CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

THE AIRPORT SYSTEM FUND

An enterprise fund of the City of Houston, Tx

Prepared by Office of the City Controller, Chris Brown

Fiscal Years Ended

June 30, 2020

June 30, 2019

AIRPORT SYSTEM FUND

An Enterprise Fund of the

City of Houston, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2020 and June 30, 2019

Prepared by:
Office of City Controller

Chris Brown
City Controller

Beverly Riggans
Deputy City Controller

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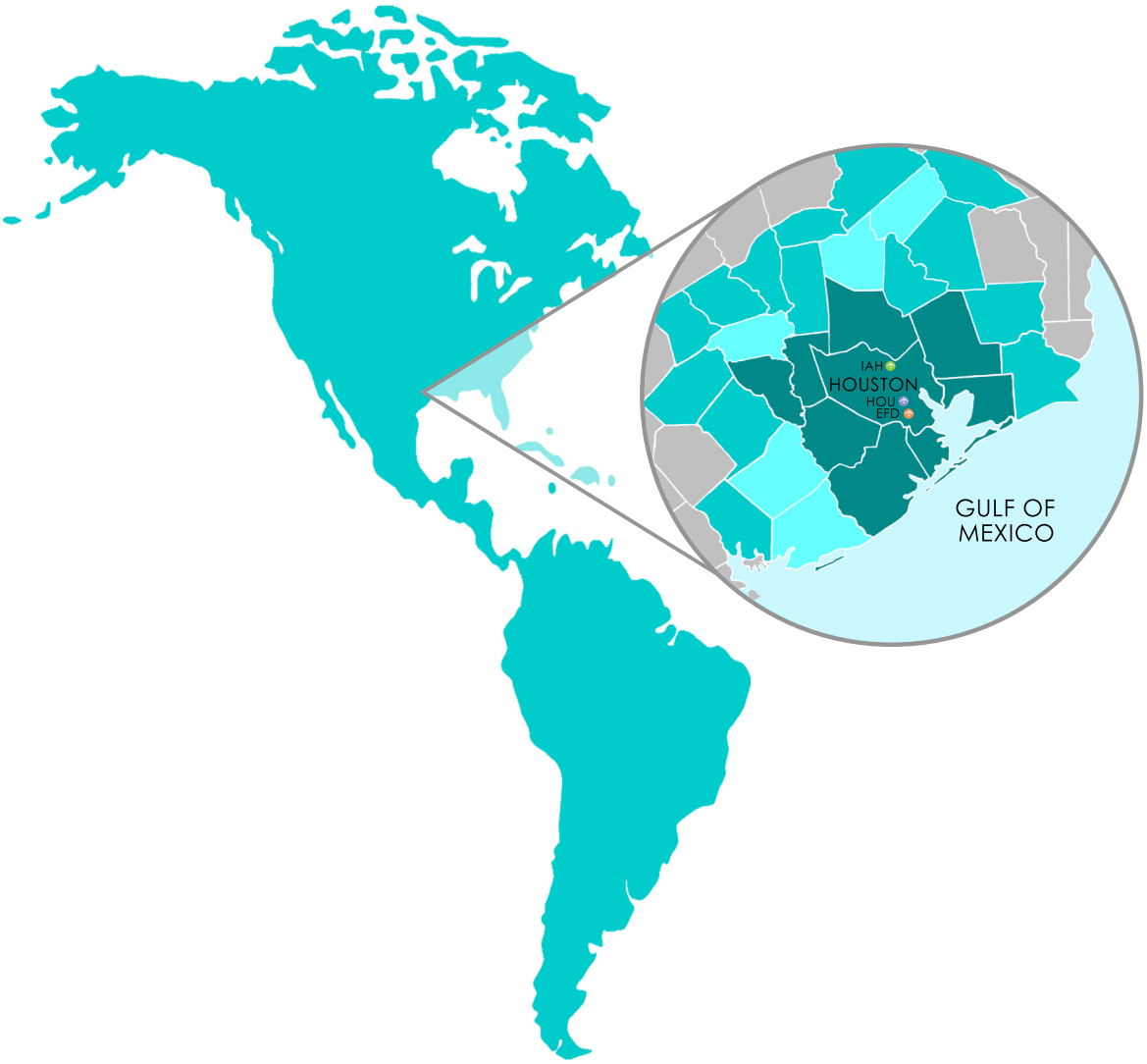
INTRODUCTORY SECTION (UNAUDITED)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HOUSTON

TEXAS

HOUSTON AIRPORT SYSTEM



Metropolitan Statistical Area (MSA) of Houston-The Woodlands-Sugar Land, TX includes 9 counties.

Consolidated Statistical Area (CSA) of Houston-The Woodlands, TX adds Matagorda, Trinity, Walker, Washington, and Wharton counties.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Houston, Texas
Airport System Fund

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Office of the City Controller
City of Houston, Texas

Chris B. Brown

December 11, 2020

To the Citizens, Mayor and Members of the City Council of the City of Houston, Texas:

I am pleased to present you with the Comprehensive Annual Financial Report (CAFR) for the City of Houston, Texas, Airport System Fund (the Fund) for the fiscal years ended June 30, 2020 and June 30, 2019, including the independent auditor's reports. The Controller's Office and the Houston Airport System share responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Fund.

The CAFR includes four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section includes this transmittal letter, a list of principal officials, and the Fund's organizational chart. The Financial Section includes Management's Discussion and Analysis and financial statements with accompanying notes, as well as the independent auditor's report on the financial statements. The Statistical Section includes selected financial trends, revenue capacity, debt capacity, demographic, economic, and operating information, generally presented on a ten-year basis. The Compliance Section includes the independent auditor's report on HAS' compliance with the requirements of the Federal Aviation Administration's (FAA) Passenger Facility Charge Program.

The Financial Section described above is prepared in accordance with Generally Accepted Accounting Principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis offers readers an overview and analysis of the financial activities of the Fund and should be read as an introduction to the financial statements. In addition, the notes to the financial statements offer additional important information and are essential to a full understanding of the financial statements.

The Reporting Entity and Its Services

The Houston Airport System (HAS), under the administrative control of the Mayor, manages and operates the Fund. The City Controller, as the chief financial officer of the City of Houston (City), maintains the books of account, prepares financial statements, and, with the Mayor, co-signs all warrants, contracts, and orders for payment of any public funds or money relating to the Fund.

The Fund is an enterprise fund of the City and is included in the City's Comprehensive Annual Financial Report, which is a matter of public record. An enterprise fund is used to account for services provided to the general public on a continuing basis with costs recovered primarily through user charges. The City's Airport System includes the following: George Bush Intercontinental Airport (Intercontinental); William P. Hobby Airport (Hobby); and Ellington Airport. United Airlines is the dominant air carrier operating at Intercontinental and Southwest Airlines is the dominant air carrier operating at Hobby.

Economic Conditions and Major Initiatives

Economic Conditions

Houston is the nation's fourth most populous city and lies within the fifth largest metropolitan statistical area in the United States. The primary service region for the Houston Airport System, the nine county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area, has a diverse economic base. Leading industries include energy, petrochemical, engineering and construction, real estate, aerospace, commerce, medicine and health care, transportation, biotechnology, and computer technology.

Widely recognized as the "Energy Capital of the World," Houston is a global center for virtually every segment of the oil-and-gas industry. Houston is home to the Texas Medical Center, the world's largest concentration of biomedical research and healthcare institutions, and to the Lyndon B. Johnson Space Center, NASA's center for human spaceflight training, research, and flight control, and to related support firms specializing in aircraft and space vehicle manufacturing, research, and technology. The deepwater Port of Houston is the nation's busiest port as ranked by foreign tonnage and the second-busiest port as ranked by total tonnage.

The Houston Airport System is comprised of three airports: George Bush Intercontinental (IAH), William P. Hobby (HOU) and Ellington (EFD). IAH is the nation's 14th busiest airport (as measured by enplaned passengers in calendar year 2019) and is classified as a "large hub airport" by the FAA. IAH serves as an international gateway airport and a primary connecting point in the national air transportation system, and was the second busiest hub for United Airlines in calendar year 2019. Additionally, IAH is the primary air cargo airport for the region. HOU is the nation's 36th busiest airport (as measured by enplaned passengers in calendar year 2019) and is classified as a "medium hub airport" by the FAA. HOU is a primary station for Southwest, which offers domestic service and international service to destinations in Mexico, Central America, and the Caribbean. EFD is currently used for general aviation, military, and NASA operations, but has no commercial passenger service. HAS obtained a spaceport license for EFD in June 2015 from the FAA, allowing EFD to accommodate horizontal-launch commercial spaceflight operations.

Key factors that will affect future airline traffic at the Houston Airport System include (1) the ability of the US and other nations to recover from the COVID-19 pandemic; (2) growth in the population and economy of the service region; (3) national and international economic and political conditions; (4) airline economics and airfares; (5) the price of aviation fuel; (6) airline service decisions; (7) the capacity of the air traffic control system; and (8) the capacity of our airports. During Fiscal Year 2020, HAS systemwide passengers decreased 27% from Fiscal Year 2019, driven by the impact of the COVID-19 pandemic which began materially affecting passenger traffic in mid-March 2020. International passenger traffic for Fiscal Year 2020 was down 28% from Fiscal Year 2019, again, attributed to the COVID-19 pandemic. IAH saw a 26% decrease in domestic passengers and a 27% decrease in international passengers. International passenger traffic at HOU decreased by 39% from Fiscal Year 2019 and domestic passenger traffic decreased 27%.

Capital Improvement Program

The Houston Airport System's (HAS) five-year Capital Improvement Plan (CIP) for Fiscal Years 2021-2025 contains appropriation requirements of approximately $2.5 billion, with 22% of the appropriations planned for Fiscal Year 2021. This CIP was developed in connection with master planning studies for all three system airports. Future improvements will be funded with airport earnings, proceeds from new bond issues, proceeds from the FAA and other grantors, and with passenger facility charges. The CIP excludes projects funded by airline tenants under the terms of special facilities leases but does include a Consolidated Rental Car Facility at HOU that will be special facility funded. HAS continually reviews and updates its CIP to address changing economic conditions and air traffic demand levels, changing operating conditions, and facility conditions.

At IAH, HAS is proceeding with the planning and procurement of design and construction support for the IAH Terminal Redevelopment Program (ITRP). This program includes a new 11-gate concourse ("New Terminal C North") that was completed in March 2017, just west of the original Terminal C North location, and the demolition of the original Terminal C North to make way for a new six-widebody gate concourse that will become the West Concourse of the Mickey Leland International Terminal (MLIT). The program will also see the demolition of the D/E parking garage to make way for a new centralized ticketing hall. The expansion of the terminal facilities will also necessitate an enlargement of certain components of the existing Federal Inspection Services (FIS) facility as well as related improvements to aircraft parking aprons and roadways. The terminal and ticketing hall will be used by United Airlines and all foreign-flag airlines serving IAH.

The City awarded contracts for executive program manager and program management support services in Fiscal Year 2015 and architectural/engineering and construction management contracts for the MLIT in Fiscal Year 2017. In Fiscal Year 2019, the City awarded the initial architectural/engineering and construction management contracts for the FIS. Additionally, the design/build contract for the associated Landside Utility Enabling project was also awarded in Fiscal Year 2019.

The modernization and expansion of Terminal A is also being considered in this CIP along with significant work on the Skyway and Subway train systems and several taxiways at IAH.

At HOU, capital improvements are planned for the airfield as required by the FAA, as well as normal pavement management, and customer service enhancements for the HOU Central Concourse. Additionally, a 7-12 gate expansion of the existing West Concourse (opened in 2015) and a consolidated rental car facility are being considered. Also, certain drainage and roadway improvement projects are included.

At EFD, construction of a new state-of-the-art air traffic control tower was completed in Fiscal Year 2019. A design/build contract was awarded in Fiscal Year 2019 for Phase I of Spaceport development that will construct the necessary roadways and utilities for future tenants. Ground-breaking of Phase I was held on June 26, 2019.

As Houston Airport System continues to review its CIP for changes necessary to "right-size" its facilities and to accommodate the growth in passenger volume at its airports, management has committed to financial targets intended to optimize use of resources and to expand facilities in a financially responsible manner. More specifically, financial targets set for Fiscal Years 2020-2024 include the following:

FINANCIAL METRIC	TARGET	FY20 ACTUAL
Total Debt per Enplaned Passenger*	$120 or Less	$91.20
Debt Service Coverage Ratio (Net of PFC Offset)	1.5 or Greater	1.59 times
Days of Cash On-Hand	450 or Greater	495 days

*Note – Total Debt excludes special facility debt.

Financial Information

Accounting Systems and Budgetary Controls

The Fund's financial accounting system utilizes an accrual basis of accounting. Internal accounting controls are an integral part of the Fund's accounting system and are designed to provide reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

The Houston Airport System controls current expenses at all division levels. The Fund's Deputy Directors are responsible for the expenses approved by the Division Managers reporting to them; in turn, Division Managers are responsible for budgetary items that are controllable at their organizational level. Budgetary control is maintained at the expenditure category, e.g., Personnel Services, Supplies, Other Services and Capital Outlay, through the encumbrance of estimated purchase amounts prior to the release of purchase orders or contracts to the vendors. This is accomplished primarily through an automated encumbrance and accounts payable system.

The Fund as a whole is not budgeted. The City Council approves the Fund's annual budget for operational expenses. City Council authorizes capital project expenditures through individual appropriation ordinances based on a five-year CIP that is proposed by the Mayor and the Houston Airport System Director, and approved by City Council. City Council can legally appropriate only those amounts of money that the City Controller has certified to be available for appropriation.

Other Information

Independent Audit

An independent certified public accounting firm audits the financial statements of the Fund each year. McConnell & Jones, LLP and Banks, Finley, White & Co. formed a joint venture to perform the Fiscal Year 2020 and 2019 audits. The financial section of this report includes the independent auditor's report on the basic financial statements. The compliance section of this report includes the independent auditor's report on HAS' compliance, and internal control over compliance, with the Passenger Facility Charge Program instituted by the Federal Aviation Administration.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act, Title 2 of the US *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas Single Audit Circular. These audits are conducted simultaneously with the Fund's annual financial statement audit. Information related to these Single Audits, including the schedules of financial assistance, findings and recommendations, is included in separate Single Audit Reports.

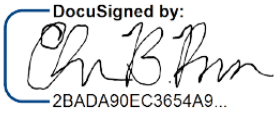
Awards/Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Houston, Texas, Airport System Fund for its comprehensive annual financial report submitted for the fiscal year that ended June 30, 2019. This was the 26th consecutive year that the Airport System Fund has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report was made possible by the dedicated service of the Finance Division of the Houston Airport System and the City Controller's Office.

Respectfully submitted,



Chris B. Brown

City Controller

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ELECTED OFFICIALS
CITY OF HOUSTON

AS OF JUNE 30, 2020:

Mayor	Sylvester Turner
Controller	Chris Brown
Councilmember, At-Large, Position 1	Mike Knox
Councilmember, At-Large, Position 2	David Robinson
Councilmember, At-Large, Position 3	Michael Kubosh
Councilmember, At-Large, Position 4	Letitia Plummer
Councilmember, At-Large, Position 5	Sallie Alcorn
Councilmember, District A	Amy Peck
Councilmember, District B	Jerry Davis
Councilmember, District C	Abbie Kamin
Councilmember, District D	Carolyn Evans-Shabazz
Councilmember, District E	Dave Martin
Councilmember, District F	Tiffany Thomas
Councilmember, District G	Greg Travis
Councilmember, District H	Karla Cisneros
Councilmember, District I	Robert Gallegos
Councilmember, District J	Edward Pollard
Councilmember, District K	Martha Castex-Tatum

PRINCIPAL OFFICIALS
HOUSTON AIRPORT SYSTEM (A department of the City of Houston)

AS OF JUNE 30, 2020:

Mario C. Diaz
Director of Aviation

In alphabetical order:

Saba Abashawl
Chief External Affairs Officer

Tanya Acevedo
Chief Technology Officer

Robert "Bob" Barker
Chief Development Officer

Yvette Brown
Chief Marketing Officer

J'Maine Chubb
Chief Financial Officer

Steve Hennigan
Chief of Operations

Harleen Hines Smith
Chief Human Resources Officer

Jocelyn Labove
Chief Aviation Risk and Regulatory Compliance Officer

Arturo Machuca
General Manager
- *Ellington Airport*
- *Houston Spaceport*

Liliana Rambo
Chief Terminal Management Officer
- *George Bush Intercontinental Airport*
- *William P. Hobby Airport*

Ian Wadsworth
Chief Commercial Officer

2020 SKYTRAX WORLD AIRPORT AWARDS

HOUSTON REMAINS THE ONLY CITY IN THE WESTERN HEMISPHERE TO HAVE TWO FOUR-STAR SKYTRAX RATED AIRPORTS

IAH

George Bush Intercontinental Airport (IAH), received the highest ranking among U.S. airports in the *Top 100 Airports* category and placed second best airport in North America.

