenues to management fee plus reimbursement of costs, which provides the Airport better control over costs. Shuttle bus costs declined due to several factors including the closure of the long-term lot resulting in shorter routes and the need for fewer buses. Also, an amendment to the shuttle bus service contract took effect on March 1, 2012 changing the compensation structure from a cost per hour of operation to a fixed monthly rate plus a cost per hour of operation allowing the Airport to reduce service hours without impacting the costs. The decreases were largely offset by the $4.4 million buyout payment for the early termination of the lease agreement for the 14 CNG shuttle buses.

The fees charged by the City for police services were significantly reduced by $5.3 million as a result of the new staffing model of 11 full-time positions, capping overhead at approximately 25% (versus approximately 45% in the prior year) with the staffing equivalent of 16 police officers funded with overtime which eliminates retirement, fringe, and overhead costs associated with the positions. This revised model was implemented in February 2012. The fees charged by the City for ARFF were also reduced by $444,000 as a result of the negotiated matching of costs with outsourced service costs for five months of the fiscal year and the capping of overhead at approximately 25% (versus 45% in the prior year).

Expensed capital items decreased from $8.2 million in 2011 to $2.6 million. A major portion of these expensed capital items in 2011 pertained to the Terminal C demolition costs of $6.5 million. Depreciation and amortization remained relatively flat compared to the prior year.

OPEB costs recorded in 2012, based on the latest actuarial study, posted an increase of $644,000. Workers' compensation costs in 2012 posted a decline of $321,000 when compared to the prior fiscal year. Workers' compensation costs reflect a combination of the actual claim payments during the fiscal year and the adjustment of liability as of the end of the fiscal year. Actual claim payments amounted to $554,000 and $858,000 while reductions of the liability amounted to $674,000 and $657,000 in 2012 and 2011, respectively.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended $17.5 million and $20.2 million on both capitalized and noncapitalizable capital activities in fiscal years 2013 and 2012, respectively. Major capital projects in 2013 included the reconstruction of Taxiway W, the construction of the common lounge area, and the taxi staging building. Major capital projects in 2012 included the reconstruction of Taxiway W, public parking improvements, and several TAIP projects, including the parking revenue control system, Terminal A/A+ refurbishment, and terminal equity improvements.

As of June 30, 2013, the Airport was obligated for purchase commitments relating to capital projects of approximately $4.2 million primarily for the costs of the pavement maintenance, parking revenue control system, and terminal building modifications.

(Continued)

Detailed information about capital assets can be found in Note 3 to the financial statements.

LONG-TERM DEBT

Commercial Paper (CP) Program

The CP debt is a form of variable rate debt with a maturity between 1 to 270 days. As of June 30, 2013 and 2012, the total amount of CP outstanding totaled $45.4 million and $47.9 million, respectively. The Airport issued Airport Revenue Bonds in fiscal year 2012 to refund CP notes totaling approximately $354.2 million. During the fiscal years ended June 30, 2013 and 2012, the Airport paid principal of $2.6 million and $7.9 million, respectively. As of June 30, 2013, the CP notes were supported by the $75 million letter of credit and reimbursement agreement with Wells Fargo Bank, N.A. (WFB).

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

Revenue Bonds

As of June 30, 2013 and 2012, the Airport had total outstanding revenue bonds of $1,407.0 million and $1,420.4 million, respectively. During fiscal year 2013, the Airport refunded the Series 2002A Bonds in the amount of $49,140,000 with the Series 2012A. During fiscal year 2012, the Airport issued a total of $508.6 million revenue bonds (i) to refund certain variable rate commercial paper notes totaling $354.2 million, (ii) to refund existing revenue bonds totaling $92.2 million, (iii) to pay a portion of the cost of issuance of the bonds, and (iv) to make a cash deposit to the General Account of the Bond Reserve Fund. During the fiscal years ended June 30, 2013 and 2012, the Airport paid principal of $13.4 million and $21.9 million, respectively.

Additional information about the Airport's long-term debt can be found in Note 5 to the financial statements.

Credit Ratings

The underlying ratings of the outstanding Airport Revenue Bonds are "A-", "A2" and "BBB+" by Standard & Poor's (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch), respectively. The rating outlook of all three rating agencies with respect to the outstanding Airport Revenue Bonds is stable. See Note 5 to the financial statements for a list of outstanding Airport Revenue Bonds.

Additional information about the Airport's credit ratings can be found in the Reporting of Significant Events section of the Bond Disclosure Report.

AIRLINE RATES AND CHARGES

The Airport entered into an Airline-Airport Lease and Operating Agreement that took effect on December 1, 2007 with an expiration date of June 30, 2012. In August 2011, the City Council authorized the Director of Aviation to extend the term for five years through June 30, 2017, which allows the airlines to continue to conduct operations and occupy leased space through the extended term. The terminal rate methodology contained in the agreement is based on a compensatory rate-making approach. The average rental rate is calculated annually by dividing the Terminal Revenue Requirement sum by the total amount of rentable terminal space and multiplying the resulting quotient by the total square feet of airline premises at the Airport, yielding the Airline Terminal Revenue Requirement. The airlines' share of any net remaining revenues is credited against the Airline Terminal Revenue Requirement, yielding the Net Airline Terminal Revenue Requirement. The Terminal Revenue Requirement is the sum of expenses allocable to the Terminal for each fiscal year, which include (a) annual debt service funded from bonds or subordinated indebtedness net of any PFC revenues used to pay such debt service, plus (b) debt service coverage, plus (c) annual operating expenses, plus (d) amount needed to replenish the bond reserve fund to required levels, plus (e) the share of annual costs for renewal and replacement, less (f) any grant amounts used to pay debt service, less (g) the debt service coverage for the immediately preceding fiscal year.

The landing fee rate methodology in the agreement is based on a cost center residual rate-making approach. The landing fee is calculated by dividing the Airfield Revenue Requirement by the projected aggregate maximum gross landed weight for all aircraft carrying passengers or cargo in commercial service at the Airport during the fiscal year. The landing fee is expressed in dollars and cents per one thousand pounds in landed weight. The Airfield Revenue Requirement is the sum of expenses allocable to the Airfield for each fiscal year, which include (a) annual debt service funded from bonds or subordinated indebtedness net of any PFC revenues used to pay such debt service, plus (b) debt service coverage, plus (c) annual operating expenses, plus (d) amount needed to replenish the bond reserve fund to required levels, plus (e) the share of annual costs for renewal and replacement, less (f) revenues, other than landing fees, that are accrued for the use of the Airfield, including revenue accrued from landing fee premiums paid by non-signatory airlines, and revenues accrued from charges paid for parking aircraft at common use gates, less (g) any grant amounts used to pay debt service, less (h) the debt service coverage for the immediately preceding fiscal year.

The rates and charges for the signatory (passenger and cargo) airlines for fiscal years 2013 and 2012 were as follows:

	2013	2012
Landing fee (per 1,000 lbs MGLW):	$2.38	$2.14
Terminal average rental rate (per square foot)	$154.65	$153.20
Airline cost per enplanement (budgeted)	$11.95	$11.67

Terminal rental rates and airline landing fees for fiscal year 2014 have been developed as part of the annual budget process. The rates and charges for the signatory airlines for fiscal year 2014, which became effective July 1, 2013, are as follows:

Landing fees (per 1,000 lbs MGLW):	$2.22
Terminal average rental rates (per square foot)	$159.72
Airline cost per enplanement (budgeted)	$11.76

After completion of the year-end closing and annual audit, the Airport achieved savings of approximately $5.9 million greater than what was anticipated in the preparation of the adopted 2013-14 Airline Rates and Charges. The surplus for 2013 will be allocated in accordance with the revenue sharing provisions of the lease agreement and to meet a cost per enplaned passenger of under $12 as directed by the City Council.

FORWARD-LOOKING STATEMENTS

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

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

REQUEST FOR INFORMATION

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

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

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Exhibit I
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2013 and 2012

		2013	2012
Assets			
Current assets:			
Unrestricted assets:			
Equity in pooled cash and investments held in City Treasury (Note 2)	$	91,952,901	86,109,304
Receivables:			
Accounts, net of allowance for uncollectible accounts of $328,993 in 2013 and $327,000 in 2012		6,710,286	6,120,618
Accrued interest		140,169	123,146
Grants		995,121	2,303,439
Prepaid expenses, advances, and deposits		177,834	185,509
Total unrestricted assets		99,976,311	94,842,016
Restricted assets:			
Equity in pooled cash and investments held in City Treasury (Note 2)		157,114,165	63,086,628
Investments held by fiscal agent (Note 2)		112,530,817	224,917,435
Receivables:			
Accounts, net of allowance for uncollectible accounts of $15,000 in 2013 and $9,000 in 2012		3,368,772	3,497,393
Accrued interest		167,584	174,439
Prepaid expenses, advances, and deposits		844	4,873
Current portion of prepaid bond insurance		56,262	201,420
Total restricted assets		273,238,444	291,882,188
Total current assets		373,214,755	386,724,204
Noncurrent assets:			
Capital assets (Note 3):			
Nondepreciable		99,504,789	117,749,117
Depreciable assets, net of accumulated depreciation		1,343,856,912	1,365,496,169
Total capital assets		1,443,361,701	1,483,245,286
Loan receivable		-	250,000
Advances and deposits		4,980,079	5,331,286
Prepaid bond insurance, less current portion		8,036,016	8,249,210
Total noncurrent assets		1,456,377,796	1,497,075,782
Total assets		1,829,592,551	1,883,799,986
Deferred outflows of resources:			
Loss on refundings of debt	$	697,758	1,758,089

See accompanying notes to financial statements.

Exhibit I
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 3,286,622	3,570,373
Accrued salaries, wages and payroll taxes	423,087	476,599
Accrued vacation, sick leave and compensatory time, current (Note 5)	1,620,000	1,536,000
Advances and deposits payable	1,462,890	1,082,778
Unearned revenue	2,531,852	3,884,992
Estimated liability for self-insurance, current (Note 9)	560,000	560,000
Pollution remediation liability (Note 10 (c))	330,000	330,000
Accrued interest payable	5,229	7,635
Commercial paper notes payable (Note 4)	45,380,000	47,937,000
Total payable from unrestricted assets	55,599,680	59,385,377
Payable from restricted assets:		
Accounts payable	1,313,807	401,492
Accrued salaries, wages and payroll taxes	2,800	13,341
Unearned revenue	-	1,585,146
Pollution remediation liability (Note 10 (c))	1,428,657	384,000
Accrued interest payable	24,883,919	25,615,357
Current portion of bonds payable (Note 5)	22,294,734	13,806,084
Total payable from restricted assets	49,923,917	41,805,420
Total current liabilities	105,523,597	101,190,797
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized discount/premium (Note 5)	1,376,037,499	1,401,745,620
Estimated liability for self-insurance, noncurrent (Note 9)	1,118,773	1,071,245
Other postemployment benefits liability (Note 7)	12,076,469	9,964,282
Accrued vacation, sick leave and compensatory time, noncurrent (Note 5)	526,791	509,695
Total noncurrent liabilities	1,389,759,532	1,413,290,842
Total liabilities	1,495,283,129	1,514,481,639
Deferred inflows of resources:		
Gain on refundings of debt	2,103,905	-
Net Position		
Net investment in capital assets	209,380,615	242,915,928
Restricted:		
Per Airline Lease Agreement for:		
Airline revenue sharing	11,941,879	13,602,840
Per Master Trust Agreement for:		
Rolling debt service coverage	16,547,214	16,175,989
Per Rental Car Agreement	1,000,000	1,000,000
California Civil Code Section 1936 for Customer Facility Charges	2,293,260	-
Future debt service (Note 1 (i))	33,625,852	38,570,899
Unrestricted	58,114,455	58,810,780
Total net position	$ 332,903,275	371,076,436

See accompanying notes to financial statements.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Airline rates and charges:		
Landing fees	$ 12,888,370	11,413,628
Terminal rental	38,255,624	39,864,277
Total airline rates and charges	51,143,994	51,277,905
Terminal buildings/concessions	15,101,644	15,770,190
Airfield area	3,038,241	2,783,446
Parking and roadway	46,700,448	51,023,465
Fuel handling fees	2,360,463	1,690,326
General aviation/other	4,770,213	4,430,460
Total operating revenues	123,115,003	126,975,792
Operating expenses:		
Terminal buildings/concessions	23,303,388	23,659,488
Airfield area	8,706,904	9,068,812
Parking and roadway	16,631,149	25,513,719
Fuel handling costs	1,064,804	556,312
General aviation	1,605,119	1,676,382
General and administrative	18,763,230	18,327,715
Depreciation and amortization	54,352,406	51,519,769
Total operating expenses	124,427,000	130,322,197
Operating loss	(1,311,997)	(3,346,405)
Nonoperating revenues (expenses):		
Passenger facility charges	17,294,383	16,786,978
Customer facility charges	13,384,764	10,137,053
Investment income (loss)	(257,014)	2,216,540
Interest expense	(75,058,424)	(70,009,305)
Bond issuance costs	(195,581)	(4,140,434)
Operating grants	565,035	669,566
Loss on capital assets disposal	-	(9,452)
Other, net	451,375	698,166
Total nonoperating revenues (expenses), net	(43,815,462)	(43,650,888)
Loss before capital contributions	(45,127,459)	(46,997,293)
Capital contributions	6,954,298	7,399,056
Change in net position	(38,173,161)	(39,598,237)
Net position - beginning, as previously reported	371,076,436	416,626,126
Change in accounting principle	-	(5,951,453)
Net position - beginning, as restated	371,076,436	410,674,673
Net position - ending	$ 332,903,275	371,076,436

See accompanying notes to financial statements.

Exhibit III
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Receipts from customers and users	$	120,162,846	127,868,434
Payments to suppliers		(27,848,807)	(41,752,735)
Payments to employees		(23,995,913)	(25,912,117)
Payments for City services		(13,934,913)	(12,873,615)
Claims paid		(351,214)	(606,059)
Other receipts		451,375	1,207,718
Net cash provided by operating activities		54,483,374	47,931,626
Cash flows from noncapital financing activities:			
Transfers to the City's General Fund		-	(115,010)
Operating grants		887,753	740,443
Net cash provided by noncapital financing activities		887,753	625,433
Cash flows from capital and related financing activities:			
Purchases of capital assets		(14,162,715)	(18,717,036)
Principal payments on bonds payable		(13,440,000)	(21,915,000)
Interest paid		(76,363,006)	(61,775,744)
Capital grants		7,939,898	6,196,466
Passenger facility charges received		17,271,541	16,735,241
Customer facility charges received		13,536,227	9,242,785
Proceeds from bond issuance		49,140,000	504,400,801
Payment for redemption of bonds		(49,140,000)	(92,165,000)
Bond issuance costs paid		(195,581)	(6,775,276)
Principal payments on commercial paper		(2,557,000)	(7,892,000)
Refunded commercial paper		-	(354,250,000)
Advances and deposits received		351,207	594,350
Net cash used in capital and related financing activities		(67,619,429)	(26,320,413)
Cash flows from investing activities:			
Proceeds from sale and maturities of investments		16,443,775	285,216,790
Purchases of investments		(17,435,969)	(300,469,581)
Investment income received		688,259	1,057,481
Net cash used in investing activities		(303,935)	(14,195,310)
Net change in cash and cash equivalents		(12,552,237)	8,041,336
Cash and cash equivalents - beginning		336,257,434	328,216,098
Cash and cash equivalents - ending	$	323,705,197	336,257,434

See accompanying notes to financial statements.

Exhibit III
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2013 and 2012

		2013	2012
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$	(1,311,997)	(3,346,405)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		54,352,406	51,519,769
Other revenues		451,375	813,176
Decrease (increase) in:			
Accounts receivable		(589,668)	299,610
Loan receivable		250,000	-
Prepaid expenses, advances, and deposits		172	3,176
Increase (decrease) in:			
Accounts payable and accrued liabilities		3,841,732	(1,610,222)
Advances and deposits payable		380,112	14,789
Unearned revenue		(2,938,286)	912,127
Estimated liability for self-insurance		47,528	(674,394)
Net cash provided by operating activities	$	54,483,374	47,931,626
Noncash noncapital financing activities:			
Change in operating grants receivable	$	322,718	70,877
Noncash capital and related financing activities:			
Change in accounts payable related to acquisition of capital assets		19,281	1,132,550
Change in capital grants receivables		985,600	1,202,590
Unrealized gain on investments held by fiscal agent		36,754	961,329
Loss on capital assets disposal		-	(9,452)
Amortization of bond discount/premium		325,387	98,538
Amortization of deferred outflows/inflows of resources		582,270	571,200
Reconciliation of cash and cash equivalents to the statements of net assets			
Equity in pooled cash and investments held in City Treasury			
Unrestricted	$	91,952,901	86,109,304
Restricted		157,114,165	63,086,628
Investments held by fiscal agent classified as cash equivalents		74,638,131	187,061,502
Total cash and cash equivalents	$	323,705,197	336,257,434

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Norman Y. Mineta San José International 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 (the City) assumed responsibility for the operation of San José Municipal Airport, which was renamed San José International Airport in 1984 with the addition of airline service to Canada. In 2001, the San José International Airport was renamed the Norman Y. Mineta San José International Airport (the Airport).

