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S&P Upgrades Mineta San José International Airport Bond Rating

Leading rating agency released a report raising its long-term rating to 'A' from 'A-' on outstanding San José Airport Revenue Bonds

San José, Calif. – On June 23, 2022, S&P released a report raising its long-term rating to 'A' from 'A-' on outstanding Airport Revenue Bonds for Mineta San José International Airport (SJC). The outlook remains stable.

SJC Airport Director John Aitken said, “This news is recognition of the hard work by the entire Mineta San José International Airport team adopting the most appropriate measures to ensure our financial stability through one of the most challenging times in our airport’s history. We are delighted to see that S&P shares our confidence in SJC’s continued recovery.”

San José Mayor Sam Liccardo added, “The confidence of the credit markets is a testament to the superior management of John Aitken and his team amid some very perilous times for airports globally.”

S&P explained **the upgrade reflects SJC's financial resilience and rate-setting flexibility**, following a period of materially depressed activity levels, coupled with management's prudent expense reductions and strategic bond refinancing (Series 2021A, B, and C) that significantly reduced debt service in the near term as enplanements gradually recover.

S&P noted in their report that: *“The rating action reflects our opinion of SJC's improved overall credit quality. We base our opinion on our forward-looking view of the airport's financial resilience and rate-setting flexibility following a period of weaker activity levels. We also consider[ed] improving and normalizing enplanement levels that we believe will support financial metrics consistent with a strong financial risk profile on a sustainable basis, and an improved market position assessment. We now view*

SJC's overall enterprise risk profile as strong, consistent with our pre-pandemic view. The overall financial risk profile is unchanged at strong."

This upgrade follows a rating downgrade from S&P on October 1, 2020, when S&P lowered its bond rating on the City's Airport Revenue Bonds from 'A' to 'A-' and assigned a negative outlook. On March 12, 2021, S&P revised its outlook to stable from negative on the City's Airport Revenue Bonds—**making SJC the first airport in the nation to be upgraded** from a negative to stable outlook by S&P since the start of the COVID-19 pandemic.

Key Factors That Led to Mineta San José International Airport Rating Upgrade:

- Role as the **dominant provider of air service** in the immediate service area, supported by a strong and affluent origin and destination (O&D) demand base with exceptional historical enplanement growth before the pandemic
- **Very strong management and governance**, with the airport benefiting from strong oversight from the city and prudent risk management practices
- **Improving and normalizing enplanement** levels, with recent monthly enplanements recovered to approximately 75 percent in April 2022, up from 68 percent in March and 60 percent in February
- SJC's **return to business-as-usual rate-setting practices** and the airport's **favorable recovery prospects**;
- Relatively **large and economically vibrant service area**, which encompasses the San José-Sunnyvale-Santa Clara metropolitan statistical area (MSA), supported by a moderately large population base, one of the wealthiest MSAs in the nation, and significant employment opportunities despite the spike in unemployment resulting from the pandemic



- **Significant liquidity position**, with \$198.4 million in unrestricted cash as of March 31, 2022, bolstered by an infusion of federal stimulus aid that SJC expects to deplete by fiscal 2025
- SJC's **resilient financial metrics** in the near term despite weaker enplanements, which are expected to be maintained at levels consistent with an overall strong financial profile on a sustainable basis as activity gradually recovers with no near-term additional debt needs
- **A capital improvement plan totaling** \$381.2 million, and planned payment to reduce the airport commercial paper balance outstanding with available reserves
- The Series 2021A, B, and C bond refinancing provided material upfront **debt service relief** (without extending the final maturity). The bond refinancing provided material upfront savings from fiscal years 2022 to 2034 and yielded total savings of 31.4 percent of the refunded bonds over the life of the bonds.

More details regarding SJC's first semester of 2022 activity, along with an archive of the Airport's monthly Activity Reports, are available on the Airport's website at flysanjose.com/airport-activity.

SJC: Transforming How Silicon Valley Travels

Mineta San José International Airport (SJC) is Silicon Valley's airport, a self-supporting enterprise owned and operated by the City of San José. For more airport information, visit flysanjose.com. Connect with SJC on social media at flysanjose.com/follow.

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