IAH also ranked fourth in the *World's Best Airport Dining Experience* and ranked sixth in *Best Airport Staff in North America*.

This is the third consecutive year that IAH received a four-star rating.

Globally, IAH finished at rank 31, up from rank 38 in 2019.

HOU

William P. Hobby Airport (HOU), ranked third among *Best Regional Airports in North America*.

HOU ranked sixth for *Best Airports with Ten to Twenty Million Passengers*.

This is the fifth consecutive year that HOU received a four-star rating.

Globally, HOU finished at rank 67, up from rank 85 in 2019.

THE HOUSTON AIRPORTS' WEBSITE, FLY2HOUSTON.COM, AND DIGITAL SERVICES WERE NAMED WORLD'S BEST FOR THE SECOND YEAR IN A ROW

GOVERNMENT FINANCE OFFICERS ASSOCIATION

The City of Houston Airport System Fund was awarded the Certificate of Achievement for Excellence in Financial Reporting for the 26th consecutive year for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019.

2020 AIR CARGO EXCELLENCE AWARDS

IAH cargo operations are considered among the best in the world, according to an air cargo excellence survey released April 2020 by Air Cargo World. IAH was named the Gold Winner in the 2020 Air Cargo Excellence Awards competition in the *Airports with Cargo Handling Capacity Up to 999,999 Tons* category.

ENGINEERING NEWS RECORD REGIONAL AWARDS

The Ellington Airport Air Traffic Control Tower (ATCT) and Utility Building won double honors in the recent Engineering News-Record (ENR) regional awards competitions. The ATCT won a Best Project award in the category of Airport/Transit. The state-of-the-art tower also won an Excellence in Safety Award of Merit.

SNAPSHOT OF THE HOUSTON AIRPORTS

768

DAILY DEPARTURES*

*AVG flights

204

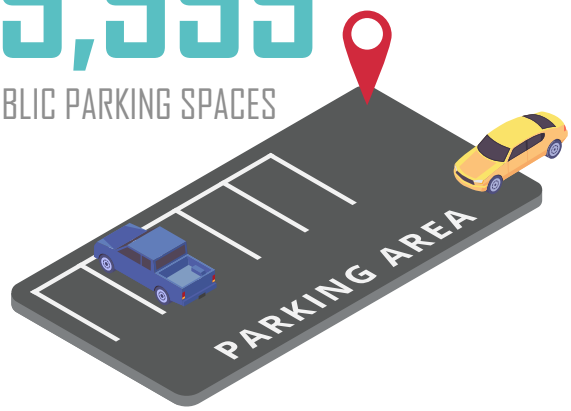
NON-STOP DESTINATIONS

42

COUNTRIES

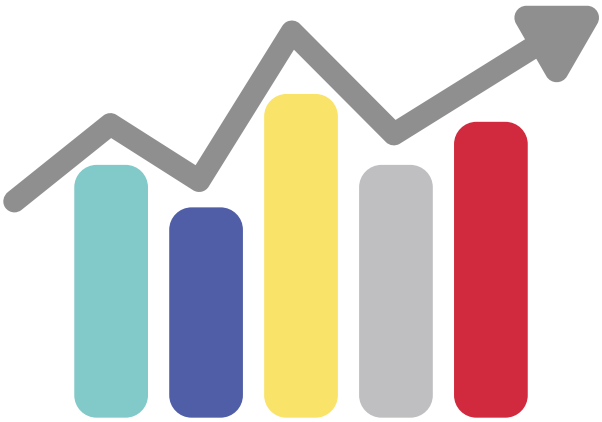
29,999

PUBLIC PARKING SPACES



$472M

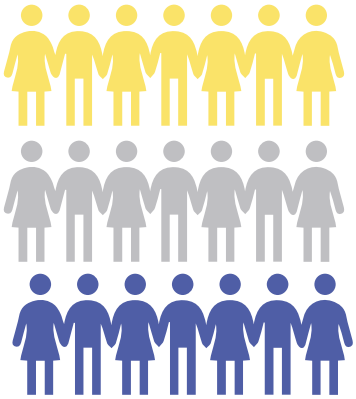
OPERATING REVENUE



SNAPSHOT OF THE HOUSTON AIRPORTS

7.3 MILLION

POPULATION SERVICE AREA



38

AIRLINES*

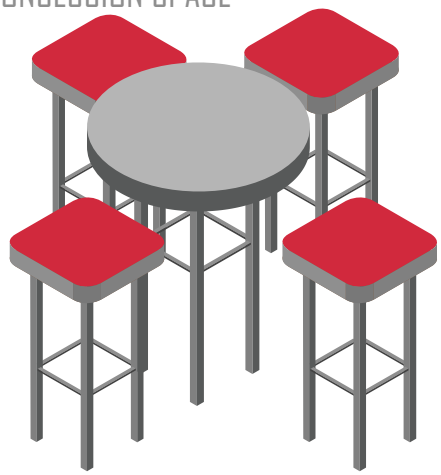
*MKT

43.6

MILLION PASSENGERS

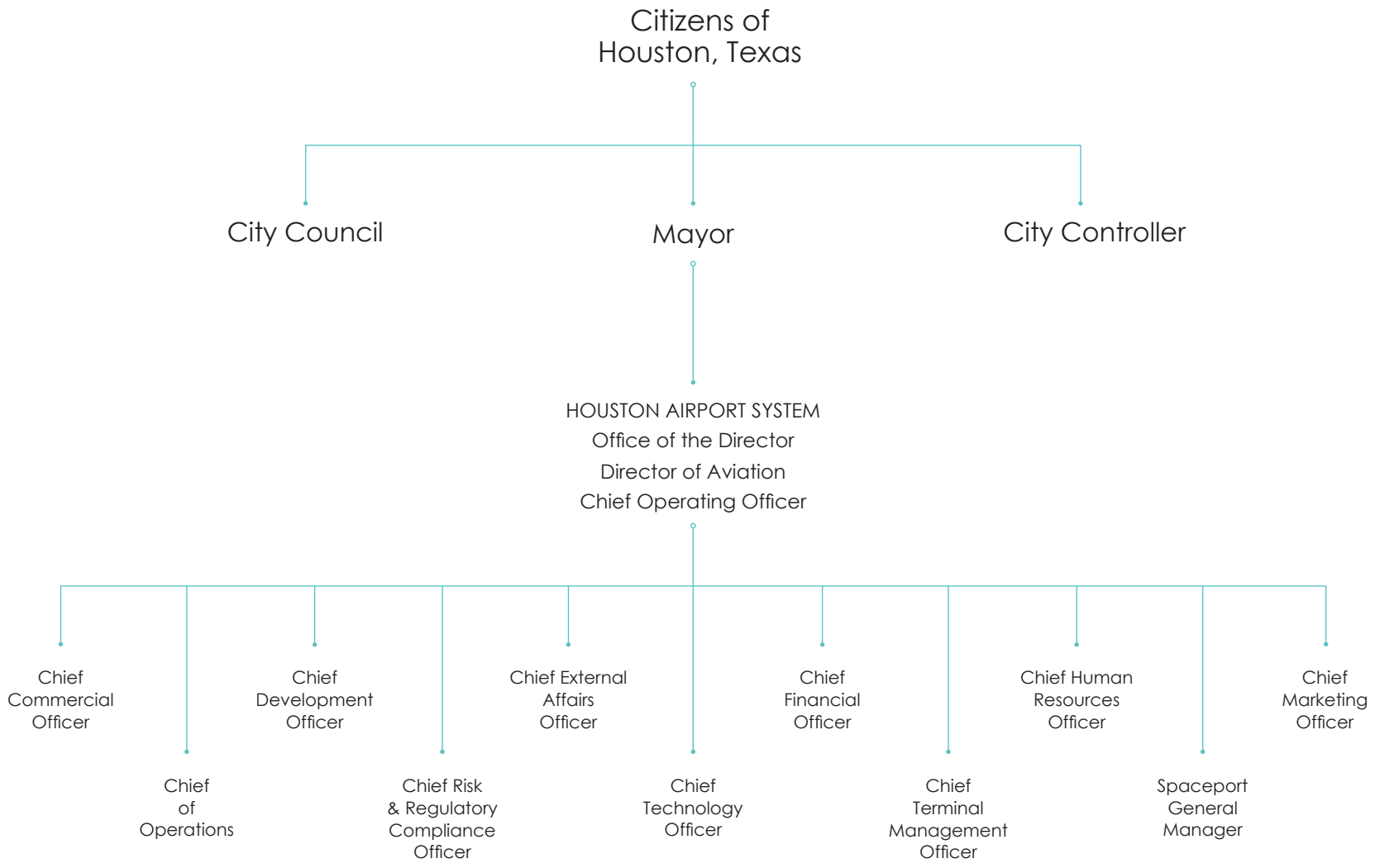
171,653 sq. ft.

CONCESSION SPACE



CITY OF HOUSTON, TEXAS

ORGANIZATIONAL CHART AS OF JUNE 30, 2020



FINANCIAL SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HOUSTON

TEXAS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor,
Members of City Council, and City Controller
City of Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Airport System Fund (the "Fund") of the City of Houston, Texas (the "City"), which comprise the statement of net position as of June 30, 2020 and 2019 the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 from material misstatement.

We conducted our audit 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 from 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 in 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Airport System Fund of the City of Houston, Texas, as of June 30, 2020 and 2019 the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statement presents only the Airport System Fund and do not purport to and do not, present fairly the net position of the City of Houston, Texas as of June 30, 2020 and 2019, the changes in its net position or, where applicable, its cash flows for the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 through 12) and the Pension System Supplementary Information and Other Post- Employment Benefits Supplementary Information (page 56 through 58) be presented to supplement the basic financials statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The Introductory Section, the Statistical Section and Compliance Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Passenger Facility Charge Revenues and Disbursements Schedule and accompanying notes on pages 83 to 85 are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, based on our audit and the procedures performed as describe above, the above-mentioned schedule is fairly stated in all material respects in relation to the financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic 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 December 11, 2020, on our consideration of the City of Houston, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City of Houston, Texas's internal control over financial reporting and compliance.

McConnell & Jones LLP Banks, Finley, White & Co.

December 11, 2020

Management of the Airport System Fund (Fund) offers readers of the Fund's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2020 and June 30, 2019. Please read the Management's Discussion and Analysis (unaudited) in conjunction with the financial statements and the notes to the financial statements, which follow this section. All amounts, unless otherwise indicated, are in thousands of dollars.

Financial Highlights

The Fund's net position increased $5.7 million or 0.4% during Fiscal Year 2020 and increased $92.7 million or 6.2% during Fiscal Year 2019.

In Fiscal Year 2020, operating income decreased $60.8 million or 458.0%. In Fiscal Year 2019, operating income decreased $13.0 million or 4,432.1%. In Fiscal Year 2020 operating revenues declined $26.6 million while operating expenses climbed $34.3 million. Landing fees and ground rentals were up $20.1 million, partially due to airline rates and charges credit adjustments of $11.5 million in FY19 and higher costs in FY20 to be recouped from the airlines ($9.0 million), while parking, concession and other fees decreased $46.6 million for the year, mainly due to COVID-19. In Fiscal Year 2019, operating revenues decreased $12.4 million while operating expenses increased $0.6 million.

Maintenance and operating expenses increased $33.0 million or 9.8% in Fiscal Year 2020 and increased $2.4 million or 0.7% in Fiscal Year 2019. Depreciation expense increased $1.3 million or 0.8% in Fiscal Year 2020 and decreased $1.8 million or 1.0% in Fiscal Year 2019.

Investment income decreased $1.4 million or 3.0% in fiscal 2020 and increased $36.5 million or 424.6% in Fiscal Year 2019.

In Fiscal Year 2018, the Fund implemented GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The cumulative effect of the implementation added a deficit of $(21.3) million to the unrestricted net position as of July 1, 2017. Beginning in Fiscal Year 2018, the Airport System set its rates and charges to recover this deficit over thirty years. See Notes 1 and 7 for more information.

The Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 68 at the start of Fiscal Year 2015, to record a net pension liability based not on the City's legal funding requirement, but on an actuarial calculation of total pension liability less the fiduciary net position of the Houston Municipal Employee Pension System (HMEPS). This resulted in unrestricted net position deficits of $(178.0) million as of June 30, 2015 and 2016. The unrestricted net position as of June 30, 2017 was improved to $(126.9) million due to cost savings included in pension reforms implemented by the City. Beginning in Fiscal Year 2018, the Airport System set its rates and charges to recover this deficit over thirty years. See Notes 1 and 6 for more information.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Fund's financial statements. The Airport System Fund's CAFR consists of the following components: management's discussion and analysis, the financial statements, the notes to the financial statements, and required supplementary information. The notes are essential to a full understanding of the financial statements. A statistical section is included for further analysis.

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. An enterprise fund is used to account for a business-like activity within a government. The Airport System Fund is an enterprise fund of the City of Houston, thus included in the City of Houston's Comprehensive Annual Financial Report (CAFR). The Houston Airport System (HAS) consists of George Bush Intercontinental Airport (IAH), William P. Hobby Airport (HOU), and Ellington Airport (EFD), and is managed and operated as a department of the City.

The Statement of Net Position presents information on the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these sections reported as net position. Changes in net position from year to year may serve as useful indicators of whether the financial position of the Airport System Fund is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Fund's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows reports how much cash was provided by or used by the Fund's operations, investing activities, non-capital financing activities, and capital and related financing activities.

The financial statements include note disclosures that explain some of the information in the financial statements and provide more details. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and other post-employment benefits.

Net Position

Total net position at June 30, 2020 was $1,604.0 million, a 0.4% increase from June 30, 2019.
Total net position at June 30, 2019 was $1,598.3 million, a 6.2% increase from June 30, 2018.

NET POSITION

JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Assets			
Current assets	$ 499,119	$ 498,385	$ 480,903
Noncurrent assets	1,047,876	1,016,240	963,092
Net capital assets	2,731,583	2,765,308	2,816,044
Total assets	4,278,578	4,279,933	4,260,039
Deferred outflows of resources	44,870	37,388	51,334
Liabilities			
Current liabilities	218,481	216,428	243,095
Long term liabilities	2,470,138	2,470,516	2,551,512
Total liabilities	2,688,619	2,686,944	2,794,607
Deferred inflows of resources	30,847	32,121	11,253
Net Position			
Net investment in capital assets	522,492	542,125	531,232
Restricted net position	1,214,904	1,194,487	1,117,578
Unrestricted (deficit)	(133,414)	(138,356)	(143,297)
Total net position	$ 1,603,982	$ 1,598,256	$ 1,505,513

More than a third of the Fund's total net position (32.6% in Fiscal Year 2020; 33.9% in Fiscal Year 2019) reflects net investment in capital assets (e.g., land, buildings, runways, equipment and infrastructure) less any related outstanding debt used to acquire those assets. The Fund uses these capital assets to operate the airports; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided by airport revenue or other sources procured by the Fund, since the capital assets cannot be used to liquidate these liabilities.

The other portions of the Fund's net position represent resources that are restricted, and the unrestricted deficit. The restricted resources (75.7% in Fiscal Year 2020; 74.7% in Fiscal Year 2019) are subjected to external restrictions on how they may be used. Most of these restrictions are due to covenants made to the holders of the Fund's revenue bonds within ordinances passed by City Council. These covenants further require that any positive unrestricted net position carried in cash and cash equivalents at the end of the fiscal year be restricted for future capital improvements. The unrestricted (deficit) net position was $(133.4 million) as of June 30, 2020 and was $(138.4 million) as of June 30, 2019.

Changes in Net Position

From July 1, 2019 to June 30, 2020, net position of the Airport System Fund increased $5.7 million or 0.4%.
From July 1, 2018 to June 30, 2019, net position of the Airport System Fund increased $92.7 million or 6.2%.

CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Operating revenues	$ 471,912	$ 498,464	$ 510,864
Operating expenses	546,003	511,743	511,157
Operating income (loss)	(74,091)	(13,279)	(293)
Nonoperating revenues	146,259	174,001	133,566
Nonoperating expenses	85,426	84,578	94,061
Nonoperating income (loss)	60,833	89,423	39,505
Revenues over expenses	(13,258)	76,144	39,212
Capital contributions	18,984	16,599	13,784
Change in net position	5,726	92,743	52,996
Beginning net position as previously reported	1,598,256	1,505,513	1,473,817
Cumulative effect of implementation of new accounting principle	-	-	(21,300)
Total net position, July 1	1,598,256	1,505,513	1,452,517
Total net position, June 30	$ 1,603,982	$ 1,598,256	$ 1,505,513

Operating revenues decreased $26.6 million or 5.3% for Fiscal Year 2020 and decreased $12.4 million or 2.4% for Fiscal Year 2019. In Fiscal Year 2020, the total enplaned and deplaned (IAH and HOU) passenger volume decreased 26.8% due to the COVID-19 pandemic whereas in 2019 the total enplaned and deplaned (IAH and HOU) passenger volume increased 5.0%. In 2020 at IAH, there was a 6.3% rate decrease in landing fees from $2.704 to $2.533 per 1,000 pounds, compared to the year 2019 1.9% rate decrease in landing fees from $2.757 to $2.704. In 2019 at HOU, there was a 8.4% rate increase in landing fees from $1.857 to $2.049 per 1,000 pounds, compared to the year 2019 7.7% rate decrease in landing fees from $2.013 to $1.857.