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.

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

(b) Basis of Presentation – Fund Accounting

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

(c) Basis of Accounting and Estimates

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

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

iii. Under the terms of grant agreements, the Airport funds certain programs with specific cost-reimbursement grants. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Airport's policy to first apply restricted cost-reimbursement grant resources, if available, to such programs.

iv. Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures, which does not conflict with or contradict other GASB pronouncements. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2011, the Airport adopted the above GASB statements, which did not have a significant impact on its financial statements.

v. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2011, the Airport adopted the provisions of GASB Statement No. 65 and restated the beginning net position in the amount of $5,951,453 to write off unamortized bond issuance costs previously reported as an asset. During fiscal year ended June 30, 2012, the Airport has also written off bond issuance costs included in the deferred amounts related to the refunded bonds in the amount of $1,338,755. In addition, the remaining unamortized loss on refunding in the amount of $1,758,089 was reclassified from a contra liability to deferred outflows of resources.

(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. The Airport has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

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 include land, buildings and improvements, equipment, and intangible assets. Capital assets are defined as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are carried at cost. Certain property acquisition costs incurred in accordance with the California Noise Reduction Act have been capitalized in the land account in prior years. The purchase of land included movable structures that had to be removed for the land to be usable for the Airport's purposes.

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

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

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

	Years
Buildings and improvements	5 – 40
Equipment	4 – 15

(f) Capitalization of Interest

Interest costs related to the acquisition of buildings and improvements acquired with tax-exempt debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. The Airport did not capitalize interest during fiscal years ended June 30, 2013 and 2012.

(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 effective interest 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 effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the effective interest 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, airport safety and security operations, are significantly funded through the Airport Improvement Program (AIP) of the FAA and Transportation Security Administration (TSA), with certain matching funds provided by the Airport. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants awarded by TSA to finance Airport safety and security are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. Grants for capital asset acquisition, facility development and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses.

(i) Passenger Facility Charges

Passenger facility charges (PFCs) 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, 2013 and 2012, accumulated PFC revenues amounted to $33,625,852 and $38,570,899, 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, the Airport may for any period elect to designate any PFC revenues as "Available PFC Revenues" by filing with the 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 $22,099,631 and $21,336,421 from accumulated PFC revenues had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2013 and 2012, respectively.

(j) Customer Facility Charges

Customer facility charges (CFCs) are recorded as nonoperating revenues. CFCs are the charges to customers of rental car companies at the Airport in accordance with California Civil Code §1936 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 Terminal A and the ConRAC.

Under the Airport's Master Trust Agreement, the Airport may for any period elect to designate CFC revenues as "Other Available Funds" by filing with the Fiscal Agent a written statement designating the amount of such "Other Available Funds" and containing a statement that the "Other Available Funds" are legally available to be applied to pay debt service on the Series 2011B bonds during such period. CFC revenues of $13,384,764 and $10,137,053 had been designated as "Other Available Funds" for payment of eligible bond debt service in fiscal years ended June 30, 2013 and 2012, respectively.

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

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

(l) 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 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, 2013 and 2012, the Airport's statement of net position reports restricted net position of $65,408,205 and $69,349,728, respectively, of which $35,919,112 and $38,570,899, respectively, is restricted by enabling legislation.

- Unrestricted Net Position – This category represents the net amount that do not meet the criteria for "restricted" or "net investment in capital assets."

(m) New Pronouncements

The Airport is analyzing its accounting practices and is evaluating the potential impacts on the financial statements of the following GASB Statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The requirements of this statement are effective for the Airport's fiscal year ending June 30, 2014.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The requirements of this statement are effective for the Airport's fiscal year ending June 30, 2015.

(2) Cash and Investments

The City Council adopted an investment policy (the "Investment Policy") on April 2, 1985, as amended on August 28, 2012, related to the City's cash and investment pool, which is subject to annual review. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Investment Policy the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Investment Policy.

The Airport invests funds subject to the Investment Policy and provisions of the Airport's Master Trust Agreement for its various bond issues. According to the City's Investment Policy and the Airport's Master Trust Agreement, 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, 2013 and 2012, the Airport's share of the City's cash and investment pool totaled \$249,067,066 and \$149,195,932, 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, 2013 Comprehensive Annual Financial Report (CAFR). A copy of that report may be obtained by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113 or can be found at the City's Finance Department website at http://www.csjfinance.org/.

The Master Trust Agreement authorizes long-term debt (discussed in Note 5) and requires certain amounts of investments to be held in trust by the Airport's trustee (Fiscal Agent) for the bondholders and to be used for repayment of principal and interest on outstanding debt, or to be spent only on authorized capital projects. As of June 30, 2013 and 2012, restricted investments held by the fiscal agent totaled \$112,530,817 and \$224,917,435, respectively. The Master Trust Agreement addresses any limitations in Airport investment of moneys. The investments are subject to certain types of risk, including interest rate risk, credit quality risk, and concentration credit risk. However, the Master Trust Agreement does not specifically address policies for each risk.

Provisions of the Airport's Master Trust Agreement 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 Master Trust Agreement. The Master Trust Agreement 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 California Local Agency Investment Fund ("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, 2013, the Airport's investments in LAIF held by the Fiscal Agent was $74,607,188. The weighted average maturity of LAIF at June 30, 2013 was 278 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2013 was approximately $21.2 billion. The total amount recorded by all public agencies in PMIA at June 30, 2013 was approximately $58.8 billion and of that amount, 98.04% was invested in non-derivative financial products and 1.96% in structured notes and asset backed securities.

As of June 30, 2012, the Airport's investments in LAIF held by the Fiscal Agent was $77,955,313. The weighted average maturity of LAIF at June 30, 2012 was 268 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2012 was approximately $21.9 billion. The total amount recorded by all public agencies in PMIA at June 30, 2012 was approximately $60.5 billion and of that amount, 96.53% was invested in non-derivative financial products and 3.47% in structured notes and asset backed securities.

Interest Rate Risk – Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the time of maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing the cash flows from the maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations.

The City has the ability and generally has the intention to hold all investments until their respective maturity dates. The weighted average maturity of the City's pooled cash and investments as of June 30, 2013, was approximately 560 days. The Investment Policy does not prohibit the sale of securities prior to maturity. However, any portfolio restructuring requires prior conceptual approval in writing from the Director of Finance. Section 17.2 of the Investment Policy further defines the parameters with respect to restructuring the portfolio.

Credit Quality Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The City's Investment Policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio, and by 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 City's investment policy sets forth the policies regarding concentration of credit risk.

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 following schedule indicates the interest rate risk and credit risk of the investments held by the Fiscal Agent, by category and maturity, as of June 30, 2013 and 2012. The credit ratings listed are for Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively. Certain investments, such as obligations, which are backed by the full faith and credit of the United States government, are not subject to credit ratings.

As of June 30, 2013

Type of investments:	Credit Rating	Maturities Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Investments held by the Fiscal Agent						
Federated treasury obligations fund	Aaa-mf /AAAm	$ 30,943	-	-	-	$ 30,943
Federal Farm Credit Bank[1]	Aaa/AA+	-	37,892,686	-	-	37,892,686
Local agency investment fund	Not rated	-	-	74,607,188	-	74,607,188
		$ 30,943	37,892,686	74,607,188	-	$ 112,530,817

As of June 30, 2012

Type of investments:	Credit Rating	Maturities Under 30 Days		181-365 Days	1-5 Years	Carrying Value
Investments held by the Fiscal Agent						
Federated treasury obligations fund	Aaa-mf /AAAm	$ 109,106,189	-	-	-	$ 109,106,189
Federal Farm Credit Bank[1]	Aaa/AA+	-	-	-	37,855,933	37,855,933
Local agency investment fund	Not rated	-	-	77,955,313	-	77,955,313
		$ 109,106,189		77,955,313	37,855,933	$ 224,917,435

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

(3) Capital Assets

Capital asset activities for the fiscal years ended June 30, 2013 and 2012, were as follows:

	Balance at July 1, 2012	Additions	Retirements	Transfers	Balance at June 30, 2013
Capital assets not depreciated:					
Land	$ 75,781,265	-	-	-	75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	29,086,305	13,157,460	-	(31,401,788)	10,841,977
Total capital assets, not depreciated	117,749,117	13,157,460	-	(31,401,788)	99,504,789
Capital assets, depreciated:					
Buildings	1,148,507,775	133,361	-	(6,295,783)	1,142,345,353
Other improvements	550,469,657	8,851	-	28,182,822	578,661,330
Equipment	44,579,134	843,763	(215,512)	9,514,749	54,722,134
Total capital assets, depreciated	1,743,556,566	985,975	(215,512)	31,401,788	1,775,728,817
Less accumulated depreciation					
Buildings	163,759,703	29,293,272	-	-	193,052,975
Other improvements	182,265,510	18,496,513	-	-	200,762,023
Equipment	32,035,184	6,237,235	(215,512)	-	38,056,907
Total accumulated depreciation	378,060,397	54,027,020	(215,512)	-	431,871,905
Total capital assets, depreciated, net	1,365,496,169	(53,041,045)	-	31,401,788	1,343,856,912
Total capital assets, net	$ 1,483,245,286	(39,883,585)	-	-	1,443,361,701

	Balance at June 30, 2011	Additions	Retirements	Transfers	Balance at June 30, 2012
Capital assets not depreciated:					
Land	$ 75,781,265	-	-	-	75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	19,770,461	16,590,236	-	(7,274,392)	29,086,305
Total capital assets, not depreciated	108,433,273	16,590,236	-	(7,274,392)	117,749,117
Capital assets, depreciated:					
Buildings	1,143,670,119	889,728	-	3,947,928	1,148,507,775
Other improvements	547,143,193	-	-	3,326,464	550,469,657
Equipment	45,514,525	104,521	(1,039,912)		44,579,134
Total capital assets, depreciated	1,736,327,837	994,249	(1,039,912)	7,274,392	1,743,556,566
Less accumulated depreciation					
Buildings	133,675,422	30,084,281	-	-	163,759,703
Other improvements	164,687,631	17,577,879	-	-	182,265,510
Equipment	29,070,832	3,994,812	(1,030,460)	-	32,035,184
Total accumulated depreciation	327,433,885	51,656,972	(1,030,460)	-	378,060,397
Total capital assets, depreciated, net	1,408,893,952	(50,662,723)	(9,452)	7,274,392	1,365,496,169
Total capital assets, net	$ 1,517,327,225	(34,072,487)	(9,452)	-	1,483,245,286

The Airport's depreciation expense on capital assets was $54,027,020 and $51,656,972 for fiscal years ended June 30, 2013 and 2012, respectively.

(4) Commercial Paper Notes Payable

In November 1999, the City Council authorized the issuance of the City of San José, Norman Y. Mineta San José International Airport subordinated commercial paper. In March 2008, the City Council further authorized the subordinated commercial paper notes to be issued in an aggregate principal amount of up to $600 million outstanding at any one time.

Under the commercial paper program, the Airport is able to issue commercial paper notes at prevailing interest rates for periods of maturity not to exceed 270 days. The outstanding commercial paper notes are secured by a subordinate pledge of the Airport's revenues and additionally secured by a letter of credit.

As of June 30, 2013, the commercial paper notes program is secured by a $75 million letter of credit (LOC) provided by Wells Fargo Bank, N.A. (WFB) The LOC will expire on March 13, 2014. The terms of the credit facility are specified in the LOC and Reimbursement Agreement (the "Reimbursement Agreement"). In general, WFB agrees to advance funds to the issuing and paying agent in an amount sufficient to pay the principal and interest due on maturing commercial paper notes in an amount not to exceed the stated amount of the related LOC. In the event that the commercial paper dealer is unable to find investors to purchase commercial paper notes to repay the advance from the bank, the City must pay interest to the bank based on a formula specified in the Reimbursement Agreement and repay principal in accordance with the schedule and terms set forth in the Reimbursement Agreement and Term Loan. Additionally, WFB has a separate fee letter to specify the commitment fee payable by the City and the other fees and charges imposed by the bank related to the issuance of its LOC. The initial facility rate was established based on the underlying credit rating on the Airport's bonds. The facility fee rate can increase at any time when a rating is withdrawn, suspended or otherwise unavailable and upon occurrence of an event of default or rating downgrade. In July 2012, Fitch Ratings (Fitch) downgraded its rating with respect to the outstanding Airport Revenue Bonds from "A-" with negative outlook to "BBB+" with stable outlook. As a result, the facility rate charged by WFB increased to 1.65% effective July 20, 2012. The facility fee rates are 1.65% and 1.40% as of June 30, 2013 and 2012, respectively.

In July 2011, the Airport issued general airport revenue bonds to refund $129,578,000 subordinated commercial paper notes that were originally issued to refund the Series 2004A and Series 2004B Airport Revenue Bonds (see note 5). In December 2011, the Airport issued general airport revenue bonds to refund $224,672,000 subordinated commercial paper notes that were originally issued to fund the costs of the ConRAC (see note 5).

Commercial paper activities for the fiscal years ended June 30, 2013 and 2012 were as follows:

		2013	2012
Beginning balance	$	47,937,000	410,079,000
Refunded		-	(354,250,000)
Paid		(2,557,000)	(7,892,000)
Ending balance	$	45,380,000	47,937,000

Balances of commercial paper notes payable as of June 30, 2013 and 2012 were as follows:

As of June 30, 2013	
Series A-2 commercial paper notes maturing on December 4, 2013 were issued with an interest rate of 0.17%	$ 11,992,000
Series B commercial paper notes maturing on December 4, 2013 were issued with an interest rate of 0.18%	13,045,000
Series C commercial paper notes maturing on September 17, 2013 were issued with an interest rate of 0.25%	20,343,000
Total commercial paper notes payable	$ 45,380,000
As of June 30, 2012	
Series A-2 commercial paper notes maturing on September 11, 2012 were issued with an interest rate of 0.19%	$ 12,683,000
Series B commercial paper notes maturing on September 11, 2012 were issued with an interest rate of 0.19%	13,937,000
Series C commercial paper notes maturing on September 12, 2012 were issued with an interest rate of 0.47%	21,317,000
Total commercial paper notes payable	$ 47,937,000

Although the commercial paper notes have short-term maturities, the Airport's intent is to pay the remaining balance on a long-term basis based on the assumption that the outstanding commercial paper notes will be paid on a 30-year amortization period with the first principal payments paid in fiscal year 2011.

(5) Long-Term Obligations

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the Airport. Pursuant to the Master Trust Agreement, the City has irrevocably pledged the general airport revenues and certain other funds held or made available under the Master Trust Agreement, first to the payment of maintenance and operation costs of the Airport, and second to the payment of principal of and premium, if any, and interest on the bonds. General airport revenues generally include all revenues, income, receipts and moneys derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues.

The net revenues available to pay debt service in fiscal year ended June 30, 2013 totaled $126,031,022, which is composed of $60,025,263 of net general airport revenues and $66,005,759 of other available funds. Other available funds include surplus carryover of $30,642,898, rolling debt service coverage of $16,175,989, CFC revenues of $13,384,764, and unspent Series 2004 and Series 2007B bond proceeds of $1,383,389 and $4,418,719, respectively. The bond debt service paid from the general airport revenues and other available funds amounted to $64,225,173, which is net of $22,099,631 of bond debt service paid from the accumulated PFC revenues.

The net revenues available to pay debt service in fiscal year ended June 30, 2012 totaled $120,565,994, which is composed of $61,649,128 of net general airport revenues and $58,916,866 of other available funds. Other available funds include surplus carryover of $33,987,539, rolling debt service coverage of $12,579,218, CFC revenues of $10,137,053, grants of $500,000, and unspent Series 2004 bond proceeds of $1,713,056. The bond debt service paid from the general airport revenues and other available funds amounted to $59,389,209, which is net of $21,336,421 of bond debt service paid from the accumulated PFC revenues.

