Contact: SJC Media | sjcmedia@sjc.org | 408-392-1199 March 19, 2021

NEWS FOR IMMEDIATE RELEASE

Mineta San José International Airport First in Nation to Earn Stable Outlook from Standard & Poor's

Upgraded outlook reflects leading credit rating agency's confidence in SJC management's response to the COVID-19 Pandemic

San Jose, Calif. – Norman Y. Mineta San José International Airport (SJC) is the first airport in the nation to receive an upgrade in rating outlook, from negative to stable, from Standard & Poor's Global Rating Service (S&P) since the rating agency placed airports across the country on CreditWatch in August 2020 due to the impact of COVID-19 on global aviation.

Like many airports across the nation, S&P had downgraded SJC from A to A- in October 2020 and reflected continuing concerns about the future of aviation due to the global pandemic by placing SJC on negative outlook at that time.

"The outlook revision reflects our view of prudent management expense reductions, the effects of the series 2021ABC bond refinancing that significantly reduces debt service, airline rate increases, and vaccine progress that we expect will largely mitigate ongoing challenges and materially depressed activity levels," said S&P Global Ratings credit analyst Scott Shad.

S&P also noted, "The stable outlook further reflects our expectation that SJC's management team will likely continue to manage its budget and deploy federal aid to cover costs and maintain credit quality consistent with the current rating throughout the outlook period, which is generally up to two years."

Earlier this year, the City of San José sought ratings from leading rating agencies–Moody's Investor Services, S&P, and Fitch Ratings–in connection with the sale of Series 2021 Airport Refunding Bonds for SJC. In addition to this upgraded outlook from S&P, SJC's bond ratings

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and outlooks with the remaining two agencies remained unchanged notwithstanding current travel conditions and COVID-related impacts.

SJC is owned and operated by the City of San José. As an enterprise department of the City, the Airport is entirely self-sustaining, and no local tax dollars are used to support Airport operations.

A copy of S&P's announcement follows.

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San Jose International Airport, CA Rating Outlook Revised To Stable From Negative On Management Actions And Federal Aid

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PRIMARY CREDIT ANALYST

Scott Shad
Centennial
(1) 303-721-4941
scott.shad
@spglobal.com

SECONDARY CONTACT

Todd R Spence
Farmers Branch
+ 1 (214) 871 1424
todd.spence
@spglobal.com

CENTENNIAL (S&P Global Ratings) March 12, 2021--S&P Global Ratings revised the outlook to stable from negative and affirmed its 'A-' rating on San Jose, Calif.'s airport revenue bonds outstanding issued for Norman Y. Mineta San Jose International Airport (SJC). At the same time, S&P Global Ratings assigned its 'A-' long-term rating with a stable outlook to San Jose's estimated $89.8 million series 2021A (AMT) airport revenue refunding bonds, $50.4 million series 2021B (non-AMT) airport revenue refunding bonds, and $297.5 million series 2021C taxable airport revenue refunding bonds, issued for SJC.

"The outlook revision reflects our view of prudent management expense reductions, the effects of the series 2021ABC bond refinancing that significantly reduces debt service, airline rate increases, and vaccine progress that we expect will largely mitigate ongoing challenges and materially depressed activity levels," said S&P Global Ratings credit analyst Scott Shad. The stable outlook further reflects our expectation that SJC's management team will likely continue to manage its budget and deploy federal aid to cover costs and maintain credit quality consistent with the current rating throughout the outlook period, which is generally up to two years.

Key credit strengths, in our opinion, are SJC's:

- Role as the dominant provider of air service in the immediate service area, supported by a strong and affluent origin and destination demand base with exceptional historical enplanement growth prior to the pandemic, offset by modest air carrier concentration and regional competition;
- Robust liquidity position, bolstered by an infusion of federal stimulus aid that SJC expects to deplete in fiscal 2022;
- Relatively large and economically vibrant service area, which encompasses the San Jose-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 COVID-19; and
- Very strong management and governance, with the airport benefiting from strong oversight from the city and prudent risk management practices.

Key credit weaknesses, in our opinion, are SJC's:

- Exposure to potentially prolonged weak or unpredictable enplanement levels as a result of COVID-19 outbreaks, coronavirus variants, and lingering associated effects such as a slow economic recovery, shifts in travel restrictions, stay-at-home and social distancing restrictions, or behavioral changes with respect to air travel, making effective financial budgeting and planning challenging; and

- Constrained cash flow generation ability as a result of severe enplanement declines related to factors outside of management's control, pressuring financial metrics.

Our rating action reflects health and safety risks posed by the COVID-19 pandemic and its impact on passenger activity due to mobility restrictions and behavioral changes related to travel, which we view as a social factor within our environmental, social, and governance factors, resulting in significant operating and financial pressures for the airport. We note the airport's service area is exposed to elevated wildfire, flood, and seismic risks as an environmental risk. We consider SJC's governance factors to be generally in line with our view of the standard for the airport sector. We will continue to evaluate these risks as the situation evolves.

If a combination of material improvement and stabilization in activity levels leads us to believe SJC's market position has improved, and if we expect financial metrics to be in line with forecast levels, we could raise the rating.

We could lower the rating if we believe that SJC's enplanements will remain materially depressed for longer than we expect, negatively affecting financial-profile metrics for an extended period.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020