In addition, the Fiscal Year 2020 parking rates remained at $24 per day in the garages until April when it was decreased to $5 per day and increased to $10 per day in May, following Fiscal Year 2019's 9% increase from $22 to $24. Rental revenues increased 5.7% in 2020 while concessions decreased 20.9% due to the pandemic. In Fiscal Year 2019, rentals decreased 4.0%, while concessions increased 2.5%. (Detailed passenger statistics and comparative rates and charges can be found in the statistical section of this CAFR.)

Capital contributions are grant awards that are primarily related to reimbursements for expenses from construction projects. Amounts received from Federal Aviation Administration (FAA) discretionary, FAA entitlement and Transportation Security Administration (TSA) grants fluctuate year-to-year because of timing differences between the date of the award and the date of construction completion. In Fiscal Year 2020, capital contributions increased $2.4 million or 14.4% and in Fiscal Year 2019, capital contributions increased $2.8 million or 20.4%.

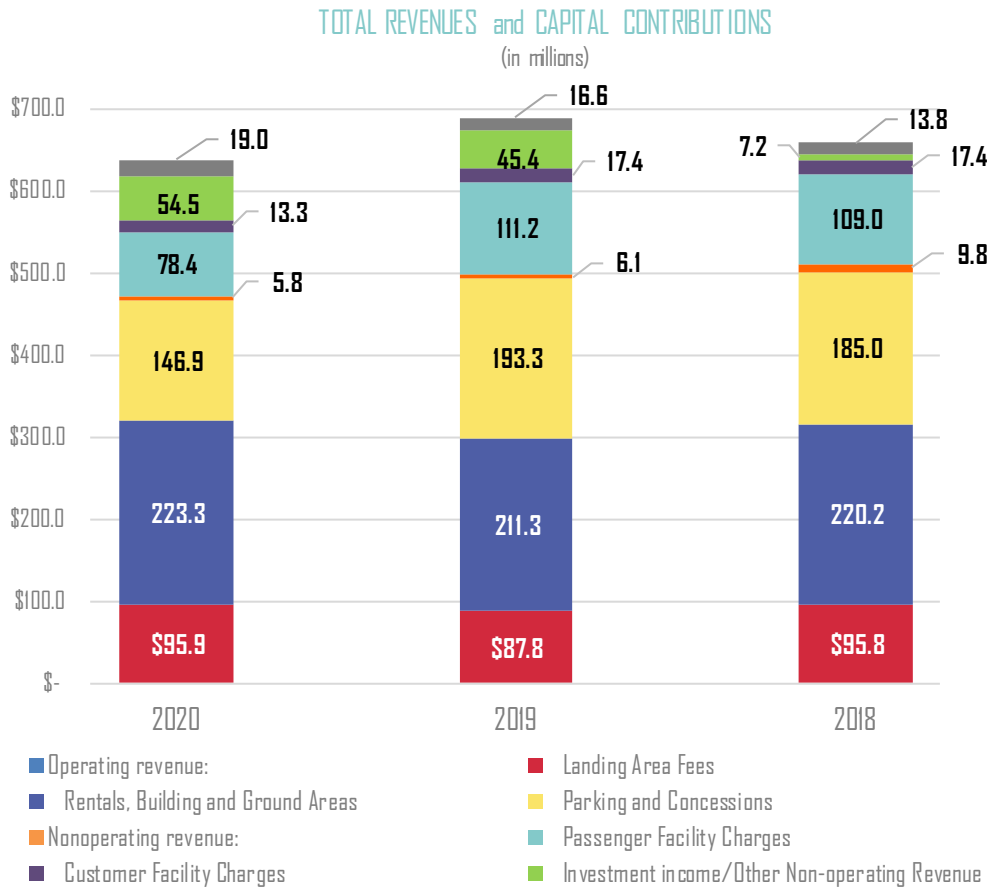
In Fiscal Year 2020, nonoperating revenues decreased $27.7 million or 15.9% due to a $32.7 million decrease in Passenger Facility Charge (PFC) revenue, a $4.1 million decrease in Customer Facility Charge (CFC) revenue, and a $1.4 million decrease in investment income, partially offset by a $10.6 million increase in other revenue. In Fiscal Year 2019, nonoperating revenues increased $40.3 million or 30.2% due to a $36.5 million increase in investment income, a $2.1 million increase in Passenger Facility Charge (PFC) revenue, and a $65 thousand increase in Customer Facility Charge (CFC) revenue.

Investment income decreased $1.4 million or 3.0% in Fiscal Year 2020 due to lower fair market value, and in Fiscal Year 2019 increased $36.5 million or 424.6% due to higher interest earnings on treasury investments.

TOTAL REVENUES AND CAPITAL CONTRIBUTION

YEARS ENDED JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Revenue			
Landing area fees	$ 95,862	$ 87,767	$ 95,779
Rentals, building and ground areas	223,301	211,323	220,214
Parking and concessions	146,910	193,251	185,035
Other operating revenue	5,839	6,123	9,836
Nonoperating Revenue			
Passenger Facility Charges	78,418	111,155	109,021
Customer Facility Charges	13,320	17,439	17,374
Investment income (loss)	43,701	45,067	8,591
Other nonoperating revenue	10,820	340	(1,420)
Total revenues	618,171	672,465	644,430
Capital contributions	18,984	16,599	13,784
Total revenues and capital contributions	$ 637,155	$ 689,064	$ 658,214



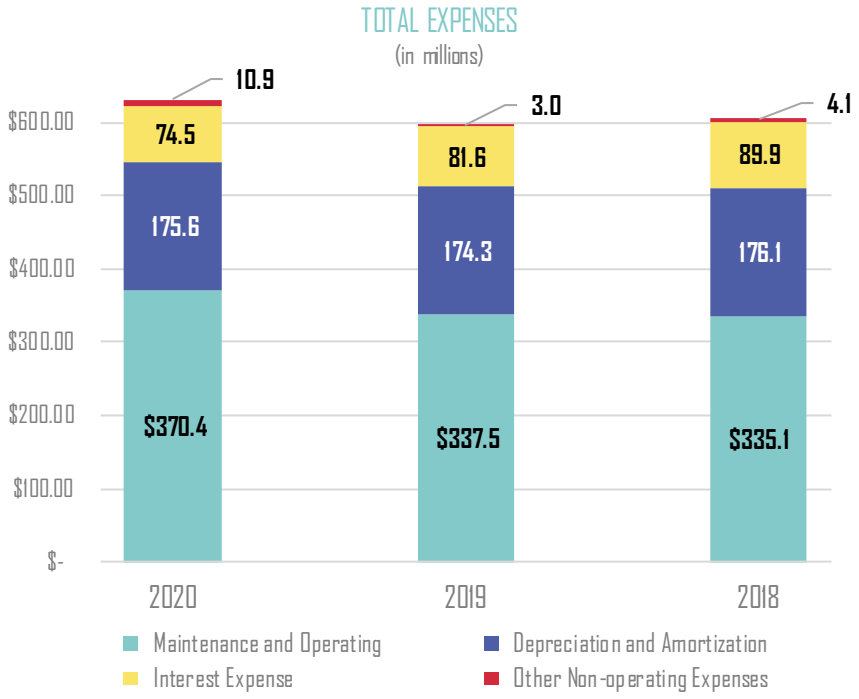
In Fiscal Year 2020, total operating expenses increased $34.3 million or 6.7%; maintenance and operating expenses increased $33.0 million or 9.8%, and depreciation expense increased $1.3 million or 0.8%. In Fiscal Year 2019, total operating expenses increased $0.6 million or 0.1%; maintenance and operating expenses increased $2.4 million or 0.7%, and depreciation expense decreased $1.8 million or 1.0%. The Fiscal Year 2020 increase in total operating expenses of $34.3 million is primarily attributable to a $36.5 million lease buyout associated with the IAH Terminal Redevelopment Program and a $9.1 million increase in the renewal and replacement of depreciable property of the airport system; this increase in spending is partially offset by decreases of $6.0M in building maintenance services, $3.7M in management consulting services and $0.9M in advertising services.

MDA

TOTAL EXPENSES

YEARS ENDED JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Expenses			
Maintenance and operating	$ 370,430	$ 337,477	$ 335,104
Depreciation and amortization	175,573	174,266	176,053
Interest expense	74,533	81,575	89,944
Other nonoperating expenses	10,893	3,003	4,117
Total expenses	$ 631,429	$ 596,321	$ 605,218



In Fiscal Year 2020, interest expense decreased $7.0 million or 8.6%. Interest expense decreased $8.4 million or 9.3% in Fiscal Year 2019.

The Airport System Fund's investment in capital assets (net of accumulated depreciation and amortization) amounts to $2.73 billion at June 30, 2020, a decrease of $33.7 million or 1.2% from June 30, 2019. Capital assets at June 30, 2019 were $2.77 billion, a decrease of $50.7 million or 1.8%, from June 30, 2018. See Note 3 for further information.

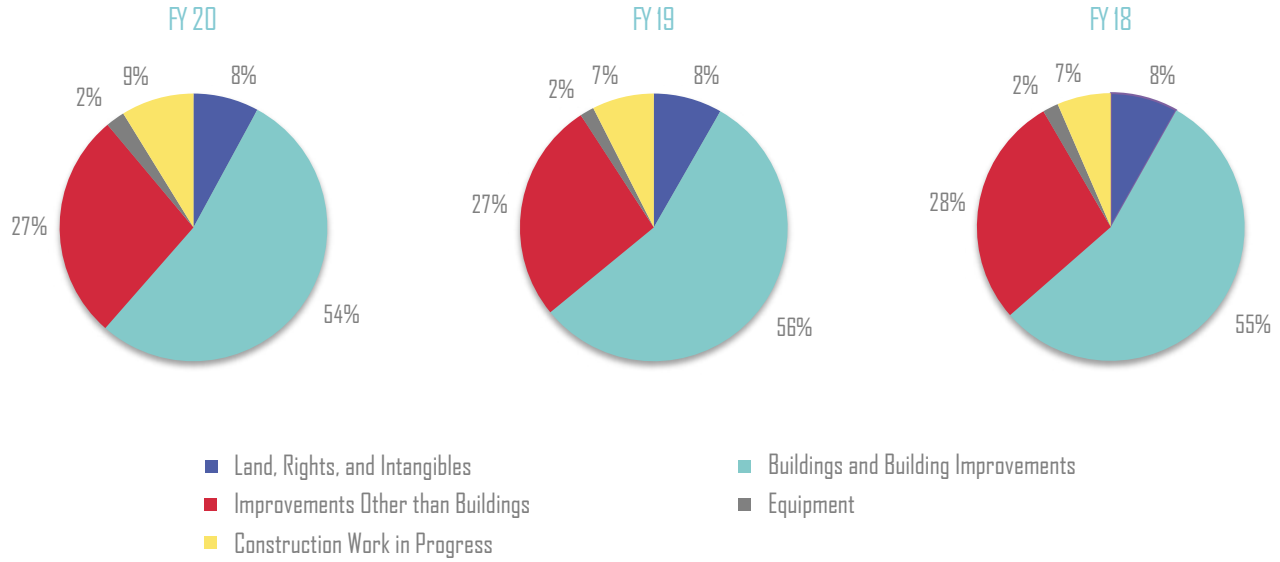
At IAH, HAS is proceeding with the planning and procurement of design and construction support for the IAH Terminal Redevelopment Program (ITRP). This program includes a new 11-gate concourse ("New Terminal C North") that was completed in March 2017, just west of the original Terminal C North location, and the demolition of the original Terminal C North to make way for a new six-widebody gate concourse that will become the West Concourse of the Mickey Leland International Terminal (MLIT)). The program will also see the demolition of the D/E parking garage to make way for a new centralized ticketing hall.

Capital Assets

CAPITAL ASSETS

JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018
(Net of Depreciation and Amortization)
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Land	$ 216,100	$ 216,100	$ 216,107
Rights and intangibles	13,406	12,926	13,607
Buildings and building improvements	1,452,751	1,542,612	1,560,127
Improvements other than buildings	742,419	739,766	789,944
Equipment	51,837	47,217	53,415
Construction work in progress	255,070	206,687	182,844
	$ 2,731,583	$ 2,765,308	$ 2,816,044



The expansion of the terminal facilities will also necessitate an enlargement of certain components of the existing Federal Inspection Services (FIS) facility as well as related improvements to aircraft parking aprons and roadways. The terminal and ticketing hall will be used by United Airlines and all foreign-flag airlines serving IAH.

At HOU, capital improvements are planned for the airfield as required by the FAA, as well as normal pavement management, and customer service enhancements for the HOU Central Concourse. Additionally, a 7-12 gate expansion of the existing West Concourse (opened in 2015) and a consolidated rental car facility are being considered. Also, certain drainage and roadway improvement projects are included.

At EFD, construction of a new state-of-the-art air traffic control tower was completed in Fiscal Year 2019. A design/build contract was awarded in Fiscal Year 2019 for Phase I of Spaceport development that will construct the necessary roadways and utilities for future tenants. Ground-breaking of Phase I was held on June 26, 2019. See Note 3 for further information.

Debt

OUTSTANDING DEBT
JUNE 30, 2020, JUNE 30, 2019, AND JUNE 30, 2018
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Senior Lien Debt			
Current maturities-revenue bonds	$ -	$ -	$ 10,735
Long-term revenue bonds payable	-	-	409,685
Unamortized discounts and premium	-	-	(359)
Commercial paper	132,973	48,473	21,473
Total senior lien debt	132,973	48,473	441,534
Subordinate Lien Debt			
Current maturities-revenue bonds	89,090	80,110	67,785
Long-term revenue bonds payable	1,766,250	1,855,340	1,598,790
Unamortized discounts and premium	162,350	179,252	110,299
Total subordinate lien debt	2,017,690	2,114,702	1,776,874
Other Debt			
Current maturities-note payable	-	-	-
Long-term note payable	324	-	-
Pension obligation bonds			
Current maturities	-	-	27,610
Long-term payable	2,006	2,006	2,006
Special facility revenue bonds			
Consolidated rental car facility:			
Current maturities	6,240	5,960	5,715
Long-term payable	68,185	74,425	80,385
Total other debt	76,755	82,391	115,716
Total outstanding debt	$ 2,227,418	$ 2,245,566	$ 2,334,124
Deferred Outflows of Resources			
Unamortized costs of refunding debt	$ (17,263)	$ (19,572)	$ (20,499)

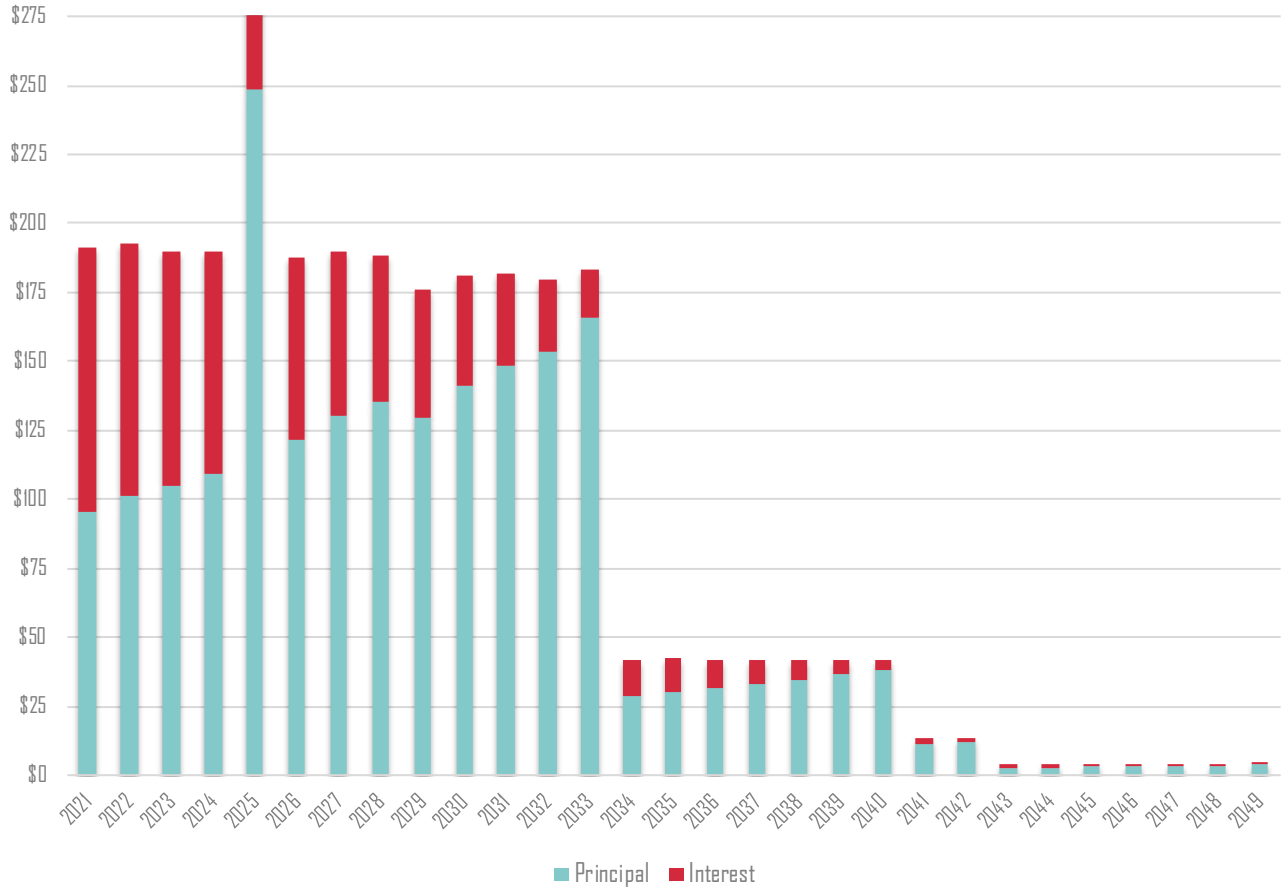
At the end of this fiscal year, the Airport System Fund has total debt of $2.2 billion, which represents outstanding subordinate lien revenue bonds net of unamortized discounts and premiums, and senior lien commercial paper, both secured solely by Airport System Fund revenues. In addition, the Fund is responsible for $2.0 million of taxable general obligation pension bonds and $74.4 million of special facility revenue bonds (consolidated rental car facility). At the end of Fiscal Year 2019, the Fund had total debt of $2.2 billion. See Note 5 for further information.