The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service for each fiscal year plus any other available funds (as defined in the Master Trust Agreement) will be at least 125% of annual debt service for such fiscal year. Under the Master Trust Agreement, "debt service” means for any specified period the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds. Under the Master Trust Agreement, annual debt service excludes Available PFC Revenues, as defined in the Master Trust Agreement, for such fiscal year. Total principal and interest remaining on the bonds is $2.8 billion, with the final payment due on March 1, 2047.

The reserve requirement in the general account is currently satisfied, in part, by approximately (a) $4.25 million surety bond from Ambac Assurance Corporation (Ambac Assurance), a subsidiary of Ambac Financial Group, Inc. (Ambac Financial) and formerly known as Ambac Imdemnity Corporation that expires on March 1, 2018, and (b) approximately $6.56 million surety bond from National Public Finance Guaranty Corporation (“NPFG”), as successor to MBIA Insurance Corporation, that expires on March 1, 2016. The ratings of Ambac Financial and NFPG were reduced or withdrawn subsequent to the deposit of the respective surety bonds to the general account. The Master Trust Agreement does not require that the rating of any surety bond held in the general account be maintained after the date of deposit.

Until March 1, 2016, when the NPFG surety bond expires, no additional deposits to the general account of the bond reserve fund are expected to be required to satisfy the general account required reserve (unless the general account is drawn upon to pay principal of or interest on bonds or is made available to any additional bonds in the future). If no additional bonds are issued and no additional amounts were to be deposited in or paid from the general account of the bond reserve fund prior to March 1, 2016, the City expects that, upon expiration of the NPFG surety bond, amounts on deposit in the general account would not be sufficient to satisfy the general account required reserve at that time. Therefore, the City expects that it will be required to deposit approximately $6.56 million to the general account from accumulated airport surplus funds or a qualified reserve facility in the same amount. If no additional bonds are issued and no additional amounts were to be deposited in or paid from the general account of the bond reserve fund prior to the expiration of the surety bond provided by Ambac Assurance on March 1, 2018, the City expects that it will be required to deposit approximately $4.25 million (in addition to the approximate $6.56 million deposit following the expiration of the NPFG surety bond described above) to the general account from accumulated Airport surplus funds or provide a qualified reserve facility in the same amount.

Qualified reserve facility means (i) a surety bond or similar instrument issued by a municipal bond insurer, obligations insured by which have a rating of "AAA" (or the equivalent) by at least two rating agencies (one of which must be Moody's) on the date the qualified reserve facility is issued, or (ii) a LOC issued by a qualified bank which has a rating of "AA" (or the equivalent) by at least two rating agencies (one of which must be Moody's) on the date the qualified reserve facility is issued.

The City may also be required to make a deposit of cash or another qualified reserve facility in order to maintain the required reserve in the general account in the case of non-payment under, or cancellation of, either surety bond, including as a result of the liquidation of Ambac Assurance or NPFG.

On May 1, 2013, Ambac Financial emerged from bankruptcy protection which had been filed under Chapter 11 of the Bankruptcy Code in November 2010. Ambac Assurance remains subject to rehabilitation proceedings undertaken by the Wisconsin Office of the Commissioner of Insurance. No assurance can be made regarding the claims paying ability of Ambac Assurance on the surety bonds described above.

In July 2011, the City issued Airport Revenue Bonds Series 2011A-1 and Series 2011A-2 in the amount of $150,405,000 and $86,380,000, respectively. The Series 2011A-1 Bonds were issued (i) to refund certain variable rate subordinated commercial paper notes originally issued to refund the Airport Revenue Bond Series 2004A and Series 2004B, (ii) to refund all of the outstanding Airport Revenue Refunding Bonds, Series 1998A, (iii) to make a cash deposit to the General Account of the Bond Reserve Fund, and (iv) to pay a portion of the costs of issuing Series 2011A Bonds. The bonds were issued with interest rates ranging from 2.00% to 6.25% and will mature in March 2034.

(Continued)

A portion of the Series 2011A-1 proceeds and the remaining balances in the 1998A principal and interest accounts totaling approximately $6.7 million were used to pay the redemption price of the refunded Series 1998A Bonds. The refunding achieved approximately $362,742 in aggregate debt service savings or $302,861 on a present value basis.

The Series 2011A-2 Bonds were issued (i) to refund $85,625,000 aggregate principal amount of the outstanding Series 2001A, and (ii) to pay a portion of the costs of issuing the Series 2011A Bonds. The bonds were issued with interest rates ranging from 2.00% to 5.25% and will mature in March 2034. The refunding achieved approximately $7,861,163 in aggregate debt service savings or $5,425,018 on a present value basis.

On December 2, 2011, the City issued Airport Revenue Bonds Series 2011B in the amount of $271,820,000. The Series 2011B Bonds were issued (i) to refund certain subordinated commercial paper notes payable that were originally issued to finance and/or refinance the costs of designing and constructing certain improvements to the Airport (ii) to pay a portion of interest to accrue on the Series 2011B Bonds through March 1, 2014, (iii) to make a cash deposit to the 2011B account of the bond reserve fund, (iv) to fund an increase of the rolling coverage amount, and to pay the costs of issuing the Series 2011B Bonds. The bonds were issued with interest rates ranging from 1.00% to 6.75% and will mature in March 2041.

On November 8, 2012, the City issued Airport Revenue Bonds Series 2012A in the amount of $49,140,000. The Series 2012A bonds were issued to refund the City of San José Airport Revenue Bonds, Series 2002A in the amount of $49,140,000. The Series 2012A bonds were purchased as fixed rate direct placement with Bank of America Public Capital Corp with an interest rate of 1.53%. The refunding provides approximately $6,152,462 in aggregate debt service savings or $5,905,688 on a present value basis.

Balances of bonds payable as of June 30, 2013 and 2012 were as follows:

	2013	2012
2012A Series Airport Revenue Bonds of $49,140,000 at rate of 1.53%; payable in annual installments ranging from $8,105,000 to $8,585,000 with the final installment due in March 2018	$ 41,710,000	-
2011B Series Airport Revenue Bonds of $271,820,000 at rates of 3.32% to 6.75%; payable in annual installments ranging from $495,000 to $27,330,000 with the final installment due in March 2041	264,085,000	264,085,000
2011A-2 Series Airport Revenue Bonds of $86,380,000 at rates of 2.5% to 5.25%, payable in annual installments ranging from $1,865,000 to $12,220,000 with the final installment due in March 2034	82,255,000	84,075,000
2011A-1 Series Airport Revenue Bonds of $150,405,000 at rates of 3% to 6.25%; payable in annual installments ranging from $3,280,000 to $4,730,000 with the final installment due in March 2034	143,180,000	146,370,000
2007B Series Airport Revenue Bonds of $179,260,000 at rates 4.25% to 5%; payable in annual installments ranging from $2,245,000 to $28,800,000 with the final installment due in March 2037	179,260,000	179,260,000
2007A Series Airport Revenue Bonds of $545,755,000 at rates of 5% to 6%; payable in annual installments ranging from $5,690,000 to $73,500,000 with the final installment due in March 2047	545,755,000	545,755,000
2004D Series Airport Revenue Bonds of $34,270,000 at a rate of 5%; payable in three annual installments of $9,955,000, $11,755,000 and $12,560,000 in March 2026, March 2027 and March 2028, respectively	34,270,000	34,270,000

	2013	2012
2004C Series Airport Revenue Bonds of $75,730,000 at rates of 4.625% to 5.25%, payable in annual installments ranging from $1,000,000 to $10,590,000 with the final installment due in March 2026	70,730,000	71,730,000
2002A Series Airport Revenue Bonds of $53,600,000; the remaining balance of $49,140,000 was refunded in November 2012	-	49,140,000
2001A Series Airport Revenue Bonds of $158,455,000 was partially refunded in July 2011; the remaining balance of $45,710,000 with interest rate of 5% is payable in annual installments ranging from $8,275,000 to $10,055,000 with the first installment due in March 2031	45,710,000	45,710,000
Total bonds payable	$ 1,406,955,000	1,420,395,000

Bonds outstanding and related activities for the fiscal years ended June 30, 2013 and 2012, were as follows:

	Balance at July 1, 2012	Additions	Retirements	Balance at June 30, 2013	Amounts Due Within One Year
2012A Series	$ -	49,140,000	7,430,000	41,710,000	8,105,000
2011B Series	264,085,000	-	-	264,085,000	-
2011A-2 Series	84,075,000	-	1,820,000	82,255,000	1,865,000
2011A-1 Series	146,370,000	-	3,190,000	143,180,000	3,280,000
2007B Series	179,260,000	-	-	179,260,000	2,245,000
2007A Series	545,755,000	-	-	545,755,000	5,780,000
2004D Series	34,270,000	-	-	34,270,000	-
2004C Series	71,730,000	-	1,000,000	70,730,000	1,000,000
2002A Series	49,140,000	-	49,140,000	-	-
2001A Series	45,710,000	-	-	45,710,000	-
Total long-term debt	1,420,395,000	49,140,000	62,580,000	1,406,955,000	22,275,000
Add unamortized:					
Premium	6,730,592	-	3,803,747	2,926,845	62,907
Less unamortized:					
Discount	11,573,888	-	24,276	11,549,612	43,173
Total long-term debt, net	$ 1,415,551,704	49,140,000	66,359,471	1,398,332,233	22,294,734

	Balance at July 1, 2011, as restated	Additions	Retirements	Balance at June 30, 2012	Amounts Due Within One Year
2011B Series	$ -	271,820,000	7,735,000	264,085,000	-
2011A-2 Series	-	86,380,000	2,305,000	84,075,000	1,820,000
2011A-1 Series	-	150,405,000	4,035,000	146,370,000	3,190,000
2007B Series	179,260,000	-	-	179,260,000	-
2007A Series	545,755,000	-	-	545,755,000	-
2004D Series	34,270,000	-	-	34,270,000	-
2004C Series	72,730,000	-	1,000,000	71,730,000	1,000,000
2002B Series	2,380,000	-	2,380,000	-	-
2002A Series	53,600,000	-	4,460,000	49,140,000	7,170,000
2001A Series	131,335,000	-	85,625,000	45,710,000	-
1998A Series	6,540,000	-	6,540,000	-	-
Total long-term debt	1,025,870,000	508,605,000	114,080,000	1,420,395,000	13,180,000
Add unamortized:					
Premium	4,728,564	2,594,430	592,402	6,730,592	641,990
Less unamortized:					
Discount	5,709,168	6,798,627	933,907	11,573,888	15,906
Total long-term debt, net	$ 1,024,889,396	504,400,803	113,738,495	1,415,551,704	13,806,084

Scheduled maturities of outstanding bonds are as follows:

Fiscal year ending June 30,		Principal	Interest
2014	$	22,275,000	74,651,757
2015		23,450,000	73,922,588
2016		24,520,000	73,103,538
2017		25,605,000	72,283,976
2018		26,860,000	71,323,024
2019-2023		143,620,000	337,580,303
2024-2028		197,575,000	295,122,296
2029-2033		323,210,000	232,374,884
2034-2038		475,360,000	114,863,872
2039-2043		109,170,000	27,194,843
2044-2047		35,310,000	5,451,000
Total	$	1,406,955,000	1,377,872,081

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding revenue bonds. The Airport believes it is in compliance with all such limitations and restrictions as of June 30, 2013 and 2012.

Other long-term liability activities for the fiscal years ended June 30, 2013 and 2012 were as follows:

	Balance at July 1, 2012	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2013	Amounts Due Within One Year
Self-insurance	$ 1,631,245	430,971	383,443	1,678,773	560,000
Accrued vacation, sick leave and compensatory time	2,045,695	1,684,575	1,583,479	2,146,791	1,620,000
Other postemployment benefits	9,964,282	3,677,300	1,565,113	12,076,469	-
Pollution remediation liability	714,000	1,044,657	-	1,758,657	1,758,657
Total	$ 14,355,222	6,837,503	3,532,035	17,660,690	3,938,657

	Balance at July 1, 2011	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2012	Amounts Due Within One Year
Self-insurance	$ 2,305,639	(119,932)	554,462	1,631,245	560,000
Accrued vacation, sick leave and compensatory time	2,314,251	1,237,999	1,506,555	2,045,695	1,536,000
Other postemployment benefits	7,529,822	4,412,508	1,978,048	9,964,282	-
Pollution remediation liability	714,000	108,686	108,686	714,000	714,000
Total	$ 12,863,712	5,639,261	4,147,751	14,355,222	2,810,000

(6) Leases and Agreements

The City has entered into an Airline-Airport Lease and Operating Agreement with the various passenger and cargo airlines serving the Airport. The airline lease agreement, which took effect on December 1, 2007, was originally set to expire on June 30, 2012. In August 2011, the City Council authorized the Director of Aviation to extend the term for five years through June 30, 2017, which allows the airlines to continue to conduct operations and occupy leased space through the extended term. The existing rates and charges structure, as well as all other terms and conditions, remained unchanged.

The airline lease agreement provides that any passenger airline that (a) signs an agreement substantially similar to the airline lease agreement, (b) provides passenger service at the Airport, (c) leases from the City an amount of exclusive use premises (not including gates) in the terminal deemed sufficient by the Director of Aviation to support the airline's operation and (d) at the time the airline executes its agreement with the City, operates at least one scheduled flight, scheduled year-round, at least three days per week shall be a Signatory Airline. The airline lease agreement also provides that any air cargo carrier will also be a Signatory Airline if the air cargo carrier (a) signs an agreement with the City substantially similar to the airline lease agreement (other than in connection with terminal facilities), (b) leases from the City cargo support space at the Airport for a term at least equal to the term of the airline lease agreement, (c) guarantees a minimum of 142,000 pounds of maximum gross certificated landed weight per scheduled flight and (d) at the time it executes its agreement with the City, operates at least five scheduled flights per week.

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 and do not participate in the review by a “Majority of Interest” of capital projects proposed for the Airport.

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

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 airline lease agreement also includes a revenue sharing provision to evenly divide net unobligated Airport revenues between the Airport and the airlines currently operating at the Airport after each fiscal year. In any fiscal year in which there are net unobligated Airport revenues and all requirements of the City’s Airport financing documents have been satisfied, the remaining net unobligated Airport revenues are to be evenly divided between the City and the airlines. If net revenues exceed the projected levels outlined in the Airport Forecast identified in the airline lease agreement, then the airlines share of the difference will be deposited into the Rate Stabilization Fund up to a cap of $9 million. Once the Rate Stabilization Fund has been fully funded or in the event that the actual net revenues do not exceed the projected net revenues, the airlines share of net revenues shall be applied as a credit to the airline terminal revenue requirement for the following fiscal year, thus reducing terminal rental rates for the following fiscal year. The first $1 million of City’s share of any net revenues shall be retained by the Airport in a discretionary fund to be used for any lawful Airport purpose.

For the fiscal years ended June 30, 2013 and 2012, the Airport’s revenues as defined in its lease agreements exceeded its expenditures and reserve requirements by $29,740,661 and $30,642,898, respectively. The surplus for fiscal year ended June 30, 2013 will be distributed in accordance with the revenue sharing provisions of the lease agreement as described above and/or used in the budget balancing actions for fiscal year 2015. Of the surplus for the year ended June 30, 2012, $3,437,220 was used to balance the fiscal year 2014 budget and the remainder was distributed in accordance with the revenue sharing provisions.

The Airport also enters into leases with concessionaires, cargo carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. The remaining terms of these operating leases range from one month to 25 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount.

Rental revenues from the aforementioned operating leases were $74,629,917 and $78,227,057 for the fiscal years ended June 30, 2013 and 2012, respectively.

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

Fiscal year ending June 30,		
2014	$	88,234,243
2015		93,069,570
2016		93,655,275
2017		94,432,109
2018		30,615,587
2019-2023		77,899,777
2024-2028		117,031,331
2029-2033		114,412,665
2034-2038		112,792,122
2039-2041		76,699,711
Total minimum lease rentals	$	898,842,390

These future minimum rentals are based upon annual rates and charges currently agreed to by the airlines and other tenants.

As of June 30, 2013 and 2012, leased assets had total historical costs of $1,028,621,495 and $1,031,260,042 and accumulated depreciation of $126,869,054 and $101,478,416, respectively.

Pursuant to the terms of individual agreements entered into with the City, every airline, operator, tenant or any other entity or person, which is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation (Director), often in the form of irrevocable letter of credit, surety bond, cashier’s check or other form acceptable to the Director. The Director has the authority to revise the amount of security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of letter of credit or surety bond, which are not recorded in the financial statements. The amount on file as of June 30, 2013 and 2012 totaled $23,692,207 and $23,788,567, respectively.