Total outstanding debt decreased $18.2 million or 0.8% during Fiscal Year 2020. $84.5 million in Commercial Paper Notes were drawn. $81.1 million in subordinate lien bonds, and $6.0 million in special facility revenue bonds matured and were paid this year. $16.9 million in bond premiums, net of discounts, were amortized. $324 thousand in private placement debt was issued in Fiscal Year 2020. During Fiscal Year 2019, total outstanding debt decreased $88.6 million or 3.8%.

Debt Service Requirements to Maturity

(in millions)

The graph below represents the required principal and interest payments on outstanding debt through Fiscal Year 2049.



The underlying ratings of the Airport System Fund's obligations for Fiscal Year 2020:

	Senior Lien	Subordinate Lien	Consolidated Rental Car SFRB
Fitch's Bond Rating:	Not Rated	A	A-
Moody's Bond Rating:	Aa3	A1	A3
Standard & Poor's Bond Rating:	AA-	A+	A-

Impact of COVID-19 Pandemic on the Houston Airport System

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic (the "Pandemic"). The Pandemic has adversely affected domestic and international travel and travel-related industries, but the Houston Airport System continues operating as essential infrastructure. Airports in the United States have been acutely impacted by reductions in passenger volumes and number of flights, as well as by the broader economic shutdown, resulting from the Pandemic. Airlines have reported unprecedented reductions in passenger volumes and expect these lower passenger volumes to continue for a period of time. Management of the Houston Airport System has taken a number of actions in response to the Pandemic and is actively reviewing a number of other responsive actions, including revising its spending and projections over the remainder of Fiscal Year 2021. Such actions would be driven by passenger activity levels and the resultant impact to non-airline revenues. Passenger activity levels and non-airline revenues are being monitored on a monthly basis. Management is prepared to make changes to budgeted expenses and capital projects, as appropriate. The Houston Airport System is received an entitlement grant of $200 million as part of the CARES Act funds allotted to commercial service airports to be expensed for any lawful airport purpose, including operation and maintenance expenses and debt service payments. The Houston Airport System requested reimbursement and received approximately $8.0 million of CARES Act funds in Fiscal Year 2020, and expects to request grants in the approximate amounts of $152.0 million during Fiscal Year 2021 and $40.0 million in Fiscal Year 2022. The $8.0 million of CARES Act funds received in Fiscal Year 2020 were used to make debt service payments on outstanding subordinate lien bonds. Actual CARES Act reimbursement requests by fiscal year are subject to change.

Non-airlines revenues (i.e. Parking, Concessions, Ground Transportation, etc.) declined by $42.1 Million or 81% in the fourth quarter of Fiscal Year 2020 when compared to the same period in Fiscal Year 2019. The reduction in non-airline revenue is a result of an 89% reduction in enplaned passengers in the fourth quarter of Fiscal Year 2020 when compared to the same period in Fiscal Year 2019.

Prior to the onset of the pandemic, Houston Airport System published targets on key financial metrics for Fiscal Years 2020 through 2024. The targets and actual performance for Fiscal Year 2020 are shown below:

FINANCIAL METRIC	TARGET	FY20 ACTUAL
Total Debt per Enplaned Passenger*	$120 or Less	$91.20
Debt Service Coverage Ratio (Net of PFC Offset)	1.50 times or Greater	1.59 times
Days of Cash On-Hand	450 or Greater	495 days

*Note – Total Debt excludes special facility debt.

Requests for Information

This financial report is designed to provide a general overview of the City of Houston, Texas Airport System Fund's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Controller, 901 Bagby Street, 8th Floor, P.O. Box 1562, Houston, Texas 77251-1562.

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STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 353,289	$ 144,076
Investments	48,187	290,965
Restricted cash and cash equivalents	5,736	5,593
Restricted accounts receivable	533	1,494
Accounts receivable (net of allowance for doubtful accounts of $2,707 in 2020 and $1,110 in 2019)	77,584	30,758
Due from City of Houston	1,746	486
Inventory	2,002	1,739
Prepaids	5,171	4,882
Due from other governments - grants receivable	4,871	18,392
Total current assets	499,119	498,385
Noncurrent assets		
Investments	998,851	971,015
Restricted cash and cash equivalents	48,841	45,030
Prepaids	184	195
Capital assets		
Land	216,100	216,100
Rights and intangibles	18,091	17,471
Buildings, improvements and equipment	5,618,769	5,532,746
Construction in progress	255,070	206,687
Total capital assets	6,108,030	5,973,004
Less accumulated depreciation and amortization	(3,376,447)	(3,207,696)
Net capital assets	2,731,583	2,765,308
Total noncurrent assets	3,779,459	3,781,548
Total assets	4,278,578	4,279,933
Deferred Outflows of Resources		
Deferred outflows from debt refunding	17,263	19,572
Deferred outflows from pensions	25,876	17,720
Deferred outflows from OPEB health benefits	1,492	-
Deferred outflows from OPEB LTD	239	96
Total deferred outflows of resources	$ 44,870	$ 37,388

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENTS OF NET POSITION (in thousands)
JUNE 30, 2020 and 2019

	2020	2019
Liabilities		
Current Liabilities		
Accounts payable	$ 12,191	$ 15,575
Accrued payroll liabilities	3,551	3,166
Due to City of Houston	646	247
Due to other governments	-	571
Advances and deposits	1,636	2,439
Unearned revenue	8,267	4,347
Claims for workers' compensation	928	904
Compensated absences	5,681	6,120
Revenue bonds payable	89,090	80,110
Special facility revenue bonds payable	6,240	5,960
Accrued interest payable	47,201	49,339
Contracts and retainages payable	40,085	46,518
Other current liabilities	2,965	1,132
Total current liabilities	218,481	216,428
Noncurrent liabilities		
Revenue bonds payable, net	1,928,601	2,034,592
Special facility revenue bonds payable	68,185	74,425
Commercial paper payable	132,973	48,473
Pension obligation bonds payable	2,006	2,006
Note payable	324	-
Claims for workers' compensation	593	902
Compensated absences	7,612	6,489
Accrued arbitrage rebate liability	109	-
Net pension liability payable	258,223	229,757
Other post employment benefits	70,738	73,286
Other post employment benefits - LTD	774	586
Total noncurrent liabilities	2,470,138	2,470,516
Total liabilities	2,688,619	2,686,944
Deferred Inflows of Resources		
Deferred inflows from pensions	3,425	5,800
Deferred inflows from OPEB health benefits	27,422	26,321
Total deferred inflows of resources	30,847	32,121
Net Position		
Net investment in capital assets	522,492	542,125
Restricted net position		
Restricted for debt service	473,008	428,856
Restricted for maintenance and operations	61,818	60,525
Restricted for special facility	46,377	43,442
Restricted for renewal and replacement	10,000	10,000
Restricted for capital improvements	623,701	651,664
Unrestricted (deficit)	(133,414)	(138,356)
Total net position	$ 1,603,982	$ 1,598,256

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands) FOR YEARS ENDED JUNE 30, 2020 and 2019

	2020	2019
Operating Revenues		
Landing area fees	$ 95,862	$ 87,767
Rentals, building and ground area	223,301	211,323
Parking	81,173	110,136
Concessions	65,737	83,115
Other	5,839	6,123
Total operating revenues	471,912	498,464
Operating Expenses		
Maintenance and operating	370,430	337,477
Depreciation and amortization	175,573	174,266
Total operating expenses	546,003	511,743
Operating income (loss)	(74,091)	(13,279)
Nonoperating Revenues (Expenses)		
Investment income (loss)	43,701	45,067
Interest expense	(74,533)	(81,575)
Gain / (Loss) on disposal of assets	(10,856)	119
Passenger Facility Charges	78,418	111,155
Customer Facility Charges	13,320	17,439
Special facility cost	(37)	(43)
Cost of issuance for debt	-	(2,960)
Other revenue (expense)	10,820	221
Total nonoperating revenues (expenses)	60,833	89,423
Income/(loss) before capital contributions	(13,258)	76,144
Capital contributions	18,984	16,599
Change in net position	5,726	92,743
Total net position, July 1	1,598,256	1,505,513
Total net position, June 30	**$ 1,603,982**	**$ 1,598,256**

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASHFLOWS (in thousands)
FOR YEARS ENDED JUNE 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Acitivities		
Receipts from customers	$ 413,848	$ 511,854
Payments to employees	(102,726)	(103,091)
Payments to suppliers	(147,288)	(145,518)
Payments to the City of Houston	(70,069)	(71,263)
Claims paid	(928)	(904)
Other receipts (payments)	10,820	221
Net cash provided by operating activities	103,657	191,299
Cash Flows from Investing Activities		
Sale of investments	1,954,537	1,754,930
Purchase of investments	(1,739,595)	(1,832,687)
Investment income (loss)	43,701	45,067
Net cash (used for) provided by investing activities	258,643	(32,690)
Cash Flows from Noncapital Financing Activities		
Retirement of pension obligation bonds	-	(27,610)
Interest expense for pension obligation bonds	(106)	(715)
Net cash (used for) provided by noncapital financing activities	(106)	(28,325)
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of revenue bonds	-	653,881
Retirement of revenue bonds	(80,110)	(719,586)
Interest expense on debt	(100,186)	(97,352)
Retirement of note payable	-	-
Proceeds from issuance of commercial paper	84,500	27,000
Proceeds from SECO Loan	324	
Retirement of commercial paper	-	-
Retirement of inferior lien contract	-	-
Retirement of special facility bonds	(5,960)	(5,715)
Cost of issuance expense for revenue bonds	-	(3,140)
Passenger Facility Charges	92,773	110,892
Customer Facility Charges	14,281	17,388
Grant receipts	31,933	19,377
Acquisition of capital assets	(186,582)	(116,566)
Net cash (used for) capital and related financing activities	(149,027)	(113,821)
Net increase (decrease) in cash and cash equivalents	213,167	16,463
Cash and cash equivalents, beginning of year	194,699	178,236
Cash and Cash Equivalents, End of the Year	$ 407,866	$ 194,699
Current cash and cash equivalents	$ 353,289	$ 144,076
Current restricted cash and cash equivalents	5,736	5,593
Noncurrent restricted cash and cash equivalents	48,841	45,030
Cash and Cash Equivalents, End of the Year	$ 407,866	$ 194,699

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENTS OF CASHFLOWS (in thousands)
FOR YEARS ENDED JUNE 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash provided by Operating Activities		
Operating income (loss)	$ (74,091)	$ (13,279)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	175,573	174,266
Capital improvement plan expense	36,556	11,541
Other receipts (payments)	10,820	221
Changes in assets and liabilities		
Accounts receivable	(61,181)	19,619
Due from the City of Houston	(1,260)	(210)
Inventory and prepaids	(552)	(246)
Accounts payable	(3,384)	(1,199)
Accrued payroll liabilities	384	140
Other current liabilities	1,833	(8,868)
Due to the City of Houston	400	(147)
Advances and deposits	3,116	(6,227)
Other post-employment benefits and deferred amounts	(2,891)	36
Pension related payables and deferred amounts	17,936	16,572
Claims for workers' compensation	(286)	(470)
Compensated absences	684	(450)
Net cash provided by operating activities	$ 103,657	$ 191,299
Noncash Transactions		
Capitalized interest expense	$ 9,150	$ 7,500
Capital additions included in other liabilities	(6,434)	10,927
Grants included in receivables	(12,949)	(4,198)
Bond amortization expense	14,581	14,868
Gain (loss) on disposal of assets	(10,856)	220
Noncash transactions	$ (6,508)	$ 29,317

The accompanying notes are an integral part of the financial statements.

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1. Summary of Significant Accounting Policies

Reporting Entity

The Airport System Fund (Fund), an enterprise fund of the City of Houston (City), is responsible for the operations, maintenance, and development of the City's Airport System. The Airport System consists of the George Bush Intercontinental Airport (Intercontinental), William P. Hobby Airport (Hobby) and Ellington Airport.

The Mayor and City Council members serve as the governing body that oversees operation of the Fund. The Fund is operated by the Houston Airport System as a self-sufficient enterprise and is administered by the Houston Airport System Director, who reports to the City's Mayor.

The Fund is not financially accountable for any other operations, and accordingly, is accounted for as a single major enterprise fund. The Fund is included in the City's Comprehensive Annual Financial Report, which is a matter of public record.

Basis of Accounting

The City accounts for the Fund as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the cost of operations, including depreciation, be financed or recovered through user charges. The Fund is accounted for on a cost of services or "economic resources" measurement focus using the accrual basis of accounting, under which revenues are recognized in the accounting period in which they are earned and the related expenses are recorded in the accounting period incurred, if measurable. All assets and liabilities, current, noncurrent and capital in addition to deferred outflows are included on the statement of net position.

The financial statements presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (GASB) which establishes combined statements as the required level for governmental entities that present financial statements in accordance with generally accepted accounting principles. The Fund defines operating revenues as receipts from customers and other receipts that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities. All other revenue is recognized as non-operating. The Fund defines operating expenses as personnel and supply costs, utilities and other charges for service, the purchase of furniture and equipment with a value of less than $5,000, and other expenses that do not result from transactions defined as capital or related financing, non-capital financing, or investing activities. All other expense is recognized as non-operating.

In June 2017, the GASB issued Statement No. 87, "Leases". This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements periods beginning after December 15, 2019 (FY2021). The City and the Fund are evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The City and the Fund are evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90, "Majority Equity Interests". This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The City has determined that GASB No. 90 is not applicable to its CAFR.

1. Summary of Significant Accounting Policies, continued:

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations". This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The City and the Fund are evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, "Omnibus 2020". This statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this statement are effective for reporting periods ending after December 31, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

Inventories of Material and Supplies

Inventories of material and supplies are valued at average cost and charged to expense as used. Fuel is carried at market/replacement cost.

Capital Assets

The Fund defines capital assets as assets with an initial cost of $5,000 or more and a useful life of more than one year. Acquired or constructed property is recorded at historical cost or estimated historical cost. Donated property is recorded at the acquisition value on the date received. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are placed in service and are depreciated following completion. Depreciation on equipment begins in the year it is placed in service. Interest costs on funds borrowed to finance the construction of capital assets are capitalized based on the weighted average interest rate of the outstanding debt applied to the average on-going construction in progress during the fiscal year. In the year ended June 30, 2020, $9.2 million in interest costs was capitalized. In the year ended June 30, 2019, $6.8 million in interest costs was capitalized.

Depreciation on Airport System buildings and improvements is computed using the straight-line method on the component asset base over the estimated useful life, ranging from fifteen (15) to fifty (50) years. Depreciation on equipment is computed using the straight-line method over the estimated useful life, ranging from three (3) to fifteen (15) years. Depreciation on depreciable intangibles is computed using the straight line method over a useful life that is dependent on the nature of the individual asset.