(7) Employees' Retirement System

All full-time and certain part-time employees of the Airport participate in the City of San José Federated City Employees' Retirement System (Federated Plan), which is a single employer defined benefit retirement system that covers substantially all City employees, except for employees who are members of the City's Police and Fire Department Retirement Plan, by providing retirement and certain other postemployment benefits. These benefits include pension, death, and disability, which are under the Defined Benefit Pension Plan, as well as medical and dental benefits, which are under the Postemployment Healthcare Plan. A stand-alone report is issued for the Federated Plan and is available from the City of San José Office of Retirement Services, 1737 North First Street, Suite 580, San José, California 95112. As a department of the City, the Airport shares in the risks, rewards and costs including benefit costs with the City. The Airport presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City.

On June 5, 2012, San José voters adopted Measure B which enacted the Sustainable Retirement Benefits and Compensation Act (the Pension Act). The Pension Act amended the City Charter to, among other changes, (1) increase pension contribution requirements for current employees effective June 23, 2013; (2) require the City to establish an alternative voluntary plan with reduced benefits for current employees (the "Voluntary Election Plan" or "VEP") subject to Internal Revenue Service (IRS) approval; (3) place limitations on disability retirements, (4) authorize the City Council to temporarily suspend the cost of living adjustments if the City Council adopts a resolution declaring a fiscal and service level emergency; (5) require the elimination of the Supplemental Retirement Reserve within the Federated Plan; (6) codify in the City Charter contribution requirements for current employees for the retiree health and dental benefits and provide for a reservation of rights for the City Council to terminate or modify any retiree healthcare plan; (7) require the establishment of Tier 2 plans for new employees within the Federated Plan; and (8) reserve to the voters the right to approve future changes to retirement benefits.

Significant portions of Measure B are currently subject to legal challenge by bargaining units representing current employees and retirees in the Santa Clara County Superior Court. Additionally, various bargaining units representing current employees have filed unfair labor practice charges with the California Public Employment Relations Board related to Measure B. In connection with the litigation related to Measure B, the City entered into a stipulation to delay implementation of the increased pension contributions from current employees to a date no sooner than January 1, 2014. As of June 30, 2013, the IRS has not approved the VEP. A complete copy of

Measure B is available from the San José City Clerk, 200 East Santa Clara Street, San José, California 95113.

On August 28, 2012, the City Council adopted ordinance No. 29120 amending the Federated Plan to provide for different retirement benefits for individuals hired or rehired by the City on or after September 30, 2012. Members subject to these new benefit provisions are referred to as Tier 2 members. On December 18, 2012, the City Council adopted ordinance No. 29184 that provides unclassified executive management and professional employees in Unit 99 who are first hired on or after January 20, 2013, with a one-time irrevocable election to either participate in a newly created Defined Contribution Plan or become a Tier 2 member in the Federated Plan.

The new tier includes significant benefit changes from the existing Tier 1 plan. In addition, the contribution rate for Tier 2 members includes a change in the cost sharing between the City and active Tier 2 members which is a 50/50 split of all costs. Currently, Tier 1 members split normal costs with 8/11 paid by the City and 3/11 paid by Tier 1 members. The prepayment made by the City on July 2, 2012, was not adjusted when Tier 2 became effective.

On August 27, 2013, the City Council adopted ordinance No. 29283 eliminating retiree medical and dental benefits for Federated Plan Tier 2 members hired on or after September 27, 2013. The ordinance also provides that the City shall bear and pay an amount equal to the additional costs incurred by the Federated Plan for that portion of the unfunded liability as determined by the actuary of the Federated Plan that the City and the new members hired on or after September 27, 2013, would have otherwise paid as contributions had those members been eligible for retiree healthcare. The additional payment by the City shall be for a period of time and under the terms and conditions set forth by the City Council. At their September 19, 2013 meeting, the Board of Administration for the Federated Plan approved the additional contribution rate to be paid by the City in compliance with the ordinance. The rate was based on the Tier 2 contribution rates from the June 30, 2012 actuarial valuation approved by the Board of Administration for the Federated Plan.

The payroll for Airport employees covered by the Federated Plan for the fiscal years ended June 30, 2013 and 2012 $12,931,622 was $13,530,731, respectively. The Airport's total payroll for the fiscal years ended June 30, 2013 and 2012 was $15,092,920 and $15,948,673, respectively. The Defined Benefit Pension Plan provides general retirement benefits including pension, death, and disability benefits to members. Benefits are based on average final compensation, years of service, and limited required cost-of-living increases. The contribution and benefit provisions and all other requirements are established by the City Charter and City ordinances.

Contributions to the Defined Benefit Pension Plan are based upon an actuarially determined percentage of each employee's base salary sufficient to provide adequate assets to pay benefits when due. As discussed below, contributions to the Postemployment Healthcare Plan are not currently sufficient to provide adequate assets to pay benefits when due.

Contribution rates for the Airport and the participating employees for the periods June 26, 2011 through June 23, 2012, June 24, 2012 through June 22, 2013 and June 23, 2013 through June 30, 2013 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2010, June 30, 2011, and June 30, 2012, respectively, for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan.

The required contributions rates determined by the Federated Plan's actuary anticipate that the City will make contributions on a bi-weekly basis throughout the fiscal year. The City has elected since fiscal year 2008-09 to "prefund" all or part of its total Annual Required Contribution (ARC) to the Federated Plan at the beginning of each fiscal year and the Federated Plan's actuary applies an interest discount to the required contributions to account for the fact that contributions are made at the beginning of the year instead of throughout the year. The "prefunded" annual contributions are made on the basis of estimated bi-weekly pay for the fiscal year and are trued up at the end of the fiscal year based on actual bi-weekly payroll.

In fiscal year ended June 30, 2011, the Board of Administration for the Federated Plan approved an establishment of a "floor funding method" for payment of annual required contributions ("ARC") for pension and postemployment healthcare benefits to address unexpected shortfalls in contributions that may result when payroll does not grow at the rate assumed by the actuaries. The "floor funding method" interprets the ARC as the greater of the annual dollar contribution amount established in the valuation, or the ARC that would result from applying the employer contribution rate determined from that same valuation to the actual emerging payroll of Retirement Systems members throughout the fiscal year. Therefore, the resolutions adopted by the Board of Administration for the Federated Plan setting the contribution rates for the fiscal year ended June 30, 2013 provide that the employer's contribution rates may be adjusted in order to achieve a minimum dollar contribution for that fiscal year.

	Airport's Contribution [1]		**Employees' Contribution**	
Pay Period	**Defined Benefit Pension**	**Post-employment Heathcare Plan**	**Defined Benefit Pension**	**Post-employment Heathcare Plan**
06/26/2011 through 06/23/2012	28.34%	7.16%	4.68%	6.52%
06/24/2012 through 06/22/2013	44.45%	7.91%	5.74%	7.26%
09/30/2012 through 06/22/2013				
Tier 2	6.68%		6.68%	
06/23/2013 thorugh 06/30/2013				
Tier 1	50.85%	8.66%	5.97%	8.01%
Tier 2	6.68%		6.68%	

[1] Airport's contribution rates do not reflect contribution prefunding described above.

Contributions to the Postemployment Healthcare Plans are made by both the City and the participating members. Effective June 28, 2009, the bargaining units representing the Federated Plan members entered into Memorandums of Agreement (MOAs) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding the GASB Statement No. 43 annual required contribution over the next 5 years; fiscal year 2013 was the fourth year of the phase-in. The funding specified in these agreements is also being applied to unrepresented employees. The Memorandums of Agreement between the City and the bargaining units representing the members of the Federated Plan provided that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the Federated Plan members or the City. Notwithstanding these limitations on incremental increases, the agreements with members of the Federated Plan further provide that by the end of the five year phase-in, the City and the members "shall be contributing the full ARC in the ratio currently provided" in the relevant sections of the San Jose Municipal Code.

Effective June 18, 2013, bargaining units representing the Federated members and the City have agreed to extend the incremental increase limitation of not more than 0.75% of pension pay for the fiscal year ending June 30, 2014. In addition, the 0.75% limitation is extended to December 20, 2014. Beginning on December 21, 2014, the contribution rates will be based on the full ARC for the remainder of the fiscal year ending June 30, 2015 and all subsequent fiscal years. These terms related to payment of the ARC also apply to unrepresented members of the Federated Plan. The contributions are not currently sufficient to provide adequate assets to pay benefits when due in accordance with the requirements of GASB Statement No. 43.

Actuarially required contributions were equal to the contributions made for the Defined Benefit Pension Plan. The following is the three-year trend information for the Airport's ARC, Annual OPEB Cost (AOC), and contributions made:

Fiscal Year	Defined Benefit Pension				Postemployment Healthcare Plan				
	ARC	Contributions	% of Contributions	Unfunded Liability	ARC	AOC	Contributions	% of Contributions	Unfunded Liability
6/30/2011	$ 4,455,031	$ 4,455,031	100%	-	$ 3,164,961	$ 3,227,182	$ 1,436,944	45%	$ 7,529,822
6/30/2012	3,834,609	3,834,609	100%	-	4,385,496	4,412,508	1,978,048	45%	9,964,282
6/30/2013	5,748,106	5,748,106	100%	-	3,691,308	3,677,300	1,565,113	43%	12,076,469

The City has determined a Citywide ARC and OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45 by the Federated Plan's actuary. The City allocated to the Airport its proportionate share of the Citywide ARC and OPEB cost for Federated Plan employee members. The difference between the cumulative OPEB cost allocated and the costs contributed by the Airport was $12,076,469 and $9,964,282 at June 30, 2013 and 2012, respectively, which is recorded as the Airport's net OPEB obligation. The Airport has earmarked funds from the unrestricted net position to pay the full amount of the net OPEB obligation.

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

(8) Related Party Transactions

The City provides certain general support services to the Airport and charges a pro rata fee. The fees charged to the Airport for these services for the fiscal years ended June 30, 2013 and 2012, were $3,128,883 and $3,499,460, respectively. The City also charged the Airport fees of $7,018,607 and $8,446,291 for the fiscal years ended June 30, 2013 and 2012, respectively, for airport rescue and fire fighting and police services coverage. Additionally, various City departments charge the Airport for services they rendered on its behalf. These fees and service charges, which totaled $1,090,265 and $936,980 for the fiscal years ended June 30, 2013 and 2012, respectively, are included in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

The FAA auditors reviewed the City's allocation of its costs to the Airport for services provided by the City to the Airport in fiscal year 2011. 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 fiscal years 2005 through 2010 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest.

The City had proposed capping the indirect cost allocations for fiscal years 2003 through 2009 at 10% and crediting the Airport $5.6 million including interest over the next seven years starting with fiscal year 2013. In addition, effective with fiscal year 2015, the City will cease utilizing the relative expenditure metric that includes the capital expenditures and debt service. The City will revise the cost allocation to the Airport for fiscal years 2011 through 2014 by excluding capital expenditures and debt service from the relative expenditure metric. A potential credit resulting from the revised calculation will be applied by the City in fiscal year 2015, or evenly spread over a four-year period starting with fiscal year 2015 at the City's discretion. Also, in preparing the fiscal year 2015 calculation, the City will consider utilizing a transaction based allocation for debt service, such as the number of transactions (payments) related to debt service. The City' proposal is yet to be accepted by the FAA and as such, the Airport has not recorded this contingency.

(9) Risk Management

(a) Insurance Policies

The Airport is covered under the City's annual all-risk property insurance policy with coverage for City property, including coverage for boiler and machinery exposures. The policy also provides coverage for loss due to business interruption and flood. The City does not carry earthquake insurance as it is not reasonably available. A summary of these coverages is provided below for the policy period of October 1, 2012 to October 1, 2013.

Coverage	Limit per Occurrence	Deductible per Occurrence
Property, including Business Interruption	$1 billion	$100,000
Flood Zone, Special Flood Hazard Area	$15 million per occurrence and annual aggregate	5% of values at risk ($1 million minimum deductible)
Flood Zone B	$25 million per occurrence and annual aggregate	2% of values at risk ($100,000 minimum deductible)
Flood, Other Locations	$100 million per occurrence and annual aggregate	$100,000

The City has airport liability policies covering the Airport for the policy periods of October 1, 2012 to October 1, 2013 and October 1, 2011 to October 1, 2012 including operation of vehicles on premises, which provide a $200 million combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $50 million each occurrence and in the annual aggregate for personal injury, and a sublimit of $100 million each occurrence and in the annual aggregate for war liability. During the past three years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

A separate automobile policy 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 no deductible. Physical damage coverage is available for the Airport Shuttle Bus Fleet and is subject to a $10,000 comprehensive and $25,000 collision deductible. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

As part of general support services, the City charges the Airport for the cost of general liability and property insurance coverage. 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:

	2013	2012
Accrued liability, beginning of fiscal year	$ 1,631,245	2,305,639
Claims payments and adjustments	(383,443)	(554,462)
Provision for current year claims and changes in prior year estimates	430,971	(119,932)
Accrued liability, end of fiscal year	$ 1,678,773	1,631,245

As of June 30, 2012, the Airport had established a reserve for self-insurance, in addition to the reserve established by the City. The reserve for self-insurance of $803,000 was included in the unrestricted net position as of June 30, 2012. No such reserve was established as of June 30, 2013.

(c) Airport Owner Controlled Insurance Program

On March 31, 2004, the City bound certain liability insurance coverage (see chart below) for major components of the "2004 Security Projects" (currently referred to as the North Concourse Project) through an Owner Controlled Insurance Program (OCIP) from Chartis, formerly American International Group, AIU Holdings, Inc. and AIU LLC (AIU). The OCIP is a single insurance program that provides commercial general liability, excess liability and workers' compensation insurance coverage for construction job site risks of the project owner, general contractors and all subcontractors associated with construction at the designated project site.

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

The North Concourse OCIP required the City to fund a claims loss reserve fund with Chartis in the amount of $3.9 million. The full amount of the claims loss reserve had been deposited with Chartis and was recorded as advances and deposits in the accompanying statement of net position. The claims loss reserve fund is available to Chartis to pay claims within the City's deductible, subject to an aggregate maximum loss exposure within coverage limits to the City of $3.9 million. Interest earned by the claims reserve fund is remitted to the Airport.

The North Concourse Project was completed in the fall of 2008. Chartis is currently in the process of closing out the North Concourse OCIP and is auditing the project payroll and cost factors associated with the premium. The closing out process for OCIP includes an actuarial review, which examines outstanding claims. The City was able to negotiate the return of a large portion of the unused claims reserve in advance of the 10-year coverage term and in March 2010, the amount of $2,516,719 was returned to the Airport. Chartis will continue to hold the remaining funds in the claims loss reserve fund until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

Activities relating to the North Concourse OCIP claims reserve fund for the fiscal years ended June 30, 2013 and 2012 were as follows:

		2013	2012
Beginning balance	$	1,028,172	1,065,664
Losses paid		(80,485)	(37,492)
Ending balance	$	947,687	1,028,172

On March 15, 2007, the City bought additional insurance coverages through Chartis for major components of the Terminal Area Improvement Program (TAIP) through another OCIP (the TAIP OCIP). The coverages for this program are as follows:

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

The liability under the TAIP OCIP is based upon an estimated payroll of $92.5 million for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP require the City to fund a claims loss reserve fund with Chartis in the amount of $8.9 million. The claims loss reserve fund is available to Chartis to pay claims within the City's deductible subject to an aggregate maximum loss exposure within coverage limits to the City of $8.9 million. The City was able to negotiate to fund 74% of the claims loss reserve and interest generated remains in the fund.

The full amount of $6.5 million was deposited with Chartis in fiscal year 2009 and was recorded as advances and deposits in the accompanying statement of net position. In August 2013, as part of the annual loss reserve analysis by Chartis, an amount of $1,397,838 has been returned to the Airport.

Activities relating to the TAIP OCIP claims reserve fund for the fiscal years ended June 30, 2013 and 2012 were as follows:

		2013	2012
Beginning balance	$	4,303,114	4,859,972
Interest earned		3,167	3,830
Losses paid		(273,889)	(560,688)
Ending balance	$	4,032,392	4,303,114

The City was obligated to maintain the TAIP OCIP through final acceptance of the Terminal Area Improvement Program, pursuant to the terms of its design-build contract with Hensel Phelps (HP). The term of the TAIP OCIP expired on June 30, 2011. All work covered under the contract with HP has been completed and accepted. Chartis will continue to hold the remaining funds in the claims loss reserve fund until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

(10) Commitments and Contingencies

(a) Lease Commitments

In December 2007, the Airport entered into an operating lease and maintenance agreement of 14 compressed natural gas (CNG) powered buses. The lease and maintenance term of the agreement is from August 1, 2008 to July 31, 2015. In September 2009, the agreement was restated to add 10 CNG powered buses for the period June 30, 2010 to May 31, 2017. In May 2012, the restated lease was amended to allow the early termination of the lease term pertaining to the first 14 CNG powered buses with Airport's payment of $4,407,508. Simultaneously, the Airport entered into an agreement relinquishing the use of the 14 CNG powered buses to a third party for a total price of $3,400,000 to relieve the Airport of its lease commitment. The Airport used the proceeds together with the difference of $1,007,508 to make the early termination payment of $4,407,508. Rental and maintenance expenses were $1,263,991 and $2,499,217 for fiscal years ended June 30, 2013 and 2012, respectively.