Passenger Facility Charges

The Federal Aviation Administration (FAA) approved a $3.00 passenger facility charge (PFC) per enplaned passenger to be used for the construction of FAA approved airport capital assets at George Bush Intercontinental (IAH) effective December 1, 2008 and at William P. Hobby Airport (HOU) effective November 1, 2006. On January 20, 2015, the FAA approved an amendment to the existing PFC at both IAH and HOU increasing the rate from $3.00 to $4.50 per enplaned passenger effective March 1, 2015. On April 20, 2016, a second PFC application was approved at HOU with an earliest collection date of August 1, 2017. On September 24, 2020, a second PFC application was approved at IAH with an earliest

1. Summary of Significant Accounting Policies, continued:

collection date of January 1, 2028. The collection expiration dates are estimated to be April 1, 2039 for IAH and September 1, 2038 for HOU. The airlines collect and remit this revenue, and the Fund records it as non-operating revenue. See Compliance Section for further information.

Compensated Absences

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees may accumulate up to 105 days of vacation leave (60 days for employees hired after December 31, 1999). However, upon termination or retirement, full-time employees are paid a maximum of 90 days of unused vacation leave (45 days for employees with a computation date after December 31, 1999) which is based on the average rate of pay during the employee's highest paid 60 days of employment. Part-time and temporary employees (those working less than 30 hours per week) are not eligible for vacation or sick leave benefits.

Most full-time civilian employees are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee's balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee's rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination. The other remaining full time civilian employees are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick day not used, which is payable upon resignation or retirement.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and also provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

Vacation and other compensatory time benefits are accrued as liabilities as the benefits are earned, to the extent that the City's obligation is attributable to employees' services already rendered, and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments.

Bond Premiums, Discounts and Issuance Costs

Bond premiums and discounts and prepaid bond insurance in the Airport Fund are amortized over the term of the bonds using the effective interest method for fixed rate bonds and the straight-line method for variable rate bonds. Gains or losses on bond refunding are reported as net inflows or outflows and amortized over the term of the new bonds or the refunded bonds, whichever is lesser, using the same respective methods. Debt issuance costs are recognized as expense when incurred.

Statement of Net Position and Cash Flow – Cash and Cash Equivalents and Investments

All highly liquid securities with a maturity date of three months or less are considered to be cash equivalents. Investments are carried at fair value based on quoted market prices.

Statements of Net Position and Cash Flow - Restricted Cash and Accounts Receivable

The Fund reports assets as "restricted" when they are held by trustees according to trust indentures supporting various debt issues, principally the Special Facility Revenue Bonds (Consolidated Rental Car Facility) and Commercial Paper Notes. See Note 2 for restricted deposit details.

Statement of Net Position – Contracts and Retainages Payable

The portion of the contracts and retainages payable which is attributable to the acquisition, construction, or improvement of capital assets is allocated and applied to net investment in capital assets.

1. Summary of Significant Accounting Policies, continued:

Statement of Net Position – Net Position Classification

Net position is displayed in three separate categories based on the accessibility of the underlying assets: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets includes all capital assets, however acquired, including accumulated depreciation, and the outstanding debt and deferred resources used to finance the construction, acquisition, or improvement of capital assets.

Restricted net position includes assets, net of related liabilities, which are limited as to the timing or purpose for which they may be used. Restrictions reported by the Fund are imposed either by other governments, as in grants or passenger facility charges, or through legally enforceable City ordinances passed by City Council as a protection to Airport System bondholders.

Restricted net position – Restricted for debt service

This category includes net position in the interest and sinking funds, debt service funds, and debt reserve funds that pay principal and interest for the Revenue Bonds, the Commercial Paper Notes, the Inferior Lien Contract, and the Special Facility Revenue Bonds (Consolidated Rental Car Facility Project). Unexpended Passenger Facility Charges are also included in this category as they are primarily held, through agreements with the Federal Aviation Administration (FAA), for the repayment of capital financing. A debt service fund restricted for the payment of Pension Obligation Bonds, Series 2017, was also included from December 22, 2017 to March 1, 2019.

Restricted net position – Restricted for maintenance and operations

This category primarily consists of a reserve fund dedicated to operating and maintenance expense, mandated by the various City ordinances which authorized the issuance of revenue and revenue refunding bonds. At fiscal year end the reserve fund is required to hold a balance representing at least 60 days of operating expenses, based on the annual operating budget authorized by City Council for the next fiscal year.

Restricted net position – Restricted for special facility

This category holds Customer Facility Charges dedicated to administrative costs and facility improvements for the Consolidated Rental Car Facility (CRCF). These funds are held by The Bank of New York Mellon Trust Company, under a trust indenture authorized by City Council in conjunction with the issuance of the Special Facility Revenue Bonds and Revenue Refunding Bonds (CRCF Project).

Restricted net position – Restricted for renewal and replacement

The Renewal and Replacement (R&R) Fund was created by the various City ordinances which authorized the issuance of airport revenue and revenue refunding bonds. The R&R fund is intended to replace depreciable assets, and to make major repairs and renovations. Airport revenue is transferred to this fund if it is not needed for maintenance and operations, for the debt service reserve funds, or for the operating and maintenance reserve fund. The R&R fund can also be used for operations or debt service, if other funds are exhausted. If the R&R fund does not have a net position of at least $10 million at the end of a fiscal year, then additional revenue funding must be transferred in during the next fiscal year. If the R&R fund has a net position that is greater than $10 million, then the excess is restricted for capital improvements.

Restricted net position – Restricted for capital improvements

This category consists primarily of the Airport Improvement Fund (AIF), created by the various City ordinances which authorized the issuance of revenue bonds. After maintenance and operating expenses are paid, and after all other transfers mandated by City ordinances are made, any net revenue remaining is required to be transferred to the AIF. The AIF is intended for capital expenditures, but it can also be used to cure deficiencies in the R&R fund. If the unappropriated AIF balance is (1) sufficient to cover the capital improvement program for 24 months, or (2) $50 million, whichever is greater, then the AIF may be used by the City for any lawful purpose not inconsistent with the terms of any Federal grants or aid or any contracts to which the City is a party. Net position restricted for capital improvements also includes grant

1. Summary of Significant Accounting Policies, continued:

or contract funds received from the FAA or Transportation Security Administration (TSA) for the construction or acquisition of capital assets. Unspent proceeds from debt issuance are included in this category, along with an allocated portion of the associated unpaid debt, if the debt was issued for capital construction, improvement, or acquisition.

Net position – Unrestricted (deficit)

This category is defined as any portion of net position that is not classified as either net investment in capital assets or restricted net position. The Fund's Master Ordinance for the Issuance of Revenue Obligations requires that system revenue not used for specific defined purposes be restricted for capital improvement. Before the Fund's implementation of GASB No. 68, "Accounting and Financial Reporting for Pensions," the Fund defined compliance with the Ordinance as the annual restriction of net revenue so that unrestricted net position would always be reported as zero. The unrestricted deficit in net position on June 30, 2017 was the amount of the Fund's net pension liability on July 1, 2014 when the Fund implemented GASB No. 68. Subsequently the deficit was reduced to $126.9 million by a pension plan change. See Note 6 for further information.

In Fiscal Year 2018, the Fund implemented GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." See Note 7 for further information. The cumulative effect of the implementation added a deficit of ($21.3) million to the unrestricted net position. Beginning in Fiscal Year 2018, the Airport System will set its rates and charges to amortize the unrestricted net position deficit over thirty years. The deficit was reduced by $4.9 million in Fiscal Year 2019 to ($138.4) million, and was further reduced by another $4.9 million in Fiscal Year 2020 to nearly ($133.4) million.

2. Deposits and Investments:

Deposits

The City's investment policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage-backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities should have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance. There were no deposits with custodial risk at year end.

Cash and Cash Equivalents and Investments

The City maintains a cash and investment pool (the Pool) that is available for use by all funds. On the Statement of Net Position, "Cash and Cash Equivalents" includes each fund's portion of the Pool and each fund's non-pooled cash; "Investments" represents each fund's portion of the Pool and non-pooled investment. Participation in the Pool is limited to normal operating activities of the fund and other funds that are restricted because of statutory or contractual considerations, but does not include cash on hand (petty cash and change funds) which is included in non-pooled cash. Earnings from the Pool are allocated to the funds based upon each fund's average daily balance in the Pool. The Fund's balance in pooled and non-pooled accounts follows.

Fiscal Year	Pooled Cash and Cash Equivalents	Pooled Investments	Total Pooled Cash and Investment	Non-pooled cash	Non-pooled Investments	Total Cash and Investments
2020	$ 353,283,655	$ 1,047,037,571	$ 1,400,321,226	$ 5,250	$ 54,576,774	$ 1,454,903,250
2019	$ 144,070,828	$ 1,261,979,730	$ 1,406,050,558	$ 5,450	$ 50,623,023	$ 1,456,679,031

The Airport Fund had petty cash and change funds totaling $5,250 and $5,450 included in the non-pooled cash at June 30, 2020 and June 30, 2019 respectively.

2. Deposits and Investments, continued:

Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2020 and June 30, 2019. On these dates, the City had $4.8 billion and $4.5 billion, respectively, in high grade, fixed income investments. All investments are governed by state law and the City's Investment Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

These funds are managed internally by City personnel within a citywide investment pool. The investments listed below do not include the City's three pension funds, which are described separately in this report. This pool consists of all working capital, construction, and debt service funds which are not subject to yield restriction under IRS arbitrage regulations. The funds of the City's enterprise systems which include the Airport Fund, as well as the general fund, are commingled in this pool in order to gain operational efficiency. Approximately 98.5% and 98.6% of the City's total investable funds are contained in this portfolio on June 30, 2020 and June 30, 2019 respectively.

		June 30, 2020		June 30, 2019	
City of Houston Investment	(1)(2) FY2020 & FY2019 Credit Quality Ratings	Fair Value ($ in millions)	WAM* (years)	Fair Value ($ in millions)	WAM* (years)
U.S. Treasury Securities	AAA	$ 1,715.83	1.121	$ 2,577.16	1.343
Government Agency Securities (3)	AAA	874.98	2.473	1,058.60	1.651
Government Agency Securities (State of Israel Bond)	AA	10.00	1.088	-	-
Government Agency Securities (3) (4)	Not Rated	498.28	2.706	228.00	2.574
Government Mortgaged Backed Securities (3) (4)	Not Rated	3.40	1.251	5.91	1.427
MMF - TexSTAR Cash Reserves	AAA Short Term	681.39	0.085	191.56	0.041
Commercial Paper	A-1/P-1 Short Term	619.50	0.260	248.79	0.215
Municipal Securities	AAA Long Term	199.70	1.861	86.93	1.120
Municipal Securities	AA Long Term	192.08	1.824	126.54	1.300
Municipal Securities	A Long Term	-	-	4.77	0.626
Total Investments		**$ 4,795.16**		**$ 4,528.26**	

* Weighted Average Maturity (WAM) is computed using average life of mortgage-backed securities and effective maturity of callable securities.

(1) Fitch Ratings Inc. has assigned an AAA credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAA signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.

(2) All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.

(3) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Corporation (Fannie Mae), and Federal Farm Credit Bank.

(4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated AAA.

2. Deposits and Investments, continued:

Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the City's investment policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2020, this investment portfolio's dollar-weighted average maturity was 1.33 years. Modified duration was 1.23 years. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.23 years would experience approximately a 1.23% change in market price for every 100 basis point change in yield.

Credit Risk – Investments. The U.S. Treasury Securities and Housing and Urban Development Securities are direct obligations of the United States government. Government Agency Securities and Mortgage Backed Securities were issued by government sponsored enterprises but are not direct obligations of the U.S. Government. The Money Market Mutual Funds were rated AAA. Municipal Securities were rated at least AA. The City's investment policy limits investments in the General Investment Pool to high quality securities with maximum maturity of five years for all U.S. Treasuries, Government Agency, and Municipal Securities with the exception of Government Mortgaged Backed Securities which can have maximum maturity of 15 years. Certificates of Deposit maximum maturity is two years, and Commercial Paper maximum maturity is 365 days. The General Investment Pool maximum sector exposure are as follow: U.S. Treasuries up to 100%; Government Agency Securities up to 85% with maximum exposure to any one Agency issuer is 35%; Mortgage Backed Securities up to 20%; Municipal Securities up to 20% with a rating not less than A by a nationally recognized rating agency; Money Market Mutual Funds up to 25%; Certificates of Deposit up to 15%; and Commercial Paper up to 15%.

Credit Risk – Securities Lending. Under its securities lending program, the City receives 102% of fair value for its U.S. Treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. At June 30, 2020 there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. As of June 30, 2020, none of the City's investments in the General Investment Pool 9900 were subject to custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between time of purchase and reporting or sale. The City's general pool investments are limited by policy to US dollar denominated investments and not subject to this risk.

2. Deposits and Investments, continued:

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

	FAIR VALUE MEASUREMENTS USING ($ in millions)							
Investments by Fair Value Level	Total June 30, 2020	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total June 30, 2019	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Securities	$ 1,715.83	$ 1,715.83	$ -	$ -	$ 2,577.16	$ 2,577.16	$ -	$ -
Government Agency Securities	1,373.26	-	1,373.26	10.00	1,286.60	-	1,286.60	-
Government Agency Securities (State of Israel Bd)	10.00	-	-	-	-	-	-	-
Government Mortgaged Backed Securities	3.40	-	3.40	-	5.91	-	5.91	-
Municipal Securities	391.78	-	391.78	-	218.24	-	218.24	-
Commercial Paper	619.50	-	619.50	-	248.79	-	248.79	-
Total Investments by Fair Value Level	$ 4,113.77	$ 1,715.83	$ 2,387.94	$ 10.00	$ 4,336.70	$ 2,577.16	$ 1,759.54	$ -
Investments Measured at Net Asset Value (NAV)								
MMF - TexSTAR Cash Reserves	$ 681.39	$ -	$ 681.39	$ -	$ 191.56	$ -	$ 191.56	$ -
Total investments measured at the net asset value (NAV)	$ 681.39	$ -	$ 681.39	$ -	$ 191.56	$ -	$ 191.56	$ -
Total investments measured at fair value and NAV	$ 4,795.16	$ 1,715.83	$ 3,069.33	$ 10.00	$ 4,528.26	$ 2,577.16	$ 1,951.10	$ -

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 & 3 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing Sources: IDC for municipal securities and Reuters for all else.

TexSTAR uses the fair value method to report its investments. Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

2. Deposits and Investments, continued:

Restricted Cash and Cash Equivalents - Miscellaneous Money Market Accounts

In addition to its investment pools, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. The Fund's portion of these is as follows:

	Fair Value June 30, 2020 ($ in millions)	Credit Quality Ratings	Fair Value June 30, 2019 ($ in millions)	Credit Quality Ratings	FY2020 & FY2019 Weighted Average Maturity
Blackrock Federal Institutional Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service	$ 50.616	AAA	$ 50.616	AAA	< 60 days
First American US Treasury Money Market Fund: Balance held for commercial paper debt service	.004	AAA	0.007	AAA	< 60 days
TOTAL FAIR VALUE - MONEY MARKET ACCOUNTS	$ 50.620		$ 50.623		

Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of $1.00. These funds are redeemable on a same day notice.

Credit Risk. These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

Custodial Credit Risk. As of June 30, 2020, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

A summary of investments under the requirements of the fair value hierarchy follows:

	FAIR VALUE MEASUREMENTS USING ($ in millions)					
Investments Measured at Net Asset Value (NAV)	Total June 30, 2020	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Total June 30, 2019	Quoted prices (Level 1)	Other significant observable inputs (Level 2)
BlackRock FedFund-Institutional	$ 50.616	-	$ 50.616	$ 50.616	-	$ 50.616
First American US Treasury MMF	.004	-	.004	0.007	-	0.007
Total Investments Measured at Net Asset Value (NAV)	$ 50.620	$ -	$ 51.620	$ 50.623	$ -	$ 50.623

Security Valuation Disclosure:

Security fair value levels are established on a security by security basis. Matrix pricing, market corroborated pricing inputs such as yield curve and indices; often includes fixed income bonds, over the counter swaps, and other derivatives. These can also include securities priced using quoted prices for similar assets or liabilities in active markets and quoted prices for similar assets or liabilities in markets that are not active.

3. Capital Assets

Summaries of changes in fixed assets for the years ended June 30, 2020 and June 30, 2019 follow (in thousands):

	Balance June 30, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	$ 216,100	$ -	$ -	$ -	$ 216,100
Rights & Intangibles - Non-Amortizable	12,774	-	-	620	13,394
Construction work in progress	206,687	146,824	-	(98,441)	255,070
Total capital assets not being depreciated	435,561	146,824	-	(97,821)	484,564
Other capital assets:					
Buildings and building improvements	3,066,213	281	-	9,637	3,076,131
Improvements other than buildings	2,192,230	144	(17,356)	73,775	2,248,793
Equipment	274,303	5,489	(356)	14,409	293,845
Rights & Intangibles - Amortizable	4,697	-	-	-	4,697
Total other capital asset	5,537,443	5,914	(17,712)	97,821	5,623,466
Less accumulated depreciation for:					
Buildings and building improvements	(1,523,601)	(99,319)	-	(460)	(1,623,380)
Improvements other than buildings	(1,452,465)	(60,376)	6,467	-	(1,506,374)
Equipment	(227,086)	(15,737)	355	460	(242,008)
Rights & Intangibles	(4,544)	(141)	-	-	(4,685)
Total accumulated depreciation	(3,207,696)	(175,573)	6,822	-	(3,376,447)
Other capital assets, net	2,329,747	(169,659)	(10,890)	97,821	2,247,019
Total capital assets, net	$ 2,765,308	$ (22,835)	$ (10,890)	$ -	$ 2,731,583

	Balance June 30, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 216,107	$ -	$ (7)	$ -	$ 216,100
Rights & Intangibles - Non-Amortizable	12,679	-	-	95	12,774
Construction work in progress	182,844	119,871	-	(96,028)	206,687
Total capital assets not being depreciated	411,630	119,871	(7)	(95,933)	435,561
Other capital assets:					
Buildings and building improvements	2,985,527	23	(536)	81,199	3,066,213
Improvements other than buildings	2,181,883	45	-	10,302	2,192,230
Equipment	268,259	3,846	(2,234)	4,432	274,303
Rights & Intangibles - Amortizable	4,697	-	-	-	4,697
Total other capital asset	5,440,366	3,914	(2,770)	95,933	5,537,443
Less accumulated depreciation for:					
Buildings and building improvements	(1,425,400)	(98,497)	296	-	(1,523,601)
Improvements other than buildings	(1,391,939)	(60,526)	-	-	(1,452,465)
Equipment	(214,844)	(14,468)	2,226	-	(227,086)
Rights & Intangibles	(3,769)	(775)	-	-	(4,544)
Total accumulated depreciation	(3,035,952)	(174,266)	2,522	-	(3,207,696)
Other capital assets, net	2,404,414	(170,352)	(248)	95,933	2,329,747
Total capital assets, net	$ 2,816,044	$ (50,481)	$ (255)	$ -	$ 2,765,308

Interest Cost: (in thousands)	2020	2019	Percentage Change
Total Interest Cost	$ 83,683	$ 88,386	-5.3%
Capitalized Interest	(9,150)	(6,811)	34.3%
Interest Expense	$ 74,533	$ 81,575	-8.6%

In Fiscal Year 2020, the Construction Work in Progress ending balance is 19% higher than in Fiscal Year 2019. This increase is due to these additional projects undertaken but not completed: Reconstruction of Taxiway W/B Phase 2 at IAH, Terminal A Modification Program, the new Fleet Maintenance Building, Reconstruction of Taxiways RA/RB, Infrastructure for Spaceport Development at EFD, and an Interlocal Agreement with the Texas A&M Engineering Experiment Station project.

There is also an increase in completed project assets transferred out of Work in Progress. This increase includes the projects: the new Parking Operations Office Building at Hobby, Air Traffic Control Tower at EFD, and Reconstruction of Taxiway W/B Phase 1 at IAH.

In Fiscal Year 2020 HAS decommissioned and retired several small taxiways. Those taxiways are: Taxiway W/D, Taxiway W/H, Taxiway W/J, Taxiway W/L, Taxiway W/K, Taxiway W/G, Taxiway W/E, Taxiway W/M, plus all the taxiway lighting assets.

4. Leases

A. The Fund as Lessee

The Airport System has obtained equipment through long-term operating leases. The total cost for such leases was $300,376 for the year ended June 30, 2020.

B. The Fund as Lessor

The Airport System is the lessor of approximately ten percent of its land and substantially all of its buildings and improvements. These lease agreements are non-cancelable operating leases with fixed minimum rentals and non-cancelable operating use and lease agreements with annually adjusted rates. Rental income is earned from leasing various parcels of land with asset costs of $21,609,968 to airlines, fixed base operators and various corporations for hangars, aircraft maintenance facilities, flight kitchens and cargo buildings; to auto rental companies for their service facilities and storage lots; and to a variety of other entities for buildings and other permanent improvements. Airlines and airport concessionaires lease various sections of City owned airport buildings and improvements for ticket counters, passenger hold rooms, baggage carousels, restaurants, retail stores and other facilities. Leased buildings, improvements and equipment have asset costs of $5,618,769,676 and carrying costs of $2,247,007,623. Accumulated depreciation on all these assets is $3,371,762,053.

Minimum guaranteed income on such non-cancelable operating leases is as follows (in thousands):

Year Ending June 30	Minimum Rental Income
2021	$ 56,974
2022	53,521
2023	53,073
2024	51,289
2025	47,878
2026-2030	120,735
2031-2035	64,615
2036-2040	61,648
2041-2045	55,183
2046-2050	50,573
2051-2055	29,411
2056-2058	1,317
Total	$ 646,217

Contingent income associated with the Airport System non-cancelable operating leases was approximately $3,779,466 and $12,308,101 for the years ended June 30, 2020 and 2019, respectively. Contingent income is earned when a concessionaire's payment, based on a percentage of sales, is higher than the minimum amount guaranteed to the Airport System under the terms of the lease. In addition, income is earned from certain non-cancelable operating use and lease agreements for landing fees and terminal building rentals. Such income is adjusted annually based on a compensatory formula to recover certain operating and capital costs of the related facilities. Compensatory income for the years ended June 30, 2020 and 2019 is as follows (in thousands):

	Compensatory Income	
	2020	2019
Landing Fees	$ 92,402	$ 84,357
Terminal Space – Airline	193,712	186,006
	$ 286,114	$ 270,363

5. Long-Term Liabilities

Changes in long-term liabilities for the years ended June 30, 2020 and 2019 are summarized as follows (in thousands):

	Balance June 30, 2019	Additions	Retirements/ Transfers	Balance June 30, 2020	Due within One Year
Revenue bonds payable	$ 1,935,450	$ -	$ (80,110)	$ 1,855,340	$ 89,090
Plus unamortized premium	179,927	-	(16,978)	162,949	-
Less unamortized discount	(675)	-	77	(598)	-
Revenue Bonds Payable, Net	2,114,702	-	(97,011)	2,017,691	89,090
Special facility bonds payable	80,385	-	(5,960)	74,425	6,240
Commercial paper payable	48,473	84,500	-	132,973	-
Pension obligation bonds	2,006	-	-	2,006	-
Note payable	-	324		324	
Claims for workers compensation	1,806	642	(927)	1,521	928
Compensated absences	12,609	10,020	(9,336)	13,293	5,681
Accrued Arbitrage Rebate Liability	-	109	-	109	-
Net pension liability payable	229,757	28,466	-	258,223	-
Other post employment benefits	73,286	-	(2,548)	70,738	-
Other post employment benefits - LTD	586	188	-	774	-
Total Long Term Liabilities	$ 2,563,610	$ 124,249	$ (115,782)	$ 2,572,077	$ 101,939

	Balance June 30, 2018	Additions	Retirements/ Transfers	Balance June 30, 2019	Due within One Year
Revenue bonds payable	$ 2,086,995	$ 569,110	$ (720,655)	$ 1,935,450	$ 80,110
Plus unamortized premium	112,362	86,243	(18,678)	179,927	-
Less unamortized discount	(2,422)		1,747	(675)	-
Revenue Bonds Payable, Net	2,196,935	655,353	(737,586)	2,114,702	80,110
Special facility bonds payable	86,100		(5,715)	80,385	5,960
Commercial paper payable	21,473	27,000		48,473	-
Pension obligation bonds	29,616		(27,610)	2,006	-
Claims for workers compensation	2,276	434	(904)	1,806	904
Compensated absences	13,059	9,539	(9,989)	12,609	6,120
Net pension liability payable	230,999	1,058	(2,300)	229,757	-
Other post employment benefits	89,450		(16,164)	73,286	-
Other post employment benefits - LTD	457	129		586	-
Total Long Term Liabilities	$ 2,670,365	$ 693,513	$ (800,268)	$ 2,563,610	$ 93,094

Purpose of Debt

The Fund issues revenue bonds and commercial paper for the purpose of enlarging, maintaining and improving the Houston Airport System. The Fund has issued refunding bonds from time to time when there have been opportunities for economic gain. These refundings have been structured as legal defeasances of the old debt as ruled by the Texas Attorney General, and such debt has been removed from the Fund's books.

5. Long-Term Liabilities, continued:

Debt Service Requirements to Maturity

Aggregate future Airport system debt service payments to maturity as of June 30, 2020 were as follows (in thousands):

Year Ending June 30	Airport System Total Future Requirements		
	Principal	Interest	Total
2021	$ 95,362	$ 95,666	$ 191,028
2022	101,622	90,892	192,514
2023	104,572	85,594	190,166
2024	109,632	80,074	189,706
2025	248,605	73,637	322,242
2026-2030	658,595	264,279	922,874
2031-2035	527,130	102,362	629,492
2036-2040	174,380	33,940	208,320
2041-2045	31,615	6,068	37,683
2046-2049	13,555	1,397	14,952
Total	$ 2,065,068	$ 833,909	$ 2,898,977

Year Ending June 30	SECO Direct Placement	
	Principal	Interest
2021	$ 32	3
2022	32	3
2023	32	3
2024	32	4
2025	32	4
2026-2030	164	15
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2049	-	-
Total	$ 324	$ 32

Year Ending June 30	Airport System Subordinate Lien Revenue Bonds	
	Principal	Interest
2021	$ 89,090	$ 88,330
2022	94,085	83,743
2023	96,375	78,961
2024	100,730	73,997
2025	105,970	68,761
2026-2030	623,815	258,942
2031-2035	525,725	102,151
2036-2040	174,380	33,940
2041-2045	31,615	6,068
2046-2049	13,555	1,397
Total	$ 1,855,340	$ 796,290

Year Ending June 30	Airport System Commercial Paper	
	Principal	Interest
2021	$ -	$ 2,349
2022	-	2,349
2023	-	2,349
2024	-	2,353
2025	132,973	1,763
2026-2030	-	-
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2049	-	-
Total	$ 132,973	$ 11,163

Year Ending June 30	Airport System Special Facility Bonds - Rental Car Facility	
	Principal	Interest
2021	$ 6,240	$ 4,877
2022	7,505	4,691
2023	8,165	4,175
2024	8,870	3,613
2025	9,630	3,003
2026-2030	34,015	4,805
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2049	-	-
Total	$ 74,425	$ 25,164

Year Ending June 30	Airport System Pension Obligations	
	Principal	Interest
2021	$ -	$ 107
2022	-	106
2023	-	106
2024	-	107
2025	-	106
2026-2030	601	517
2031-2035	1,405	211
2036-2040	-	-
2041-2045	-	-
2046-2049	-	-
Total	$ 2,006	$ 1,260

5. Long-Term Liabilities, continued:

	Maturity Year	Original Interest Rate Range	Face Value Outstanding June 30, 2020	Face Value Outstanding June 30, 2019
Airport System Subordinate Revenue Bonds				
Series 2000B, $269,240,000 original principal	2024	5.45%-5.7%	$ 44,515	$ 44,515
Series 2002A, $200,050,000 original principal	2032	5%-5.625%	20,005	20,005
Series 2002B, $274,455,000 original principal	2032	5%-5.5%	27,450	27,450
Airport System Subordinate Lien Revenue Refunding Bonds				
Series 2011A, $449,975,000 original principal	2026	3%-5%	172,540	209,370
Series 2011B, $116,930,000 original principal	2026	3%-5%	58,550	64,475
Series 2012A, $286,585,000 original principal	2032	5%	267,355	275,315
Series 2012B, $217,135,000 original principal	2032	5%	217,135	217,135
Series 2018A, $130,550,000 original principal	2041	5%	127,400	130,550
Series 2018B, $285,220,000 original principal	2048	5%	276,220	285,220
Series 2018C, $212,820,000 original principal	2032	5%	206,025	212,820
Series 2018D, $356,290,000 original principal	2039	5%	346,040	356,290
Variable Rate Debt Obligations				
Series 2010, $93,730,000 original principal	2030	N/A	92,105	92,305
Total Principal			$ 1,855,340	$ 1,935,450
Less: Total current maturities			(89,090)	(80,110)
Unamortized discount			(598)	(675)
Unamortized premium			162,949	179,927
Total Revenue Bonds Payable - Long Term			$ 1,928,601	$ 2,034,592

5. Long-Term Liabilities, continued:

New Bonds

The Airport System issued no new revenue bonds in Fiscal Year 2020.

In Fiscal Year 2019, the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018C (AMT) and the Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018D (Non-AMT) were priced on July 17, 2018 and delivered on August 2, 2018, with a combined par amount of $569,110,000. The bonds have a coupon rate of 5.0%, a true interest cost of 3.34%, and an arbitrage yield of 2.86%. They mature in varying amounts from 2019 to 2039.

Series 2018C was issued with a par amount of $212,820,000 to current refund the following auction rate bonds: Airport System Subordinate Lien Revenue Bonds, Series 2000P-1 (AMT) $32,275,000; Airport System Subordinate Lien Revenue Bonds, Series 2000P-2 (AMT) $32,050,000; Airport System Subordinate Lien Revenue Bonds, Series 2002C (AMT) $71,175,000; Airport System Subordinate Lien Revenue Bonds, Series 2002D-1 (AMT) $55,800,000; and Airport System Subordinate Lien Revenue Bonds, Series 2002D-2 (AMT) $50,975,000, and to pay for costs of issuance. Net present value savings on the refunding were $12.9 million or 5.3%, with total debt service reduced by $15.6 million. Series 2018C will reach final maturity on July 1, 2032.

Series 2018D was issued with a par amount of $356,290,000 to current refund $409,685,000 in outstanding Airport System Senior Lien Revenue and Refunding Bonds Series 2009A (Non-AMT) and to pay costs of issuance. Series 2018D will reach final maturity on July 1, 2039. Net present value savings on the refunding were $77.4 million or 18.9% of the refunded bonds. Total debt service was reduced by $107.0 million.

For information on events that occurred after June 30, 2020, see Note 12.

Security for Airport Debt

To the extent it legally may do so, the Fund covenants in its bond ordinances to charge rates for use of the Airport System in order that in each fiscal year the net revenues will be not less than 125% of the debt service requirements for Senior Lien Bonds for such fiscal year and 110% of the debt service requirements for Subordinate Lien Bonds for such fiscal year. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at prices which include premiums ranging downward from 1%.

The Fund presently has three outstanding Senior Lien Debt Service Reserve Fund Surety Policies issued by Financial Guaranty Insurance Corporation (FGIC) and reinsured by National Public Finance Guarantee Corporation for any outstanding Senior Lien Notes. These policies have an aggregate maximum amount of $12,374,996 and terminate on October 25, 2023 and July 1, 2030.

The Fund has purchased Subordinate Lien Debt Service Reserve Fund Surety Policies that unconditionally guarantee the payment of the current principal and interest on all outstanding Airport System subordinate lien issues. The surety policies have termination dates ranging from July 1, 2022 to July 1, 2032. Each of the draws made against the surety policies shall bear interest at the prime rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw. The policies were issued by (1) FGIC in the aggregate maximum amount of $102,949,865, reinsured by National Public Finance Guarantee Corporation; and (2) Assured Guarantee Municipal Corporation in the aggregate maximum amount of $31,921,384. The Airport System Fund also has a cash reserve of $68,960,003 in the Subordinate Lien Bond Reserve Fund.

Airport System Inferior Lien Contract

The Airport System had no inferior lien contracts in place during any parts of Fiscal Years 2019 or 2020.

The most recent inferior lien contract arose from a July 2004 sublease agreement between the City and United Airlines, wherein the City assumed and made sublease payments on the Series 1997A Special Facilities Bonds until they matured in July 2017.

5. Long-Term Liabilities, continued:

Variable Rate Debt

The Airport System did not refund or issue any auction or variable rate demand obligation bonds in Fiscal Years 2019 or 2020.

In Fiscal Year 2019, the proceeds from Airport System Revenue Refunding Bonds, Series 2018C, delivered on August 2, 2018, refunded all outstanding balances for the auction rate securities issued in the two previous decades. Final principal payments were made between September 4 and September 7, 2018. The Fund has issued Airport System Subordinate Lien Revenue Bonds Series 2000P-1, Series 2000P-2, Series 2002C, Series 2002D-1, and Series 2002D-2 as auction rate, or auction reset, securities. The auctions initially took place in 7, 28, or 35-day periods, except that in July and August 2005, the auction periods for all five issues were set to 7 days. Starting in February 2008, various auction rate securities began to not be remarketed. Auction rate bonds that could not be sold would have remained with the bondholders. However, if an auction was not successful, the rate would have been reset based on predetermined formulas incorporating the rating of the insurer, or the underlying rating of the Fund if higher than the insurer's rating. The formula for the Series 2000P-1 and Series 2000P-2 was 125% of the commercial paper rate until July 30, 2009, 150% until April 16, 2010, and 200% thereafter. The formula for the Series 2002C, Series 2002D-1, and Series 2002D-2 was 200% of LIBOR.