The future minimum lease and maintenance payments required under the existing agreement for the 10 remaining CNG powered buses are as follows:

Fiscal Year Ending June 30,	Amount
2014	$ 949,497
2015	952,376
2016	955,324
2017	878,459
Total minimum lease payments	$ 3,735,656

(b) Purchase Commitments and Capital Outlay Projections

As of June 30, 2013, the Airport was obligated for purchase commitments of approximately $7.1 million primarily for pavement maintenance, parking revenue control system, terminal building modifications, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber $87,433,000 on proposed 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, bond proceeds, and other Airport revenues.

(c) Fuel Tank Farms

Until December 22, 1998, the City and Chevron U.S.A., Inc. (“Chevron”), operated adjacent fuel storage facilities at the Airport. The City’s facilities have not been in operation since December 22, 1998, when the facilities were closed in response to the federal deadline for upgrade or closure of underground storage tanks. Since the discovery in fiscal year 1985-86 that petroleum products had been released into the soil and groundwater from either or both the City and Chevron fuel storage facilities, the City and Chevron have operated a groundwater extraction system to control migration (spread) of the contamination and to remediate (clean up) contaminated groundwater. This interim remediation system consists of an extraction and treatment system to remove floating jet fuel product from groundwater and to prevent its offsite migration. Chevron operates and maintains the system. Through June 1998, the City and Chevron shared in the cost of operating this system. The agreement expired but Chevron continued the work.

A new joint agreement was entered into by the City and Chevron in November 2009. Chevron was designated as the lead in the remediation efforts. The agreement provides for a 50%-50% cost sharing responsibility for actual future costs until successful closure of the site. As of June 30, 2013, the Airport has accrued its 50% of the remediation costs totaling $1,044,657 while an amount of $108,686 was paid during fiscal year ended June 30, 2012. The agreement also required the City to pay its 50% share of the past costs that Chevron has incurred during the period after expiration of the prior agreement and before the new agreement was in place. During the fiscal year ended June 30, 2010, the Airport paid its share of the past costs amounting to $660,434.

Chevron is responsible for administering the new agreement, including retaining a corrective action contractor. The agreement is also structured to facilitate potential reimbursement from the State Water Resources Control Board Underground Storage Tank Commingled Plume Fund (the "Fund"). Due to the proximity of the closed City jet fuel farm to the adjacent Chevron jet fuel farm that was still active, and the apparently stable contaminant plume, the regulators approved a waiver to allow the City tanks to be left in place until such time as a completely new fuel farm could be built, thereby allowing the Chevron site to be closed, and investigation/remediation to be done on both sites at once. The new jet fuel farm was constructed off-Airport across Highway 101 and was placed in service in December 2009. The Chevron fuel farm was subsequently closed upon commencement of the operation of the new fuel farm.

Chevron demolished its fuel farm during fiscal year 2010 and removed its USTs. The City removed its USTs in September 2011. Chevron completed the site's interim remedial action in November 2012 pursuant to the plan, which was approved by the County of Santa Clara in February 2012. The approved plan is a fixed area remedial excavation to remove the secondary source materials beneath and adjacent to the former USTs. In March 2013, four groundwater monitoring wells were installed within the area of excavation to monitor and evaluate the effectiveness of the remedial excavation on water quality. As of July 29, 2013, the Airport has completed two consecutive quarters of groundwater monitoring and sampling. Analytical results continue to show a decrease in concentrations. Quarterly monitoring and sampling is recommended through the fourth quarter of 2013. Following four quarters of monitoring and sampling, the site conditions should be evaluated for closure using the framework of the State Water Resources Control Board Low-Threat Underground Storage Tank Closure Policy, which became effective August 17, 2012.

The Airport accrued $1,758,657 and $714,000 as of June 30, 2013 and 2012, respectively, to cover the costs of its portion of the interim remediation system. Latest estimates of costs to further investigate and cleanup this site is between $1.4-2 million, depending upon method of accomplishment and actual remediation requirements.

(d) Master Plan

The Airport Master Plan consists of a program of facility improvements designed to fully accommodate commercial aviation demand (passengers and cargo) projected for the future, with development phased as demand warrants and is determined to be financially feasible. The Master Plan was originally adopted by the City of San José in June 1997 and approved by the FAA in December 1999. In June 2006, the City Council approved revisions to the Airport Master Plan regarding implementation of the TAIP. Most of the program elements of Phase 1 were completed as of June 30, 2013 with the completion of a common use lounge, a taxi staging building, Terminal A/A+ space refurbishment, and building system upgrades occurring in FY 2013. Ongoing projects include Terminal A baggage system ceiling protection, relocation of northeast electrical services, and completion of the northeast area (formerly the rental car fueling and wash site). Construction of the northeast area began in August 2013 and will provide for a fuel truck maintenance facility, shuttle bus staging and storage, and adjacent employee parking. Construction of the Phase 2 projects is contingent upon satisfying specified activity-based triggers. Funding for Master Plan projects is from several sources, including grants, PFCs, airline rates and charges, airport revenue bonds, and subordinated commercial paper proceeds.

In June 2010, the City Council approved an additional amendment to the Master Plan that updated projected aviation demand and facility requirements, and modified specific components of the Airport Development Program. Pursuant to the amended Master Plan, the former interim long-term public parking and employee parking lots on the northwest side of the Airport (which have been relocated to the east side terminal area) will be gradually converted to new general aviation leasehold facilities. In April 2013, the Airport completed a request for proposals process to provide for new general aviation aeronautical services facilities and began negotiating with the successful proposer, Signature Flight Support. It is anticipated that negotiation with Signature will be completed in the fall of 2013 with issuance of a site development permit allowing for the start of construction to follow in early 2014. Signature will be funding the costs related to this project. Lawsuits were filed by Atlantic Aviation against the City challenging the environmental clearance for the facilities and the selection process in which the City Council awarded the lease to Signature.

(e) ***FAA Audit of Use of Revenue***

Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. As a general rule, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its audit findings alleging improper use of Airport revenues by the City in three areas of expenditure as described below.

Airport Lease Obligation - In 2005, the City purchased certain real property (referred to as the Airport West Property). The purchase was financed with lease revenue bonds issued by the City of José Financing Authority (Authority). Upon acquisition, the City leased the property from the Authority and used a portion for construction laydown needs to support the Terminal Airport Improvement Program (TAIP). The City agreed to make lease payments from Airport operating revenues. At the time of the acquisition, the City contemplated other potential Airport uses for the property, such as rental car storage, public or employee parking, flight kitchen operations, airport/airline warehouses and compatible non-aviation leaseholds. The City subsequently determined not to use the property for these other potential Airport uses. The City's use of the property for construction laydown needs ceased with the completion of the TAIP on June 30, 2010. The FAA determined that the City could use Airport operating revenues to pay rent only for those portions that the City actually used for Airport construction laydown but not for the remainder of the property not actually used for Airport purposes. The City believes there is no basis under applicable federal law for the distinction made by the FAA auditors between rent payments for actual as opposed to planned Airport uses.

Guadalupe Gardens – In 2002, the City Council approved a Master Plan for Guadalupe Gardens, consisting of approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility. The FAA grant agreements required FAA approval of any planned City-use of the properties acquired with grant proceeds. By letter dated August 9, 2002, addressed to the City's Director of Aviation, the FAA San Francisco Airport District Office ("ADO") approved the City's Master Plan for reuse of Guadalupe Gardens for runway and approach protection, and the City finalized the Master Plan in reliance upon the FAA approval. Citing provisions of federal law that require recipients of FAA grants for acquisition of land for noise compatibility purposes to dispose of any such acquired land when no longer needed by the airport owner for noise compatibility purposes, the FAA auditors determined that the FAA ADO erred in its 2002 approval of the Guadalupe Gardens Master Plan and that the City is obligated to prepare an inventory of the Guadalupe Gardens to identify those parcels that were acquired by the City with noise compatibility grant proceeds. This inventory would then be used to prepare for FAA review and approval of a disposition plan for those parcels no longer needed by the City for noise compatibility. Proceeds of the sale of the parcels proportionate to the FAA grant share of the original purchase price would be required to be used for other approved noise compatibility projects at the Airport or returned to the FAA. Having received official FAA approval of its reuse of the parcels, the City believes it is under no obligation to take any further action to secure further FAA approval of its continuing use of the Guadalupe Gardens.

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 fiscal years 2005 through 2010 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 both the standards and regulations of the FAA Policy and Procedures Concerning the Use of Airport Revenue and OMB A-87. In an effort to resolve the issue, the City proposed to cap the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of $5.6 million that would be applied equally to the Airport cost allocation plan over a seven year period beginning in fiscal year 2012-13.

The City continues discussions with the FAA, but cannot predict the final outcome of the audit.

(f) Litigation

The City is potentially liable to private citizens for property damage and personal injuries caused by noise from the Airport's operations or for other damages if a property owner can prove that the City's operations of the Airport has deprived them of the benefits of property ownership. 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.

STATISTICAL

The Club at SJC, a common use VIP lounge, is conveniently located between Terminals A and B and provides a unique mix of amenities and world-class customer service.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

Statistical Section
June 30, 2013

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

Contents **Schedule**

Schedule A

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ANNUAL REVENUES, EXPENSES, CHANGES IN NET POSITION AND NET POSITION
LAST TEN FISCAL YEARS
(in $ 000's)[2][4]

	2004	2005	2006	2007	2008	2009	2010	2011[1]	2012	2013
Operating revenues										
Airline rates and charges:										
Landing fees	$11,122	$9,751	$10,768	$13,504	$13,084	$14,504	$13,190	$13,370	$11,414	$12,888
Terminal rental	16,408	16,979	16,575	11,308	26,539	29,716	33,459	34,446	39,864	38,256
Total airline rates and charges	27,530	26,730	27,343	24,812	39,623	44,220	46,649	47,816	51,278	51,144
Terminal buildings/concessions	6,912	8,005	8,672	9,201	11,470	11,947	11,157	16,877	15,770	15,102
Airfield area	3,071	2,976	3,074	2,519	2,833	3,171	2,791	2,925	2,783	3,038
Parking and roadway	43,913	43,858	46,484	48,226	48,369	44,227	38,934	47,320	51,023	46,700
Fuel handling fees	1,333	1,375	1,492	1,592	1,806	1,474	1,310	1,504	1,690	2,361
Customer facility charges [3]	4,183	4,297	4,491	4,451	6,351	6,713	6,021	-	-	-
General aviation/other	2,883	3,028	3,858	4,528	4,789	5,826	5,909	4,521	4,431	4,770
Total operating revenues	89,825	90,269	95,414	95,329	115,241	117,578	112,771	120,963	126,975	123,115
Operating expenses:										
Terminal buildings/concessions	21,630	24,130	24,685	26,929	31,790	28,813	31,701	33,019	23,659	23,303
Airfield area	22,660	20,980	21,765	19,860	22,692	16,170	10,911	9,749	9,069	8,707
Parking and roadway	24,382	26,486	28,518	28,559	27,936	26,853	24,032	25,344	25,514	16,631
Fuel handling costs	51	96	325	171	311	557	885	288	556	1,065
General aviation	2,826	2,838	3,152	3,679	3,428	4,072	3,052	2,409	1,676	1,605
General and administrative	21,963	21,741	24,665	28,787	32,879	28,268	23,624	19,095	18,328	18,763
Depreciation and amortization	17,696	19,118	19,153	19,323	22,834	20,647	55,288	51,532	51,520	54,353
Total operating expenses	111,208	115,389	122,263	127,308	141,870	125,380	149,493	141,436	130,322	124,427
Operating income (loss)	(21,383)	(25,120)	(26,849)	(31,979)	(26,629)	(7,802)	(36,722)	(20,473)	(3,347)	(1,312)
Nonoperating revenues (expenses):										
Passenger facility charges	21,842	21,768	22,271	22,169	21,224	17,416	17,043	17,311	16,787	17,294
Customer facility charges [3]	-	-	-	-	-	-	-	6,840	10,137	13,385
Investment income	1,060	4,584	5,376	9,294	15,446	8,138	311	1,613	2,217	(257)
Interest expense	(5,594)	(7,173)	(3,184)	(11,995)	(11,737)	(11,404)	(10,750)	(54,430)	(70,009)	(75,058)
Bond issuance costs	-	-	-	-	-	-	-	-	(4,141)	(196)
Operating grants	5,724	5,570	8398	8,284	8,444	4,625	1,150	701	670	565
Loss on disposal of capital assets	-	-	(3)	-	-	(3,537)	(11,733)	-	(9)	-
Other, net	2,091	747	2,332	2,541	2,767	4,227	200	1,438	698	451
Total nonoperating revenues (expenses), net	25,123	25,496	35,190	30,293	36,144	19,465	(3,779)	(26,527)	(43,650)	(43,816)
Income before capital contributions	3,740	376	8,341	(1,686)	9,515	11,663	(40,501)	(47,000)	(46,997)	(45,127)
Capital contributions	11,725	13,791	10,508	9,694	4,970	12,868	34,722	10,862	7,399	6,954
Change in Net Position	$15,465	$14,167	$18,849	$8,008	$14,485	$24,531	($5,779)	($36,138)	($39,598)	($38,173)
Net Position at Year-End										
Net investment in capital assets	$250,955	$251,370	$219,510	$239,960	$267,321	$316,935	$314,664	$272,598	$242,916	$209,381
Restricted	121,548	133,413	113,182	118,334	84,491	45,260	61,349	64,128	69,350	65,408
Unrestricted	6,000	7,887	78,827	61,233	82,200	96,348	76,751	79,900	58,811	58,114
Net Position at Year-End	$378,503	$392,670	$411,519	$419,527	$434,012	$458,543	$452,764	$416,626	$371,077	$332,903

(1) As of July 1, 2011, the Airport adopted the provisions of GASB Statement No. 65 and restated the beginning net position in the amount of $5,951,453 to write off unamortized bond issuance costs previously reported as an asset. During fiscal year ended June 30, 2012, the Airport has also written off bond issuance costs included in the deferred amounts related to the refunded bonds in the amount of $1,338,755. In addition, the remaining unamortized loss on refunding as of June 30, 2012 in the amount of $1,758,089 was reclassified from a contra liability to deferred outflows of resources. Fiscal years 2004 through 2011 have not been restated for GASB 65.

(2) Fiscal years 2004 through 2011 net assets have been renamed net position.

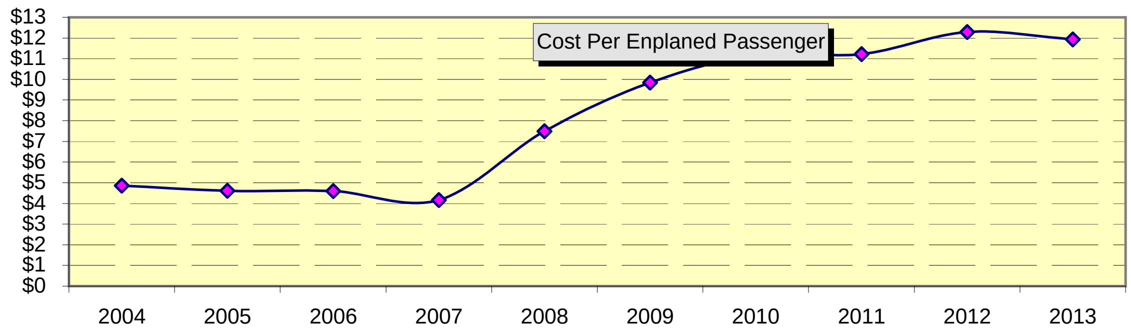
(3) Customer facility charges (CFCs) are used to pay for capital costs and related debt service associated with the consolidated rental car facility (ConRAC) and certain operating expenses related to the transportation of rental car customers. CFCs were reclassified from operating to nonoperating revenues in fiscal years 2011 through 2013 because the Airport started using CFCs mostly for the debt service associated with the ConRAC.

(4) Totals may not add due to rounding.