Airport System Revenue Refunding Bonds, Series 2005A, were issued as variable rate demand obligations with weekly resets. Series 2005A was refunded by Series 2010 on December 21, 2010. Series 2010 is also a variable rate demand obligation issue with weekly resets. The rate in effect at June 30, 2020, including remarketing fees, was .22%. Should Series 2010 be tendered and not remarketed, principal and interest would be paid by a letter of credit issued by Barclay's Bank, PLC. The reimbursement agreement for the letter of credit was amended on December 6, 2017, to extend the termination date to December 22, 2020 unless further extended or terminated. The letter of credit covers the outstanding par value of the bonds plus 35 days of accrued interest at a 12% annual rate. The facility fee rate for the letter of credit was increased to .46% from.425% as of July 28, 2019. If the remarketing agent is unable to resell the Series 2010 bonds, then the letter of credit will pay the principal to the bondholders and the bonds will become bank bonds, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 10%. After 60 days, the bank bonds become a term loan, where the Airport System must pay six semi-annual principal payments over three years to retire the loan. The Fund has made no draws on the letter of credit through June 30, 2020. Because the Series 2010 Bonds were issued as multi-modal bonds, the Houston Airport System can elect to convert the Bonds into long-term fixed rate bonds not requiring a letter of credit.

For information on events that occurred after June 30, 2020, see Note 12.

Arbitrage Rebate

Arbitrage rebate rules, under Chapter 148 of the Federal Tax Code, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield, when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. At June 30, 2020, a yield restriction/arbitrage rebate of $109,028 was accrued. At June 30, 2019 and June 30, 2018, none were payable. During Fiscal Year 2017, the Airport Fund paid an arbitrage rebate of $1,682 on interest income earned by commercial paper notes.

Commercial Paper

In Fiscal Year 2013, the City authorized up to $150 million in Airport System Commercial Paper Notes (Notes). Series A, B, and C Notes were authorized to establish, improve, enlarge, and extend the Houston Airport System, acquire land, and pay interest on the Notes. Between July 1, 2013 and December 20, 2013, Series A and B were collateralized by a direct pay letter of credit issued by Bank of America, N.A. On November 20, 2013, the City re-authorized and amended the Series A and B Notes.

A new direct pay letter of credit was issued by the Royal Bank of Canada on December 18, 2013, covering $150 million in face value of Series A and B Notes, plus $11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit expired on December 16, 2016 and was replaced by a letter of credit for the same amount issued by Sumitomo Mitsui Banking Corporation, which will expire on December 15,

5. Long-Term Liabilities, continued:

2021. Any advances made under the letter of credit and not repaid within 90 days will be converted to term loans payable in twenty quarterly installments, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 15%.

On April 1, 2020 the agreement with Sumitomo Mitsui Banking Corporation was expanded to $350 million in Notes, plus interest. In Fiscal Year 2020, $84.5 million in Notes were sold, bringing the outstanding amount to $133 million, with interest rates ranging from 0.20% to 1.40%. During Fiscal Year 2019, the Airport System drew down $27 million in Notes, bringing the total outstanding to $48.5 million.

Subordinate Lien Revenue and Refunding Bonds, Series 2018A and Series 2018B, refunded $83.5 million in Notes. Draws of $18 million brought the balance of Series A Notes outstanding at June 30, 2018 to $21.5 million.

Forward Delivery Bond Purchase Agreement

On October 21, 2015, the City terminated its authorization for $150 million of Series Commercial Paper Notes, and authorized instead up to $450 million in Airport System Inferior Lien Revenue Bonds, in one or more series. On November 5, 2015 the City authorized execution of a forward delivery purchase agreement with the Royal Bank of Canada, to expire November 5, 2022, for the issuance of $450 million in Inferior Lien Revenue Bonds. City Council must reauthorize this liquidity arrangement annually. No Inferior Lien Bonds have been issued.

Pledged Revenues

The Fund has pledged airport system revenues, net of operation and maintenance expenses, to pay principal and interest on outstanding Senior Lien Commercial Paper Notes, Senior Lien Revenue Bonds, Subordinate Lien Revenue Bonds, and Inferior Lien Bonds. The respective amounts of outstanding principal at June 30, 2020 are $133 million, $0, $1,855.3 million, and $0. The Commercial Paper Notes and Revenue Bonds are issued to establish, improve, enlarge, extend and repair the Airport System.

Pledged airport system revenues exclude any body proceeds, replacement proceeds, investment income earned by bond proceeds, fair value adjustments to investment income, passenger facility charges, grants or gifts for construction or acquisition, insurance proceeds, revenue from special facilities pledged to Special Facility Bonds, taxes collected for others, and proceeds from the sale of property.

Pledged airport system revenues, net of operation and maintenance expense, totaled $177.5 million in Fiscal Year 2020, covering principal of $89.1 million and interest of $91.6 million. In addition to pledged airport system revenue, passenger facility charges totaling $55.0 million were available to pay debt service this fiscal year, making the ratio of net pledged revenue to cover debt service costs equal to 1.59 times.

Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (Consolidated Rental Car Facility Project), Series 2001, original par value $130,250,000, financed the design and construction at Intercontinental of a common car customer service building, a parking structure, maintenance, storage and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure. The City holds legal title to the completed Consolidated Rental Car Facility (CRCF), as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from customer facility charges collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2020, the daily usage charge per customer is set at $4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged customer facility charges. There is no pledge of car rental company revenues, or of any general revenue of the City or the Fund.

On September 4, 2014, the City issued $38,225,000 in Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014, at coupons ranging from 6.49% to 7.13%. The stated interest rate was 3.117%. The bonds mature in varying amounts from 2015 to 2021. Proceeds of the bonds were used to refund $37,245,000 of the City's outstanding Airport System Special

5. Long-Term Liabilities, continued:

Facilities Taxable Revenue Bonds (CRCF), Series 2001, and to pay costs of issuance. Net present value savings related to the refunded bonds totaled $5,078,199 or 13.63% of the refunded bonds and reduced total debt service by $6,110,108. The bonds are limited special obligations of the City, payable solely from and secured by pledged customer facility charges. These bonds do not constitute a debt or pledge of the faith or credit of the City or the Fund.

In reporting periods prior to Fiscal Year 2015, the Airport Fund elected not to report the CRCF facility or the Special Facility Revenue Bonds (CRCF) on its financial statements, under the Governmental Accounting Standards Board's guidance for conduit debt obligations. Beginning in the fiscal year ending June 30, 2015, the Airport Fund elected to change its method of accounting, and to report the CRCF assets, revenues, and associated debt and expenses, with retroactive adjustments on comparative data. At June 30, 2020 and June 30, 2019 respectively, special facilities revenue and refunding bonds (CRCF) outstanding totaled $74.4 million and $80.4 million.

Pension Obligation Bonds

In 2005 the Airport System Fund was assigned the responsibility to pay principal and interest on a portion of the City of Houston's Pension Obligation Bonds (POB), Series 2005 (Taxable), with a par value of $2,005,656, a coupon rate of 5.31%, and final maturity on March 1, 2035. The annual POB interest payment is $106,500.

On December 22, 2017, the City issued City of Houston POB, Series 2017 (Taxable), with a par value of $1,005,145,000, and a lien against the general revenues of the City, including ad valorem tax. Although there was no direct lien against Airport System Fund revenues, the Airport System was assigned the responsibility to pay principal and interest (and associated costs of issuance) on its fair portion of the POB. The Airport System's portion was a par value of $27,610,000, a coupon rate of 2.203%, and a final maturity on March 1, 2019.

Private Placement Loans

In Fiscal Year 2020 the Airport System began to borrow and incur interest on two loans obtained from the State Energy Conservation Office (SECO), a segment within the State of Texas Comptroller's Office in Austin, Texas. The SECO program affords low-rate 2% loans for borrowers approved to build or acquire energy efficient equipment or other assets.

The Airport System entered into two reimbursement loan agreements with SECO, each with a SECO-approved list of projects to be completed within approximately eighteen months, and with repayment to commence shortly thereafter. After the Fund has incurred the construction or acquisition costs, it submits the charges to SECO for reimbursement. Upon reimbursement by SECO, interest expense accrues at two percent.

Loan #1 has a maximum amount of $8 million to be repaid over approximately ten years, with repayment to commence once all projects are completed, and a repayment schedule is forwarded to the Airport System by SECO. Loan #2 has a maximum amount of $7.5 million, and similar terms. As of June 30, 2020, the Airport System has borrowed $324.0 thousand, and has accrued $3.5 thousand of interest expense.

For information on events that occurred after June 30, 2020, see Note 12.

6. Defined Benefit Pension Plan

As a department of the City, the Houston Airport System Fund participates in the pension plan of the City of Houston's municipal employees, for which separately published financial statements are available. Since the plan does not separately account for the Fund, the following disclosures generally relate to the City as a whole. A complete copy of the summary plan description and the stand-alone financial reports can be obtained from the Houston Municipal Employees Pension System at 1201 Louisiana St., Suite 900, Houston, Texas 77002-2555 or via http://hmeps.org.

A. General Information

Plan Description

The Municipal Employees' Pension System (HMEPS) of the City is a single employer defined benefit pension plan that covers all eligible municipal employees, including all employees of the Fund. This pension plan was established under the authority of Texas statutes (Vernon's Texas Civil Statutes, Article 6243.e2 (1), which establish the various benefit provisions. An independent Board of Trustees administers each plan. The fiscal year of each pension fund ends June 30. In this CAFR, the Fund reports separately from the City and is required to report as a cost-sharing plan since it is allocated a proportionate share of the Houston Municipal Employees Pension System liability. The schedules of Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources show the Fund's cost share of the City's plan.

Benefits Provided

The Houston Municipal Employees' Pension System includes three contributory groups and provides for service-connected disability and death benefits to eligible members and surviving spouse and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of debited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a fixed cost of living adjustment of between 0% and 2% depending on investment returns. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

Contributions

For the Houston Municipal Employees' Pension System, employer and employee obligations to contribute, as well as employee contribution rates, are included in the enabling pension statutes, and some requirements are delineated in an amended and restated meet and confer agreement, effective July 1, 2011. Additionally, these laws provide that employer funding be based on periodic actuarial valuations, statutorily approved amounts or, in the cases of the Municipal Employees' Pension System, amounts agreed to in meet and confer agreements. The employer contribution rate as a percentage of covered payroll was 28.2% for Fiscal Year 2020 and 28.7% for Fiscal Year 2019. All pension plans provide service, disability, death, and survivor benefits. In addition, each pension plan recognizes participant and employer contributions as revenues in the period in which they are due pursuant to formal commitments and recognizes benefits and refunds when they are due and payable in accordance with the terms of the pension statutes.

As of the most recent measurement date, June 30, 2020, of the net pension liability, membership data for the pension plan are as follows:

Retirees and beneficiaries currently receiving benefits	11,110
Former members entitled to benefits but not yet receiving them	6,652
Former members not entitled to benefits	-
Active members:	
▸ *Vested*	7,590
▸ *Non-vested*	3,917
Total participants	29,269

6. Defined Benefit Pension Plan, continued:

B. Net Pension Liability

The Airport System Fund's liability for the net pension liability in the City's pension plan was allocated and reported on the statement of net position.

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability" (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA's). In addition, ad hoc COLA's are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plans. The City's net pension liability and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled forward from that valuation date to the measurement date of June 30, 2020 using generally accepted actuarial principles. A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with Fiscal Year 2015) and is presented in the Required Supplementary Information section.

Net Pension Liability (in thousands)

Measurement Date	June 30, 2020		June 30, 2019	
	Municipal Employees' Pension	The Fund's proportionate share of NPL	Municipal Employees' Pension	The Fund's proportionate share of NPL
Total Pension Liability	$ 5,332,865	$ 480,491	$ 5,236,133	$ 563,449
Less: Fiduciary Net Position	(2,881,788)	(222,268)	(3,100,999)	(333,692)
Net Pension Liability	$ 2,451,077	$ 258,223	$ 2,135,134	$ 229,757

The Fund's proportionate percentage of NPL is 9.01% and 10.76% for Fiscal Years 2020 and 2019.

C. Schedule of Changes in Net Pension Liability (in thousands)

	June 30, 2020			June 30, 2019		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Service Cost	$ 77,819	$ -	$ 77,819	$ 77,175	$ -	$ 77,175
Interest on the Total Pension Liability	356,430	-	356,430	349,593	-	349,593
Difference between Expected and Actual Experience	(28,865)	-	(28,865)	(11,538)	-	(11,538)
Employer Contributions	-	176,430	(176,430)	-	176,261	(176,261)
Employees Contributions	-	32,582	(32,582)	-	32,537	(32,537)
Pension Plan Net Investment Income	-	(115,165)	115,165	-	200,445	(200,445)
Benefit Payments	(308,002)	(308,002)	-	(291,061)	(291,061)	-
Refunds	(650)	(650)	-	(1,394)	(1,394)	-
Administrative Expense	-	(4,891)	4,891	-	(5,363)	5,363
Other	-	485	(485)	-	710	(710)
Net Change	96,732	(219,211)	315,943	122,775	112,135	10,640
Net Pension Liability Beginning	5,236,133	3,100,999	2,135,134	5,113,358	2,988,864	2,124,494
Net Pension Liability Ending	$ 5,332,865	$ 2,881,788	$ 2,451,077	$ 5,236,133	$ 3,100,999	$ 2,135,134

The Fund participated in the December 22, 2017 issuance of Houston Pension Obligation Bonds, Series 2017 in the amount of $27,610,000 which is reflected in Employer contributions. These bonds matured in March 2019. For further information, see Note 5, Long Term Liabilities, Pension Obligation Bonds.

6. Defined Benefit Pension Plan, continued:

D. Pension Expense

For the years ended June 30, 2020 and June 30, 2019, the City recognized pension expense as follows (in thousands):

	June 30, 2020	June 30, 2019
Changes for the Year		
Service Cost	$ 77,819	$ 77,175
Interest	356,430	349,593
Difference between Expected and Actual Experience	124,325	149,067
Differences between Projected and Actual Earnings on plan investments	65,914	24,302
Member Contributions	(32,582)	(32,536)
Net Investment Income	(213,428)	(206,130)
Administrative Expense	4,891	5,363
Assumption Changes	-	-
Other	(484)	(710)
Total Pension Expense	$ 382,885	$ 366,124

The Fund's proportionate shares of pension expense are $36.2 million and $34.0 million for June 30, 2020 and June 30, 2019, respectively.

E. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the Fund at June 30, 2020 and June 30, 2019 (in thousands):

	June 30, 2020			June 30, 2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Fund	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Fund
Differences between Expected and Actual Experience	$ -	$ 2,273	$ (2,273)	$ -	$ 1,108	$ (1,108)
Changes of assumptions	25,210	-	25,210	17,720	-	17,720
Net difference between Projected and Actual Earnings on pension plan investments	-	1,152	(1,152)	-	4,692	(4,692)
Contributions after Measurement Date	666	-	666			
Total	$ 25,876	$ 3,425	$ 22,451	$ 17,720	$ 5,800	$ 11,920

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 for the Fund will be recognized in pension expense as follows (in thousands):

Year Ended June 30	
2021	$ 8,793
2022	3,634
2023	4,866
2024	5,158
2025	-
Thereafter	-
Total	$ 22,451

6. Defined Benefit Pension Plan, continued:

F. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability for Municipal Employees' Pension plan, calculated using the current discount rate, as well as what the Fund's net pension liability would have been if they were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Municipal Employees' Pension	$ 3,016,679	$ 2,451,078	$ 1,977,637
The Fund's proportionate share of NPL	$ 271,803	$ 258,223	$ 178,185

G. Schedule of Assumptions

Inflation	2.25%
Salary Changes	3.00% to 5.25%
Investment Rate of Return	7.00%
Valuation Date	7/1/2019
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Payroll
Amortization Period	28 years
Asset Valuation Method	5 Year Smoothed, direct offset of deferred gains and losses
Ad hoc OPEB and Ad hoc COLA	3% to 6%
Mortality Assumption	RP-2000 Table scaled by 125% for males and 112% for females

7. Other Employee Benefits

Retiree Health Insurance Benefits

Pursuant to a City Ordinance, the City provides certain health care benefits for retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the City. Contributions are recognized in the year paid. The cost of retiree health care premiums incurred by the City (employer and subscriber) amounted to approximately $89,617,202 and $95,170,571 for the years ended June 30, 2020 and June 30, 2019, respectively. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund for the City. At June 30, 2020, there were 11,663 retirees including active survivors eligible to receive benefits. Effective August 1, 2011, all Medicare Eligible Retirees must enroll in an insured Medicare Advantage Program Plan.