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

Schedule B

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



		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airline revenues:											
Terminal rental	$	16,294 [1]	16,390 [1]	15,886 [1]	10,748 [1]	26,539	29,716	33,459	34,446	39,864	38,256
Landing fees (Passenger Carriers)		9,384	8,262	9,036	11,390	12,252	13,560	12,443	12,582	10,838	12,298
Total		25,678	24,652	24,922	22,138	38,791	43,276	45,902	47,028	50,702	50,554
Enplaned passengers		5,292	5,346	5,415	5,319	5,179	4,400	4,107	4,189	4,125	4,235
Airline cost per enplaned passenger (not in 000's)	$	4.85	4.61	4.60	4.16	7.49 [2]	9.84 [2]	11.18 [2]	11.23 [2]	12.29 [2]	11.94 [2]

[1] Terminal Rental for fiscal years 2004 through 2007 do not agree with Schedule A where revenue categories have been presented in accordance with the provisions of the current Airline-Airport Lease and Operating Agreement. Secondary and shared holdroom revenues, previously included in the Terminal Buildings/Concessions category, were reclassified to Terminal Rental in Schedule A.

[2] Increases in airline cost per enplaned passenger during fiscal years 2008 through 2013 were principally due to the decreases in enplaned passengers and the increases in debt service.

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

Schedule C

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012 [3]	2013
Gross Concession Revenue:[1]										
Parking [2]	$ 29,693	29,225	29,744	29,702	28,625	23,632	21,260	22,081	22,943	24,814
Rental Cars	110,385	110,111	125,371	142,115	156,227	127,661	114,614	125,730	126,333	129,643
Food and Beverage	16,763	17,841	18,251	20,156	20,041	16,753	16,493	21,141	22,280	24,216
Advertising	2,878	3,705	4,627	3,451	1,892	1,923	1,736	1,903	1,873	2,355
Gift Shop & Retail	8,325	8,325	8,534	8,007	7,957	7,380	8,868	11,290	11,983	12,668
In-Flight Kitchen	12,697	9,883	7,731	7,277	5,819	6,173	8,580	9,823	8,920	10,680
Total Gross Concession Revenue	$ 180,741	179,090	194,258	210,708	220,561	183,522	171,551	191,968	194,332	204,376
Enplaned Passengers:	5,292	5,346	5,415	5,319	5,179	4,400	4,107	4,189	4,125	4,235
Gross Concession Revenue Per Enplaned Passenger (not in 000's)	$ 34.15	33.50	35.87	39.61	42.59	41.71	41.77	45.83	47.11	48.26

[1] Gross revenues of major concessionaires only.
[2] Gross public parking revenues only.
[3] Amounts reported previously were revised to relect the correct information.

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

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT **Schedule D**

(A Department of the City of San José)

SCHEDULED AIRLINE RATES AND CHARGES

FISCAL YEARS 2004 THROUGH 2007 AND THE PERIOD JULY 1 TO NOVEMBER 30, 2007

	2004	2005	2006	2007 (2)	2008 (3)
Landing Fees (per 1,000 lbs. MGLW) (1)	$ 1.34	$ 1.28	$ 1.43	$ 1.80	$ 1.44
Terminal Rental Rates (per square foot)					
Terminal A :					
Ticket counter	232	240	224	133	
Operations	174	180	168	100	
Holdroom	208	216	202	120	
Baggage claim	116	120	112	67	
Baggage makeup/storage	81	84	79	47	
Terminal C :					
Ticket counter	100	103	111	110	
Operations	75	77	84	83	
Holdroom	90	93	100	99	
Baggage Claim (4)	50	52	56	55	
Baggage makeup/storage	35	36	39	39	
Blended:					
Ticket counter					351
Operations					316
Holdroom					263
Baggage Claim (4)					175
Baggage makeup/storage					123

(1) MGLW - Maximum Gross Landing Weight

(2) The Airport was able to reduce the terminal rental rates in fiscal year 2006-07 by utilizing $4.0 million of the Safety Net Reserve Account. The account was established in 1993 to reserve funds for unusual or exceptional circumstances such as a significant imbalance of rates and charges for various facilities, projected extraordinary vacancy rates, and unusual discrepancies in activity levels.

(3) These rates and charges were only for the period July 1 to November 30, 2007. A new Airline-Aiport Lease and Operating Agreement took effect on December 1, 2007. The rates for the period December 1, 2007 to June 30, 2008 (shown on the next page) were calculated in accordance with the provisions of the current agreement. Blended rental rates for Terminals A and C were calculated with the concurrence of the airlines.

(4) The baggage claim requirement is allocated among the airlines using the 20/80 formula. The revenue requirement applicable to the baggage claim areas is calculated by multiplying the square footage of all baggage claim areas by the square foot rate for those areas. 20% of the revenue requirement is divided equally among all airlines. The remaining 80% is distributed among all airlines based on the number of enplaned passengers.

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

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED AIRLINE RATES AND CHARGES [1]
PERIOD DECEMBER 1, 2007 to JUNE 30, 2008 THROUGH FISCAL YEAR 2013

Schedule D
(Concluded)

	2008	2009	2010	2011	2012	2013	Unit
Landing Fees	$ 2.00	$ 2.24	$ 2.32	$ 2.47	$ 2.14	$ 2.38	per 1,000 lbs. MGLW [4]
Terminal Rental Rates							
Group A:							
Ticket counter and queuing, Skycap/Curbside Check-in							
- Preferential	73,729	81,192	145,136	241,041	319,205	296,954	per counter
- Common	35	63	57	73	97	90	per hour
Airline ticket office, Club/VIP	166.07	237.81	204.57	157.18	184.19	186.55	per sq. ft.
Holdroom (Gate)							
- Preferential	418,598	481,687	726,212	742,245	872,527	886,424	per gate
- Common	228	330	497	496	598	607	per turn
Group B:							
Baggage Claim [2]	132.86	190.25	163.66	125.74	147.35	149.24	per sq. ft.
Other Office	132.86	190.25	163.66	125.74	147.35	149.24	per sq. ft.
Group C:							
Baggage Make-up [3]	83.04	118.91	102.29	78.59	92.09	93.28	per sq. ft.
Operations Space	83.04	118.91	102.29	78.59	92.09	93.28	per sq. ft.

(1) These rates and charges were for the period December 1, 2007 to June 30, 2013 and were calculated based on the provisions of the current Airline-Aiport Lease and Operating Agreement which took effect on December 1, 2007.

(2) The baggage claim requirement is allocated among the airlines using the 20/80 formula. The revenue requirements applicable to the baggage claim areas is calculated by multiplying the square footage of all baggage claim areas by the per-square foot rate for those areas. 20% of the revenue requirement is divided equally among all airlines. The remaining 80% of the revenue requirement is distributed among all airlines based on the number of deplaned passengers.

(3) The baggage make-up requirement is allocated among the airlines using the 20/80 formula. The revenue requirements applicable to the baggage make-up areas is calculated by multiplying the square footage of all baggage make-up areas by the per-square foot rate for those areas. 20% of the revenue requirement is divided equally among the airlines. The remaining 80% of the revenue requirement is distributed among the airlines based on the number of enplaned passengers.

(4) MGLW - Maximum Gross Landing Weight

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Outstanding Debt per Enplaned Passenger										
Outstanding debt by type:										
Revenue bonds	$ 509,247	501,378	493,100	484,347	1,057,386	1,046,606	1,035,266	1,023,304	1,415,552	1,398,332
Commercial paper notes	5,786	7,755	8,089	41,424	186,190	323,561	417,348	410,079	47,937	45,380
Total outstanding debt	$ 515,033	509,133	501,189	525,771	1,243,576	1,370,167	1,452,614	1,433,383	1,463,489	1,443,712
Enplaned Passengers	5,292	5,346	5,415	5,319	5,179	4,400	4,107	4,189	4,125	4,235
Total outstanding debt per enplaned passenger (not in 000's)	$ 97	95	93	99	240	311	354	342	355	341
Debt Service										
Revenue bonds (2) (3)	$ 17,454	17,932	21,423	20,837	21,567	23,037	31,367	53,890	80,725	86,325
Commercial paper notes (4) (5)	561	679	737	3,391	710	292	734	16,605	6,818	4,043
Total debt service	18,015	18,611	22,160	24,228	22,277	23,329	32,101	70,495	87,543	90,368
Less: Funds available for debt service										
Passenger facility charges	-	-	-	-	-	-	4,588	21,388	21,336	22,100
Customer facility charges (6)	-	-	-	-	-	-	-	6,840	10,137	13,385
Unspent bond proceeds (6)	-	-	-	-	-	-	-	-	1,713	5,802
Net debt service	$ 18,015	18,611	22,160	24,228	22,277	23,329	27,513	42,267	54,357	49,081
Net debt service per enplaned passenger (not in 000's)	$ 3.40	3.48	4.09	4.55	4.30	5.30	6.70	10.09	13.18	11.59

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

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

(3) Per the Master Trust, rates used to calculate the interest payable on variable rate bonds, Series 2004A&B Airport Revenue Bonds, which were outstanding during fiscal years 2005 through 2008, were the actual interest rates that were in effect for the relevant period of calculation.

(4) 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 mutiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor. As permitted by the Letter of Credit and Reimbursement Agreements, the outstanding CP as of June 30, 2011 was adjusted to reflect the repayment of certain CP from the proceeds of the Airport Revenue Bond Series 2011A. Under the previous Letter of Credit and Reimbursement Agreements, the calculation of debt service did not include the CP, which funded capitalizable projects during the fiscal years 2008 through 2010.

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

(6) Fiscal years 2010 through 2012 were revised to reflect "Other Available Funds for Debt Service." Under the MTA, the Airport may for any period elect to designate Customer Facility Charges and Unspent Bond Proceeds as “Other Available Funds” eligible for payment of debt service.

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

Schedule F

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

Year	Adjusted General Airport Revenues [1]	Operating Expenses [2] & [3]	Net Revenues	Other Available Funds	Net Revenues Available for Debt Service	Total Bond Debt Service [4]	Available Passenger Facility Charges [4]	Net Bond Debt Service Payable from Revenues	Coverage Ratio - Bonds	Estimated Commercial Paper (CP) Debt Service [6] [7]	Coverage Ratio- Bonds & CP
2004	$ 88,214	$ 71,020	$ 17,194	$ 37,565	$ 54,759	$ 17,454		$ 17,454	3.14	$ 561	3.04
2005	89,806	73,422	16,384	37,666	54,050	17,932 [5]		17,932	3.01	679	2.90
2006	100,531	78,156	22,375	37,022	59,397	21,423 [5]		21,423	2.77	737	2.68
2007	96,661	86,120	10,541	44,250	54,791	20,837 [5]		20,837	2.63	3,391	2.26
2008	115,184	95,615	19,569	44,175	63,744	21,567 [5]		21,567	2.96	710	2.86
2009	115,115	90,783	24,332	49,053	73,385	23,037		23,037	3.19	292	3.15
2010	106,503	82,606	23,897	51,610	75,507	31,367	$ 4,588	26,779	2.82	734	2.74
2011	123,447	76,850	46,597	52,447	99,044	53,890	21,388	32,502	3.05	16,605	2.02
2012	129,524	67,875	61,649	58,917	120,566	80,725	21,336	59,389	2.03	6,818	1.82
2013	124,803	64,778	60,025	66,006	126,031	86,325	22,100	64,225	1.96	4,043	1.85

(1) Does not include Passenger Facility Charges (PFCs) or AIP grant proceeds. PFC revenues and AIP grant proceeds are included in the Statements of Revenues, Expenses, and Changes in Net Position as nonoperating revenues.

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

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

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

(5) Per the Master Trust, rates used to calculate the interest payable on variable rate bonds, Series 2004A&B Airport Revenue Bonds, which were outstanding during fiscal years 2005 through 2008, were the actual interest rates that were in effect for the relevant period of calculation.

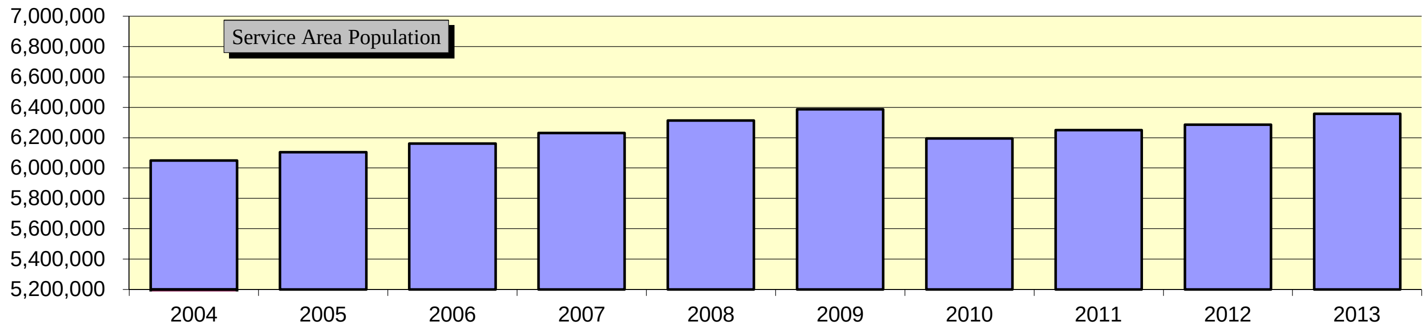
(6) As required by the Letter of Credit and Reimbursement Agreements related to the Airport's Commercial Paper (CP) Program, the principal amount of the CP is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective 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 mutiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor. As permitted by the Letter of Credit and Reimbursement Agreements, the outstanding CP as of June 30, 2011 was adjusted to reflect the repayment of certain CP from the proceeds of the Airport Revenue Bond Series 2011A. Under the previous Letter of Credit and Reimbursement Agreements, the calculation of debt service did not include the CP which funded capitalizable projects during the fiscal years 2008 through 2010.

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

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

Schedule G

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



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2004	1,494,675	420,612	56,736	717,653	1,738,654	259,020	233,404	635,252	493,646	6,049,652
2005	1,498,967	421,235	56,946	720,042	1,753,041	259,960	239,659	652,248	503,157	6,105,255
2006	1,506,176	420,967	57,014	722,994	1,771,610	261,183	245,436	664,889	511,617	6,161,886
2007	1,519,326	422,586	57,162	728,314	1,798,242	263,105	250,022	674,331	517,837	6,230,925
2008	1,537,719	426,670	57,517	736,951	1,829,480	265,782	253,471	682,316	522,313	6,312,219
2009	1,557,749	431,041	57,920	745,654	1,857,516	268,795	255,591	687,854	525,090	6,387,210
2010	1,509,240	415,108	55,272	718,614	1,781,427	262,552	255,399	684,057	514,003	6,195,672
2011	1,521,157	419,038	55,619	724,702	1,797,375	264,430	257,984	690,899	517,685	6,248,889
2012	1,530,176	419,586	56,137	727,795	1,813,696	265,350	260,029	692,997	519,339	6,285,105
2013	1,548,681	421,494	56,669	735,678	1,842,254	266,662	262,478	698,414	524,124	6,356,454

Source: California Department of Finance

Schedule H

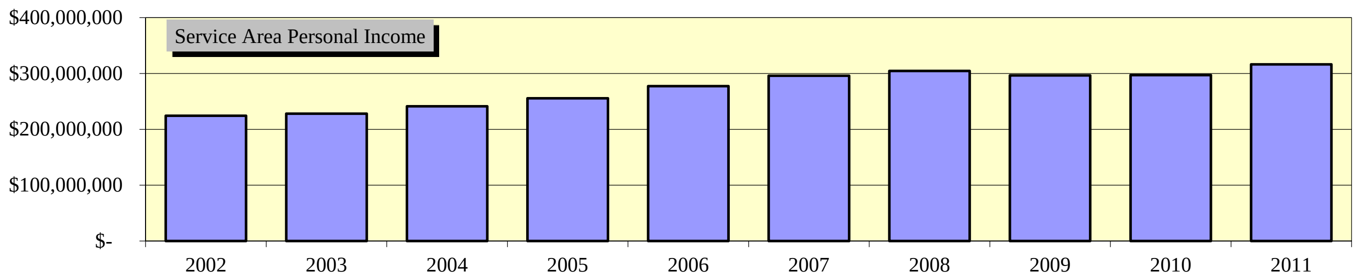
NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)

SERVICE AREA PERSONAL INCOME IN THE AIR TRADE AREA

LAST TEN AVAILABLE CALENDAR YEARS (1)

(in $ 000's)



Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
	Primary Service Area						Secondary Service Area			
2002	$ 55,316,772	12,676,027	1,575,049	36,736,603	77,548,912	9,495,857	4,644,678	14,788,895	11,460,836	224,243,629
2003	56,424,129	13,380,948	1,623,818	36,466,977	78,152,243	9,498,586	4,989,214	15,576,802	11,959,040	228,071,757
2004	59,339,211	14,096,150	1,681,863	39,408,618	81,920,659	10,194,797	5,359,381	16,555,526	12,868,305	241,424,510
2005	62,015,782	14,653,598	1,704,973	42,846,390	87,909,716	10,462,655	5,409,165	17,189,529	13,472,415	255,664,223
2006	66,998,496	15,774,227	1,809,212	46,881,900	96,443,117	11,464,854	5,613,205	18,292,157	14,076,261	277,353,429
2007	70,761,435	16,694,108	1,897,021	50,347,246	104,102,421	12,116,023	6,108,301	19,194,503	14,755,527	295,976,585
2008	73,819,703	17,243,092	1,954,831	51,062,495	103,697,458	12,962,445	6,842,821	21,121,955	16,072,573	304,777,373
2009	71,596,468	17,126,664	1,945,249	50,014,142	99,549,995	12,591,938	6,750,415	20,968,710	15,948,738	296,492,319
2010	72,024,822	16,677,674	1,882,370	47,946,507	102,589,854	12,246,607	6,956,076	20,802,181	15,980,924	297,107,015
2011	75,908,145	17,355,940	1,964,156	50,596,839	111,880,131	12,919,550	7,406,375	21,591,743	16,652,338	316,275,217

(1) Information for calendar years 2012 and 2013 is not available.

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

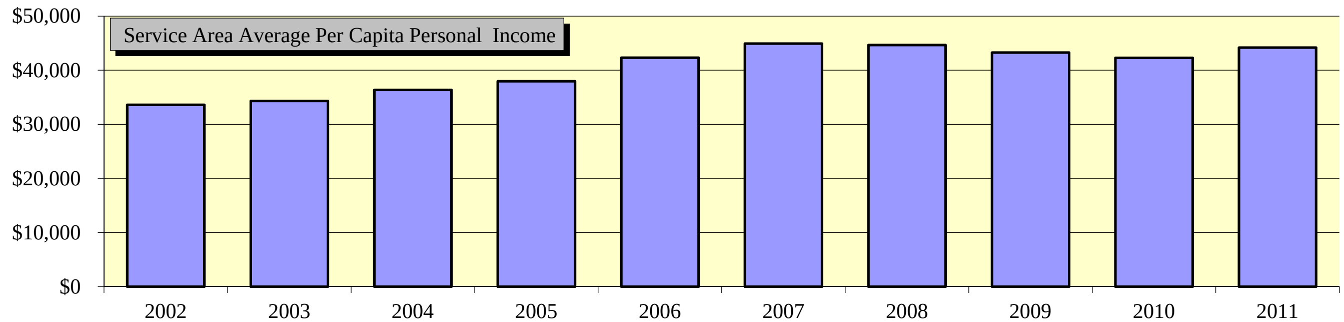
Schedule I

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)

SERVICE AREA PER CAPITA PERSONAL INCOME IN THE AIR TRADE AREA

LAST TEN AVAILABLE CALENDAR YEARS [(1)]



	Primary Service Area							Secondary Service Area			
Years		Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Average PCPI
2002	$	37,839	30,931	28,531	52,480	46,292	37,397	20,801	24,290	24,000	33,618
2003		38,835	32,527	29,327	52,405	46,769	37,708	21,810	24,883	24,551	34,313
2004		41,083	34,362	30,534	56,788	48,958	40,632	22,955	25,785	26,132	36,359
2005		43,074	36,014	31,041	61,678	52,081	41,917	22,724	26,209	26,954	37,966
2006		47,781	40,908	34,139	68,843	56,521	48,206	25,205	29,513	29,654	42,308
2007		49,915	42,322	36,173	74,343	60,098	51,669	27,981	31,018	30,816	44,926
2008		50,206	42,506	35,674	72,112	59,058	51,249	28,003	31,584	31,673	44,674
2009		48,004	41,735	35,331	69,562	55,781	49,145	27,517	31,071	31,248	43,266
2010		47,603	40,055	33,904	66,629	57,433	46,586	27,092	30,251	31,006	42,284
2011		49,617	41,138	35,029	69,577	61,833	48,883	28,497	31,013	32,115	44,189

[(1)] Information for calendar years 2012 and 2013 is not available.

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

Schedule J

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

	2013			2006		
Company or Organization	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	14,950	1	3.33%	14,860	2	3.66%
Cisco Systems	13,600	2	3.03%	16,500	1	4.06%
City of San Jose*	5,651	3	1.26%	6,670	3	1.64%
eBay Inc.	4,700	4	1.05%	2,200	8	0.54%
IBM	4,200	5	0.93%	5,800	4	1.43%
U.S. Postal Service	3,920	6	0.87%	na (**)	na (**)	na (**)
San Jose State University	3,119	7	0.69%	3,100	5	0.76%
San Jose Unified School District	2,330	8	0.52%	1,820	13	0.45%
Hitatchi	2,070	9	0.46%	2,880	6	0.71%
Adobe Systems, Inc.	2,000	10	0.45%	2,000	10	0.49%
Good Samaritan Hospital	1,950	11	0.43%	1,850	12	0.46%
Kaiser Permanente	1,940	12	0.43%	na (**)	na (**)	na (**)
Cadence Design Systems	1,800	13	0.40%	1,750	14	0.43%
Sanmina-SCI	1,770	14	0.39%	2,100	9	0.52%
Maxim Integrated	1,650	15	0.37%	na (**)	na (**)	na (**)

Note: Data pertaining to principal employers for nine years ago is not readily available. As such, we used 2006 information which was the earliest available.

(*) Full-time employees

(**) Companies or organizations not included in top 15 principal employers in 2006

Sources: Office of Economic Development, City of San Jose
California Employment Development Department, Labor Market Information Division

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

	Budgeted Full-time-Equivalent [1] Employees as of Fiscal Year-End									
Functional Area	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Acoustical Treatment Program (ACT)	16.25	10.00	9.00	7.00	7.00	4.00	0.00	0.00	0.00	0.00
Administration	39.35	35.55	34.55	37.75	39.75	34.65	31.00	26.70	27.00	27.00
Air Service Development	3.00	3.25	4.50	4.60	4.60	2.00	2.00	1.00	1.00	1.00
Airport Technology Services	8.00	8.00	17.00	21.00	21.00	19.00	16.00	13.00	13.00	13.00
Airside Operations	58.00	49.20	46.00	46.50	46.55	47.25	38.45	35.15	39.53	41.97
Customer Service and Outreach	9.00	8.75	7.60	11.40	10.40	8.00	6.00	5.00	6.00	7.00
Capital and Airport Development	45.75	52.05	46.05	38.05	28.25	27.25	25.50	18.00	14.00	15.00
Environmental	4.25	3.20	4.20	3.20	3.00	3.50	3.00	1.00	1.00	1.00
Facilities (Building Services, Trades and Maintenance)	161.00	148.00	143.00	143.00	155.00	134.50	127.50	64.00	66.00	64.00
Landside Operations and Services	64.50	66.30	64.50	61.50	62.45	55.75	46.55	34.15	29.47	9.03
Property Management	10.40	12.20	12.10	12.00	13.00	12.10	9.00	8.00	8.00	8.00
	419.50	396.50	388.50	386.00	391.00	348.00	305.00	206.00	205.00	187.00

[1] A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,088.

Source: Norman Y. Mineta San José International Airport, Budget & Adminstration Section

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT INFORMATION
JUNE 30, 2013

Location:	Two miles north of downtown San José, "Capital of Silicon Valley"			
Area:	1,050 acres			
Elevation:	56 ft.			
Airport Code:	SJC			
Runways:	11/29 (temporarily closed)	North/South	4,599 × 100	ft.
	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		242,435	sq. ft.
	Concessions and Other Rentables		63,276	sq. ft.
	Public/common		167,006	sq. ft.
	Airport		367,779	sq. ft.
	Vacant		44,107	sq. ft.
	Other		106,962	sq. ft.
	Total		991,565	sq. ft.
	Number of passenger gates - Terminal A and FIS		16	
	Number of passenger gates - Terminal B		12	
	Number of loading bridges		28	
	Number of concessionaires in terminal		43	
	Number of rental car agencies		12	
Apron:	Commercial Airlines		1,130,408	sq. ft.
	Cargo Airlines		596,436	sq. ft.
	Fixed Base Operator (FBO)		426,071	sq. ft.
	General Aviation West		436,659	sq. ft.
Parking:	Spaces assigned:	Hourly - Terminal A Garage	1,315	
		Hourly - Terminal B Garage & Surface	1,203	
		Daily lots	1,358	
		Economy lots	1,676	
		Rental cars	3,000	
		Employees	800	
		Total	9,352	
Cargo:	Air Freight Building		19,200	sq. ft.
International:	Customs / Federal Inspection Service Facility			
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7			
FBOs:	Atlantic San Jose			
	AvBase			

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

Schedule M

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE [1]
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2013 Results)

	2004		2005		2006		2007		2008	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,003,802	37.9%	2,140,938	40.1%	2,198,806	40.6%	2,266,766	42.6%	2,333,432	45.1%
Alaska Airlines	490,392	9.3%	492,357	9.2%	489,022	9.0%	467,324	8.8%	445,689	8.6%
American Airlines	1,316,502	24.9%	1,221,431	22.8%	1,029,154	19.0%	923,052	17.4%	771,429	14.9%
US Airways	281,303	5.3%	309,692	5.8%	308,204	5.7%	308,522	5.8%	298,193	5.8%
Continental Airlines [2]	138,500	2.6%	147,045	2.8%	155,324	2.9%	169,220	3.2%	171,189	3.3%
United Airlines [2][3]	398,245	7.5%	386,361	7.2%	392,199	7.2%	380,109	7.1%	349,962	6.8%
Skywest [4]	116,235	2.2%	133,875	2.5%	124,565	2.3%	139,956	2.6%	115,184	2.2%
Delta Airlines [5]	181,008	3.4%	183,957	3.4%	215,062	4.0%	182,524	3.4%	156,339	3.0%
Hawaiian Airlines					62,261	1.1%	82,561	1.6%	84,259	1.6%
JetBlue Airways	2,934	0.1%	64,003	1.2%	136,666	2.5%	109,351	2.1%	116,776	2.3%
Concesionaria Vuela Compania de Aviacion S.A. DE CV [6]										
All Other Airlines [7]	362,928	6.9%	265,974	5.0%	303,568	5.6%	289,474	5.4%	336,151	6.5%
Total [8]	5,291,849	100%	5,345,633	100%	5,414,831	100%	5,318,859	100%	5,178,603	100%

[1] Except as noted, mainline carriers and their regional/commuter affiliates are grouped to show relative market share by carrier.

[2] Continental and United merged in October 2010. The combined airlines (named United Airlines) received FAA approval to operate under a single certificate in December 2011 but continued to operate as separate airlines until June 30, 2012.

[3] Excludes enplaned passengers on flights operated by Skywest as United Express.

[4] Operates as United Express, Delta Connection, and American Eagle.

[5] Excludes enplaned passengers on flights operated by Skywest as Delta Connection.

[6] Concesionaria Vuela Compania de Aviacion S.A DE CV (aka Volaris) started operations in April 2010.

[7] Consists of airlines no longer serving the Airport and charter airlines.

[8] Percentage totals may not add due to rounding.

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

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE [(1)]
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2013 Results)

Schedule M
(Concluded)

	2009		2010		2011		2012		2013	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,082,271	47.3%	2,121,917	51.7%	2,187,033	52.2%	2,192,234	53.1%	2,169,956	51.2%
Alaska Airlines	345,419	7.9%	393,982	9.6%	561,400	13.4%	609,315	14.8%	727,616	17.2%
American Airlines [(2)]	632,723	14.4%	480,402	11.7%	435,815	10.4%	386,997	9.4%	355,024	8.4%
US Airways	250,458	5.7%	208,809	5.1%	184,380	4.4%	183,955	4.5%	187,583	4.4%
Continental Airlines [(3)]	136,153	3.1%	132,942	3.2%	134,449	3.2%	121,933	3.0%		
United Airlines [(3)(4)]	208,184	4.7%	138,836	3.4%	133,794	3.2%	117,292	2.8%	186,890	4.4%
Skywest [(5)]	139,478	3.2%	180,337	4.4%	149,912	3.6%	131,412	3.2%	182,113	4.3%
Delta Airlines [(6)]	94,241	2.1%	100,539	2.4%	155,885	3.7%	146,661	3.6%	158,880	3.8%
Hawaiian Airlines	81,397	1.9%	72,266	1.8%	85,571	2.0%	103,483	2.5%	116,928	2.8%
JetBlue Airways	148,643	3.4%	95,118	2.3%	80,797	1.9%	76,063	1.8%	71,506	1.7%
Concesionaria Vuela Compania de Aviacion S.A. DE CV [(7)]			8,072	0.2%	48,325	1.2%	49,709	1.2%	49,700	1.2%
Virgin America [(8)]									18,265	0.4%
All Nippon Airways Co., LTD [(9)]									3,273	0.1%
All Other Airlines [(10)]	280,595	6.4%	174,174	4.2%	31,862	0.8%	5,831	0.1%	7,019	0.2%
Total [(11)]	4,399,562	100%	4,107,394	100%	4,189,223	100%	4,124,885	100%	4,234,753	100%

(1) Except as noted, mainline carriers and their regional/commuter affiliates are grouped to show relative market share by carrier.
(2) Excludes enplaned passengers on flights operated by Skywest as American Eagle, which started in November 2012.
(3) Continental and United merged in October 2010. The combined airlines (named United Airlines) received FAA approval to operate under a single certificate in December 2011 but continued to operate as separate airlines until June 30, 2012. Continental Airlines passengers are grouped with United Airlines starting July 1, 2012.
(4) Excludes enplaned passengers on flights operated by Skywest as United Express.
(5) Operates as United Express, Delta Connection, and American Eagle.
(6) Excludes enplaned passengers on flights operated by Skywest as Delta Connection.
(7) Concesionaria Vuela Compania de Aviacion S.A DE CV (aka Volaris) started operations in April 2010.
(8) Virgin America started operations in May 2013.
(9) All Nippon Airways Co., LTD started operations in January 2013.
(10) Consists of airlines no longer serving the Airport and charter airlines.
(11) Percentage totals may not add due to rounding.

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

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

Airline [1]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Air Canada				1,612	2,207	1,469	284	3,159	2,654	2,381
Alaska Airlines	600,898	508,275	490,114	472,515	441,300	337,540	363,017	503,725	505,340	606,086
All Nippon Airways Co., LTD										9,880
Atlantic Southeast Airlines		8,643	17,554	5,025						
American Airlines	1,563,878	1,279,122	850,139	733,523	572,925	480,870	366,797	359,335	305,694	315,986
American Eagle	380,940	351,441	391,471	346,514	305,779	254,983	131,181	87,935	86,967	50,923
ATA	105,132	396	224	550	566					
Concesionaria Vuela compania De Aviacion S.A DE CV (aka Volaris)							8,320	54,663	59,451	52,014
Continental Airlines	159,142	164,344	164,858	178,500	181,657	142,465	133,055	135,858	128,219	93,682
Delta Airlines	244,109	226,950	259,322	233,734	194,892	119,454	116,624	165,760	155,622	175,260
Expressjet Airlines Inc. dba Delta Airlines				44	58,816	8,047	41			
Frontier Airlines	92,045	97,781	128,282	143,487	153,166	158,644	78,484	672		672
Hawaiian Airlines			87,360	128,960	115,545	109,970	94,075	110,895	133,520	161,560
Horizon Air	114,176	130,792	104,759	98,525	115,790	111,530	144,240	189,443	175,246	200,317
Independence Airlines		8,405	9,231							
JetBlue Airways	2,986	68,682	155,706	124,565	147,688	188,439	115,710	91,292	82,903	79,348
Mesa Airlines	26,273	5,338	12,640	21,664	22,399	4,168		168	167	
Mexicana Airlines	83,270	78,780	116,903	113,125	100,668	86,527	76,916	10,890		
Northwest Airlines	172,244	118,242	107,918	100,756	101,591	101,284	51,691			
Skywest	155,754	164,480	151,419	166,716	146,500	174,983	217,883	163,478	143,527	202,560
Southwest Airlines	2,867,763	3,009,958	3,065,960	3,197,472	3,366,428	3,236,828	3,033,408	2,877,878	2,917,030	2,838,160
United Airlines	535,528	499,892	515,943	490,735	474,724	277,027	182,268	178,965	161,273	126,942
US Airways	351,611	401,640	377,223	415,366	387,348	316,454	262,199	245,557	250,324	245,444
Virgin America										32,515
All Other Airlines	16,985	6,046	13,670	16,145	22,137	19,387	34,324	41,329	17,454	19,466
Subtotal	7,472,734	7,129,207	7,020,696	6,989,533	6,912,126	6,130,069	5,410,517	5,221,002	5,125,391	5,213,194
Cargo Carriers										
Air Transport Int'l.	55,798	61,414	55,733	57,941	59,379	56,042	57,159	71,055	12,015	250
Airborne Express	71,094	70,720	68,816	70,176	57,392	1,088				
Emery Worldwide Express										
Fedex	289,284	268,055	223,154	252,539	241,953	231,594	168,403	164,642	163,213	158,845
Kitty Hawk	638			155						
United Parcel Service	127,399	128,470	126,660	129,090	133,653	132,055	96,505	83,136	93,250	88,940
All Other Cargo Airlines	2,844	3,184	4,013	1,862	247	309	200	352	270	33
Subtotal	547,057	531,843	478,376	511,763	492,624	421,088	322,267	319,185	268,748	248,067
Total	8,019,791	7,661,050	7,499,072	7,501,296	7,404,750	6,551,157	5,732,784	5,540,187	5,394,139	5,461,261

[1] See Notes on Schedule M.

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

Schedule O

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

Airline [1]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Air Canada	18			2	4	22		46	38	36
Alaska Airlines	9,464	7,926	7,592	7,264	6,760	5,176	5,444	7,308	7,272	8,684
All Nippon Airways Co., LTD										52
Atlantic Southeast Airlines		258	524	150						
American Airlines	19,136	16,214	11,678	10,734	9,012	7,704	5,800	5,552	4,728	4,878
American Eagle	18,554	17,094	19,018	16,816	14,838	12,370	6,364	4,266	4,098	2,018
ATA	1,160	4	2	4	6	378				
Concessionaria Vuela Compania De Aviacion S.A DE CV							124	812	886	770
Continental Airlines	2,342	2,404	2,490	2,730	2,770	2,060	1,898	1,862	1,750	1,284
Delta Airlines	3,326	3,122	3,524	2,852	2,526	1,504	1,570	2,264	2,094	2,358
ExpressJet Airlines Inc dba Delta Airlines					2,738		2			
Frontier Airlines	1,388	1,476	1,942	2,190	2,360	2,426	1,202	10		10
Hawaiian Airlines			546	806	732	732	620	732	882	1,036
Horizon Air	3,424	3,960	3,200	3,086	3,602	3,428	4,484	6,062	5,676	6,488
Independence Airlines		122	134							
JetBlue Airways	42	966	2,190	1,752	2,102	2,986	1,876	1,284	1,166	1,116
Mesa Airlines	1,118	226	434	592	614	126	14	6	6	
Mexicana Airlines	1,090	1,044	1,588	1,600	1,430	1,250	1,126	160		
Northwest Airlines	2,474	1,670	1,540	1,434	1,446	1,410	746			
Skywest	7,742	8,134	7,580	8,158	7,518	7,526	8,636	5,838	5,026	7,404
Southwest Airlines	49,254	50,402	50,936	52,872	54,974	52,414	48,942	46,584	47,002	45,486
United Airlines	8,222	7,386	7,076	6,932	6,420	3,572	2,224	2,124	1,988	1,586
US Airways	5,342	6,076	5,748	6,168	6,070	5,110	4,130	3,624	3,618	3,554
Virgin America										458
All Other Airlines	268	80	212	260	442	304	598	732	248	290
Subtotal	134,364	128,564	127,954	126,402	126,364	110,498	95,800	89,266	86,478	87,508
Cargo Carriers										
Air Transport Int'l.	422	468	424	442	452	426	434	538	88	2
Airborne Express	524	520	506	516	422	8				
Emery Worldwide Express										
FedEx	1,430	1,400	1,270	1,326	1,324	1,264	958	926	928	918
Kitty Hawk	8			2						
United Parcel Service	910	924	908	926	916	854	672	566	652	610
All Other Cargo Airlines	292	282	356	176	26	6	12	16	10	6
Subtotal	3,586	3,594	3,464	3,388	3,140	2,558	2,076	2,046	1,678	1,536
Total	137,950	132,158	131,418	129,790	129,504	113,056	97,876	91,312	88,156	89,044

[1] See notes on Schedule M.

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

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

CARRIER	NONSTOP SERVICE
SCHEDULED DOMESTIC AIRLINE SERVICE	
Alaska Airlines	Honolulu, Oahu (HNL)
	Kahului, Maui (OGG)
	Kona, Hawaii (KOA)
	Lihue, Kauai (LIH)
	Portland (PDX)
	Seattle (SEA)
American Airlines	Chicago/O'Hare (ORD)
	Dallas/Ft. Worth (DFW)
Delta Airlines	Atlanta (ATL)
	Minneapolis/St. Paul (MSP)
	Salt Lake City (SLC)
Hawaiian Airlines	Honolulu, Oahu (HNL)
	Kahului, Maui (OGG)
JetBlue Airlines	Boston (BOS)
	New York (JFK)
Southwest Airlines	Austin (AUS)
	Burbank (BUR)
	Chicago/Midway (MDW)
	Denver (DEN)
	Las Vegas (LAS)
	Los Angeles (LAX)
	Ontario (ONT)
	Orange County (SNA)
	Phoenix (PHX)
	Portland (PDX)
	San Diego (SAN)
	Seattle (SEA)
United Airlines	Denver (DEN)
	Houston (IAH)
US Airways	Phoenix (PHX)
Virgin America	Los Angeles (LAX)

CARRIER	NONSTOP SERVICE
COMMUTER AIRLINE SERVICE	
American Eagle (regional carrier for American Airlines)	Los Angeles (LAX)
Horizon Air (regional carrier for Alaska Airlines)	Boise (BOI) Los Angeles (LAX) Portland (PDX) Reno (RNO)
Mesa Airlines (on behalf of US Airways)	Phoenix (PHX)
Skywest (on behalf on Delta and United)	Denver (DEN) Los Angeles (LAX) Salt Lake City (SLC)
SCHEDULED FOREIGN AIRLINE SERVICE	
Alaska Airlines	Cabo San Lucas (SJD) Guadalajara (GDL)
ANA	Tokyo-Narita (NRT)
Volaris	Guadalajara (GDL)
ALL-CARGO AIRLINES	
Federal Express Corporation	
United Parcel Service	

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

Schedule Q

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)

PASSENGERS, MAIL, FREIGHT, AND CARGO STATISTICS

LAST TEN FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passengers (1,000's):										
Enplanements	5,292	5,346	5,415	5,319	5,179	4,400	4,107	4,189	4,125	4,235
Deplanements	5,276	5,382	5,437	5,335	5,202	4,422	4,125	4,200	4,131	4,254
Total Passengers	10,568	10,728	10,852	10,654	10,381	8,822	8,232	8,389	8,256	8,489
Mail/Freight/Cargo (1,000 lbs):										
Mail	8,988	9,213	7,593	4,342	3,044	1,987	3,357	2,264	1,160	1,431
Freight/Express	26,462	25,449	22,577	12,228	7,101	5,995	5,432	5,060	5,303	6,172
Cargo	203,444	190,871	179,612	171,754	166,509	129,809	97,578	87,329	77,303	78,766
Total mail/freight/cargo	238,894	225,533	209,782	188,324	176,654	137,791	106,367	94,653	83,766	86,369

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

Schedule R

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

Fiscal Year	Air Carrier Operations [2]	Commuter Operations	Cargo Operations	Total Commercial Operations [3]	Percent Commercial Operations	General Aviation Operations	Military Operations	Total Operations
2004	103,526	30,838	3,586	137,950	69.8%	59,521	113	197,584
2005	98,892	29,672	3,594	132,158	67.4%	63,708	99	195,965
2006	97,198	30,756	3,464	131,418	67.9%	61,907	83	193,408
2007	97,596	28,806	3,388	129,790	70.2%	55,021	103	184,914
2008	96,860	29,504	3,140	129,504	70.1%	55,146	64	184,714
2009	86,668	23,830	2,558	113,056	70.7%	46,674	242	159,972
2010	76,024	19,776	2,076	97,876	74.4%	33,439	275	131,590
2011	73,094	16,172	2,046	91,312	74.8%	30,503	276	122,091
2012	71,672	14,806	1,678	88,156	73.4%	31,664	285	120,105
2013	71,598	15,910	1,536	89,044	73.8%	31,321	210	120,575
Annual Compound Growth Rate								
FY 2004 through FY 2013	-3.6%	-6.4%	-8.1%	-4.3%	0.6%	-6.2%	6.4%	-4.8%

[1] An aircraft operation is defined as the takeoff or landing of an aircraft.

[2] Includes domestic and international airlines.

[3] Represents the sum of Mainline Air Carrier Operations, Regional Commuter Operations and All-Cargo Operations.

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

BOND DISCLOSURE

All Nippon Airways, Japan 's largest airline and a pioneer in the commercial aviation industry, now operates daily flights to Narita International Airport in Tokyo on the Boeing 787 Dreamliner.

Virgin America, a favorite of tech savvy travelers and recently recognized as the nation's best performing airline by the annual Airline Quality Rating, now operates nonstop service to Los Angeles International Airport with four daily flights.

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

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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

Bond Disclosure Report

June 30, 2013

In accordance with the requirements of the Continuing Disclosure Agreements (Disclosure Agreements) for the City of San José Airport Revenue Bonds Series 2001A, 2004C, 2004D, 2007A, 2007B, 2011A-1, 2011A-2, 2011B, and Airport Revenue Refunding Bonds Series 2012A, the Airport is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule).

Section 4 of the Disclosure Agreements requires the City to provide an Annual Report, which is consistent with the requirements of Section 4 of the Disclosure Agreements, no later than six 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. The Bond Disclosure Report included in this CAFR 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 1-61 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 table showing, for the Airport's most recently completed fiscal year, historical connecting enplaned passenger traffic.

  Refer to Table 3, page B-5 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 R, page S-22 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 4, page B-6 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 P, pages S-19 and S-20 of the Statistical Section of this report.

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

  Refer to Schedule M, pages S-15 and S-16 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 22 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-8 of the Statistical Section of this report.

- A list showing, for the Airport's most recently completed fiscal year, ten largest sources of revenue.

  Refer to Table 5, page B-7 of the Bond Disclosure Section of this report.

REPORTING OF SIGNIFICANT EVENTS

On July 26, 2012, the City filed a material event notice relating to the Fitch's Rating Services downgrade of the Airport's financial strength rating from "A-" to "BBB+." On January 25, 2013, the City submitted a notice of rating change related to a bond insurer downgrade and the corresponding impact on the City's Airport Revenue Bonds, Series 2011B. On July 1, 2013, the City submitted a rating change notification related to a bond insurer upgrade and the corresponding impact on the City's Airport Revenue Bonds, Series 2001A, Series 2004C and Series 2004D.

Table 1

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

Year Ending June 30	Total Debt Service Requirements on Outstanding Bonds [1]	Principal Requirements on Series 2012 A Bonds	Interest Requirements on Series 2012 A Bonds	Total Debt Service Requirements on Series 2012 Bonds	Total Debt Service Requirements on All Bonds
2014	$88,502,675	$8,105,000	$319,082	$8,424,082	$96,926,757
2015	88,895,510	8,220,000	257,078	8,477,078	97,372,588
2016	89,089,343	8,340,000	194,195	8,534,195	97,623,538
2017	89,298,582	8,460,000	130,394	8,590,394	97,888,976
2018	89,532,349	8,585,000	65,675	8,650,675	98,183,024
2019	95,551,435				95,551,435
2020	95,700,095				95,700,095
2021	96,347,070				96,347,070
2022	96,452,104				96,452,104
2023	97,149,599				97,149,599
2024	97,574,429				97,574,429
2025	97,769,766				97,769,766
2026	98,471,929				98,471,929
2027	99,119,448				99,119,448
2028	99,761,725				99,761,725
2029	103,378,580				103,378,580
2030	104,129,878				104,129,878
2031	104,527,725				104,527,725
2032	104,925,440				104,925,440
2033	138,623,263				138,623,263
2034	138,686,875				138,686,875
2035	137,505,185				137,505,185
2036	138,031,715				138,031,715
2037	138,572,335				138,572,335
2038	37,427,763				37,427,763
2039	37,935,095				37,935,095
2040	38,722,033				38,722,033
2041	39,325,615				39,325,615
2042	10,191,600				10,191,600
2043	10,190,500				10,190,500
2044	10,188,600				10,188,600
2045	10,189,400				10,189,400
2046	10,191,100				10,191,100
2047	10,191,900				10,191,900
Totals[2]	$2,742,150,657	$41,710,000	$966,424	$42,676,424	$2,784,827,081

[1] These amounts pertain to total debt service requirements on outstanding Airport Revenue Bonds Series 2001A, 2004C, 2004D, 2007A, 2007B, 2011A, and 2011B.

[2] Totals may not add due to rounding.

Source: City of San José.

Table 2

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

Fiscal Year	Air Carrier Domestic Enplanements	Air Carrier International Enplanements	Total Air Carrier Enplanements	Commuter Enplanements	Total Enplanements	Total Percent Change %
2004	4,651,137	134,176	4,785,313	506,536	5,291,849	
2005	4,660,730	138,142	4,798,872	546,761	5,345,633	1.02%
2006	4,706,038	137,054	4,843,092	571,739	5,414,831	1.29%
2007	4,686,496	102,368	4,788,864	529,995	5,318,859	-1.77%
2008	4,584,448	67,459	4,651,907	526,696	5,178,603	-2.64%
2009	3,907,376	60,381	3,967,757	431,805	4,399,562	-15.04%
2010	3,636,146	62,437	3,698,583	408,811	4,107,394	-6.64%
2011	3,728,493	77,963	3,806,456	382,767	4,189,223	1.99%
2012	3,672,704	83,261	3,755,965	368,920	4,124,885	-1.54%
2013	3,720,640	110,289	3,830,929	403,824	4,234,753	2.66%
Annual Compound Growth Rate						
FY 2004 through FY 2013	-2.4%	-2.2%	-2.4%	-2.5%	-2.4%	

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

Table 3

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
A Department of the City of San José)
HISTORICAL CONNECTING/ENPLANED PASSENGER TRAFFIC
LAST TEN FISCAL YEARS

Fiscal Year	Total Enplanements	Total Origin and Destination Enplanements	Total Connecting Enplanements	Connecting Enplanements as a Percentage of Total Enplanements
2004	5,291,849	5,018,790	273,059	5.2%
2005	5,345,633	5,075,122	270,511	5.1%
2006	5,414,831	5,192,594	222,237	4.1%
2007	5,318,859	5,145,726	173,133	3.3%
2008	5,178,603	5,044,473	134,130	2.6%
2009	4,399,562	4,281,747	117,815	2.7%
2010	4,107,394	3,997,764	109,630	2.7%
2011	4,189,223	4,083,459	105,764	2.5%
2012	4,124,885	4,013,758	111,127	2.7%
2013	4,234,753	4,146,393	88,360	2.1%
Annual Compound Growth Rate				
FY 2004 through FY 2013	-2.4%	-2.1%	-11.8%	

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

Table 4

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

Fiscal Year	Air Carrier [1]	Commuter	Cargo [2]	Total
2004	6,795,591	677,143	547,057	8,019,791
2005	6,468,513	660,694	531,843	7,661,050
2006	6,342,853	677,843	478,376	7,499,072
2007	6,351,084	638,449	511,763	7,501,296
2008	6,255,828	656,298	492,624	7,404,750
2009	5,576,343	553,726	421,088	6,551,157
2010	4,903,780	506,737	322,267	5,732,784
2011	4,779,979	441,023	319,185	5,540,187
2012	4,719,484	405,907	268,748	5,394,139
2013	4,759,393	453,801	248,067	5,461,261
Annual Compound Growth Rate				
FY 2004 through FY 2013	-4%	-4%	-8%	-4%

[1] Includes domestic and international air carriers.

[2] Includes all-cargo airlines.

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

Table 5

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
TEN LARGEST SOURCES OF REVENUES
Fiscal Year Ended June 30, 2013

Category		Amount
Airline Terminal Rentals	$	38,255,624
Public Parking Fees		24,813,754
Rental Cars		13,584,308
Landing Fees (Passenger and Cargo)		12,888,370
Food and Beverage		4,713,878
Land and Building Rentals		4,355,637
Advertising		4,222,320
Gift Shop & Retail		3,459,624
Fuel Handling Fees		2,360,463
Ground Transportation		1,924,284

Source: Norman Y. Mineta San José International Airport management records.