The City of Houston OPEB plan is a single-employer plan, and calculations are based on the OPEB benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. As a department of the City of Houston, the Airport System Fund participates in the OPEB plan of the City of Houston's municipal employees. A separate accounting is not done for the Fund's portion. It is allocated its share of expense on an annual basis.

7. Other Employee Benefits, continued:

Actuarially Determined Contribution and Total OPEB Liability

The Annual OPEB Cost associated with the City's retiree health care costs for the current year is as follows (in thousands):

Actuarially Determined Contribution before Timing Adjustment	$ 204,585
Expected net benefits payments	-
Actuarially Determined Contribution	204,585
Contribution made	45,811
Net OPEB liability, beginning	2,254,189
Change in Net OPEB liability	(36,132)
Net OPEB liability, end of year	$ 2,218,057
HAS Portion of Net OPEB Liability, end of the year	$ 70,738

	Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
City	2019	$ 103,249	55.30%	$ 2,254,189
City	2020	$ 73,202	62.58%	$ 2,218,057
HAS	2019	$ 10	2278.06%	$ 73,286
HAS	2020	$ 6,593	9.01%	$ 70,738

A. Retiree Health Insurance Benefits

1. Membership

As of the most recent actuarial valuation of the net OPEB liability, membership data is as follows:

	City	HAS
Retirees and beneficiaries currently receiving benefits	10,053	487
Active members:	21,696	1,082
Total participants	31,749	1,569

2. Net OPEB Liability

The Net OPEB liability was measured as of June 30, 2019. The Total OPEB Liability was determined from an actuarial valuation as of June 30, 2018. The Net OPEB Liability is the Total OPEB Liability less the Plan Fiduciary Net Position. The Total OPEB Liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Net OPEB Liability (in thousands)

Measurement Date: June 30, 2019

Reporting Date: June 30, 2020

	City	HAS
Total OPEB Liability	$ 2,218,057	$ 70,738
Less: Fiduciary Net Position	-	-
Net OPEB Liability	$ 2,218,057	$ 70,738

A schedule of Net OPEB Liability, in addition to the information above, includes multi-year trend information (beginning with year 2018) and is presented in the Required Supplementary Information section.

7. Other Employee Benefits, continued:

3. Schedule of Changes in Net OPEB Liability

Change in Net OPEB Liability (in thousands)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	HAS Net OPEB Liability
Service Cost	$ 118,901	$ 45,811	$ 73,090	$ 7,289
Interest	90,952	-	90,952	8,191
Change of benefit terms	(17,819)	-	(17,819)	(1,605)
Difference between Expected and Actual Experience	(17,602)	-	(17,602)	(1,585)
Assumptions Changes	(164,752)	-	(164,752)	(14,838)
Benefit Payments	(45,811)	(45,811)	-	-
Net Change	(36,131)	-	(36,131)	(2,548)
Net OPEB Liability Beginning	2,254,189	-	2,254,189	73,286
Net OPEB Liability Ending	$ 2,218,058	$ -	$ 2,218,058	$ 70,738

4. OPEB Expense

For the reporting year ended June 30, 2020, the City recognized OPEB expense of $73,202. The Fund recognized $6,592. OPEB expense recognized is as follows (in thousands):

Components of OPEB Expense	City	HAS
Service Cost	$ 118,901	$ 10,708
Interest	90,952	8,191
Current-period benefit changes	(17,819)	(1,605)
Difference between Expected and Actual Experience	(2,514)	(226)
Recognition Deferred	(92,782)	(8,356)
Expensed Portion of Current Period Changes in Assumptions	(23,536)	(2,120)
OPEB Expense	$ 73,202	$ 6,592

5. Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are differences between actual and expected experience that are not reflected in current year's expenses. Deferred inflows and outflows of resources related to OPEB reported by the City and by the Fund at June 30, 2020 are as follows (in thousands):

	OPEB Liability (in thousands)			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	City		HAS	
Changes of assumptions	$ -	$ (478,720)	$ -	$ (22,885)
Difference between Expected and Actual Experience in the Total OPEB Liability		(94,899)	-	(4,537)
Contributions made subsequent to measurement date and prior to reporting date	16,562		1,492	
Total	$ 16,562	$ (573,619)	$ 1,492	$ (27,422)

7. Other Employee Benefits, continued:

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Net OPEB Liability at June 30, 2020 will be recognized in OPEB expense as follows (in thousands):

Year Ended June 30	City	HAS
2021	(118,832)	(5,372)
2022	(118,832)	(5,372)
2023	(118,832)	(5,372)
2024	(118,832)	(5,372)
2025	(72,238)	(3,265)
2026	(26,053)	(1,177)
Total	$ (573,619)	$ (25,930)

6. Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Net OPEB Liability, calculated using the discount rate, as well as what the City's Net OPEB Liability would have been if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate (in thousands):

		1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
City	Net OPEB Liability	$ 2,581,029	$ 2,218,057	$ 1,927,613
HAS	Net OPEB Liability	$ 82,314	$ 70,738	$ 61,475

7. Schedule of Assumptions

The Total OPEB Liability is based on an actuarial valuation as of July 1, 2018 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	2.75% to 22.75%, varies by employee class and service/age
Discount Rate	3.50%
Measurement Date	June 30, 2019
Healthcare Costs Trend Rates:	
Medicare	6.19% trending down to 4.50%
Prescription Drug	6.83% trending down to 4.50%
Medicare Advantage	-1.00% trending down to 4.5%
Medicare Supplement	2.70% trending down to 4.5%
Administrative Costs	3.00%
Healthy Mortality Rates	Rates that vary by job classification and employee status. The rates are consistent with the pension plans valuation assumptions for the same employees.

7. Other Employee Benefits, continued:

B. Health Benefits Internal Service Fund

Effective May 1, 2011, the City elected to be substantially self-insured and on May 1, 2019 once again awarded CIGNA a five-year contract with two (2) one-year renewal options for 3 new health plans. All have a heavy emphasis on a wellness component, and include: 1) a limited network HMO-type plan, 2) an open access PPO-type plan with out-of-network coverage, 3) a consumer driven high deductible health plan partnered with a health reimbursement account, and 4) a specific plan for retirees, mostly those under age 65, who live outside the limited network service area but who live in Texas. Effective May 1, 2013, the City no longer purchases individual and aggregate stop-loss coverage. The City has assumed the financial risk of catastrophic and overall claim liability. The plan is administered by CIGNA.

Premiums paid (employer and subscriber) for current employees to third party administrators including claim liability totaling $251,979,327 and $256,964,014 for the years ended June 30, 2020 and June 30, 2019, respectively.

The changes in the actuarial estimate of claims liability for the City related to the CIGNA plans are as follows (in thousands):

	CIGNA Schedule of Changes in Liability (in thousands)	
	June 30, 2020	June 30, 2019
Beginning actuarial estimate of claims liability reserve, July 1	$ 22,950	$ 23,067
Catastrophic claim reserve, July 1	15,000	15,000
Incurred claims for fiscal year	304,635	312,477
Payments on claims - net of RX rebates and refunds	(306,335)	(312,710)
Actuarial adjustment	850	116
Ending actuarial estimate of claims liability including catastrophic claims liability, June 30	$ 37,100	$ 37,950

The City also provides one times the salary of basic life insurance, with a minimum of $15,000, at no cost to the employee. The employee, at no cost to the City, may then obtain additional life insurance up to four times his or her annual salary. The current costs for active employees for both basic and voluntary life insurance totaled $6,356,473 and $6,224,962 for the years ended June 30, 2020 and June 30, 2019, respectively.

C. Incurred for Catastrophic claims

In addition to the IBNR, to mitigate claim volatility the City has funded a catastrophic claim liability of $15 million. This would increase the total liability to $37 million and designated fund balance of $38 million for claim volatility.

D. Long-Term Disability Plan (LTD)

The long-term disability plan, accounted for as an internal service fund of the City, is a part of the Income Protection Plan implemented effective September 1, 1985 (renamed the Compensable Sick Leave Plan (CSL) in October 1996) and is provided at no cost to City employees who are CSL members. Coverage is effective upon completion of one year of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity, or 70% of base plus longevity when combined with income benefits available from other sources. Plan benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months of absence from work. The plan is administered by Reed Group (previously Hewitt Associates LLC), which is reimbursed by the internal service fund for claims as they are paid plus an administrative services fee. As a department of the City of Houston, the Airport System Fund participates in the OPEB-LTD plan for the City of Houston's municipal employees. A separate accounting is not done for the Fund's portion. It is allocated its share of expense on an annual basis.

7. Other Employee Benefits, continued:

	Schedule of Changes in City Liability (in thousands)	
	June 30, 2020	June 30, 2019
Beginning actuarial estimate of claims liability, July 1	$ 6,720	$ 5,990
Incurred claims for fiscal year	1,200	1,510
Payments on claims	(899)	(957)
Actuarial adjustment	227	177
Ending actuarial estimate of claims liability, June 30	$ 7,248	$ 6,720

Actuarially Determined Contribution and Total Liability

During Fiscal Year 2020, there was an increase of $528 million in the amount of disabled life reserves.

Total claim liability at beginning of period	$ 6,720
Changes due to assumption changes	494
Increase attributable to additions	1,354
Decrease attributable to terminations	(379)
Change attributable to passage of time and adjustments	(941)
Net change	$ 528
Total Claim Liability at End of Period	$ 7,248

	Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
City	2019	$ 1,329	72.01%	$ 12,902
City	2020	$ 1,559	57.79%	$ 15,568
HAS	2019	$ 92	72.19%	$ 586
HAS	2020	$ 110	57.79%	$ 774

1. Changes in Net OPEB Liability

	Total OPEB Liability	Increase (Decrease) Plan Fiduciary Net Position	Net OPEB Liability (NPL)	HAS Portion
Balance at 06/30/2019	$ 12,902	$ 10	$ 12,892	$ 586
Changes for the year				
Service Cost	719	-	719	51
Interest	461	-	461	32
Experience	(1,079)	-	(1,079)	(76)
Employer Contributions	-	901	(901)	(64)
Benefit Payments	(910)	(910)	-	-
Assumption Changes	3,476	-	3,476	245
Net Changes	2,667	1	2,676	188
Balance at 06/30/2020	$ 15,569	$ 11	$ 15,568	$ 774

2. OPEB LTD Expense Components

	City	HAS
Service Cost	$ 719	$ 51
Interest on TOL	461	33
Differences between expected and actual experience	28	2
Changes in Assumptions	351	25
Total OPEB Expense	$ 1,559	$ 111

7. Other Employee Benefits, continued:

For the year ended June 30, 2020, the City will recognize OPEB expense of $1,558,787. At June 30, 2020, the City reports deferred outflows of resources and deferred inflows of resources related to OPEB expense from the following sources:

3. Deferred Outflows of Resources and Deferred Inflows of Resources

	City		HAS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 115	$ -	$ 8	$ -
Changes in assumptions	3,228	-	231	-
	$ 3,343	$ -	$ 239	$ -

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

	Deferred Outflows and Inflows of Resources	
	City	HAS
Year Ended June 30		
2021	$ 379	$ 27
2022	379	27
2023	379	27
2024	379	27
2025	379	27
Thereafter	1,448	104
Total	$ 3,343	$ 239

4. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate (in thousands):

		1% Decrease 1.21%	Current Discount Rate of 2.21%	1% Decrease 3.21%
City	Net OPEB-LTD Liability	$ 16,253	$ 15,568	$ 14,867
HAS	Net OPEB-LTD Liability	$ 808	$ 774	$ 739

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (Plan), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The Plan, available to all City employees permits employees to defer a portion of their salary until future years. The deferred compensation funds are not available until termination, retirement, death or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum loan amount is the lesser of $50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is $1,000. Pursuant to tax law changes, the Plan's assets are no longer subject to the City's general creditors and are not included in these financial statements.

7. Other Employee Benefits, continued:

F. Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan, accounted for within the various operating funds. The plan is administered by Tristar Insurance Group, Inc. Funds are wire transferred to Tristar as needed to pay claims.

At June 30, 2020, the City has an accumulated liability in the amount of $114 million covering estimates for approved but unpaid claims and incurred but not reported claims (calculated on an actuarial basis) recorded in the government-wide Statement of Net Position and Enterprise Funds. The amount of liability is based on an actuarial study. The accumulated liability at June 30, 2019 was $99 million.

Schedule of Changes in Liability
(in thousands)

	June 30, 2020	June 30, 2019
Beginning actuarial estimate of claims liability, July 1	$ 98,734	$ 87,502
Incurred claims for fiscal year	23,603	19,984
Payments on claims	(22,501)	(20,387)
Actuarial adjustment	14,380	11,635
Ending actuarial estimate of claims liability, June 30	$ 114,216	$ 98,734

8. Transactions with City of Houston

Interfund Services

The City charges the Fund for certain services performed by other City funds on behalf of the Airport System Fund. Such charges were as follows for the years ended June 30, 2020 and 2019 (in thousands):

	June 30, 2020	June 30, 2019
Police services	$ 32,111	$ 31,955
Fire services	19,593	21,545
Indirect support services	3,018	3,194
Water and sewer services	3,602	3,691
Other	10,884	10,522
Total	$ 69,208	$ 70,907

Indirect costs are incurred in connection with the general administration of City affairs, which cannot be directly associated with specific funds. Such costs include finance, materials management, legal, human resources, and administration. These costs are allocated to the Fund each year based on an annual indirect cost study.

The Fund also pays for services provided by other City departments and funds, including the Combined Utility Fund for water and wastewater services and the internal service funds for risk financing activities.

In Fiscal Year 2017 HAS started performing administrative work for vendors seeking airport related permits. Per an Memorandum of Understanding entered into between HAS and Houston Public Works (HPW), HAS began to receive proceeds from permitting revenues from HPW. HAS was reimbursed $522,258 and $443,706 in permitting fees as a result of this agreement for the years ended June 30, 2020 and 2019, respectively.

Due to and Due from the City of Houston

Amounts due to and due from other funds of the City at June 30, 2020 and 2019 are as follows (in thousands):

	June 30, 2020		June 30, 2019	
	Due to	Due From	Due to	Due From
General Fund	$ 646	$ 1,746	$ 247	$ 485
Special Revenue Fund	-	-	-	1
Total	$ 646	$ 1,746	$ 247	$ 486

9. Major Customers

In Fiscal Year 2020, the Fund earned 45.8% of its operating revenues from two major customers, United Continental Holdings, Inc. and Southwest Airlines Company. No other company represents more than 2.1% of revenue. The two major companies and their respective percentage of revenue are as follows:

	Percentage of Operating Revenue	
	2020	2019
United Continental Holdings, Inc.	36.0%	33.0%
Southwest Airlines Co.	9.8%	8.1%

10. Conduit Debt Obligations

The City has authorized various issues of Special Facilities Bonds to enable United Airlines, Inc. (successor to Continental Airlines, Inc.) a private company, to construct facilities at Intercontinental that were deemed to be in the public interest (Special Facilities). These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United Airlines. Collected pledged revenues are remitted directly to a trustee by United Airlines. Under the terms of the related lease agreements, United Airlines operates, maintains, and insures the terminal, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, and manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by private companies through long-term leases, and the Airport System Fund will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Airport System Fund accounts for the United Airlines' Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements.

Conduit Debt Oustanding at June 30, 2020 and 2019 (in thousands)	June 30, 2020	June 30, 2019
Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), $113,305,000 original principal, matures in 2038	$ 113,305	$ 113,305
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), $308,660,000 original principal, matures in 2029	274,480	308,660
Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), $176,650,000 original principal, matures in 2035	176,650	176,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), $90,650,000 original principal, matures in 2028	90,650	90,650
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), $46,425,000 original principal, matures in 2028	46,425	46,425
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020A (AMT), $34,165,000 original principal, matures in 2027	34,165	-
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020B-2 (AMT), $47,470,000 original principal, matures in 2027	47,470	47,390
Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT), $66,890,000 original principal, matures in 2027	66,890	65,785
Total Conduit Debt Oustanding	$ 850,035	$ 848,865

10. Conduit Debt Obligations, continued:

On June 29, 2020, the City issued $34,165,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020A (AMT) on behalf of United Airlines, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020A costs of issuance. The bonds were issued as a 5% Term Bond due July 1, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $47,470,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020B-2 (AMT) on behalf of United Airlines, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020B-2 costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $66,890,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT) on behalf of United Airlines, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020C costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.625%.

On February 20, 2018, the City issued $90,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United Airlines, to finance the construction of a technical operations center and related facilities at the George Bush Intercontinental Airport. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued $46,425,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United Airlines, to finance the improvement, renovation, expansion and repair of certain special facilities at George Bush Intercontinental Airport, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On March 16, 2015, the City issued $176,650,000 in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United Airlines, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Terminal Improvement Projects) Series 1997B and 1998B financed various leasehold improvements for United Airlines in Terminals B, C and D. On March 16, 2015, the City issued $47,390,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-2 (AMT) on behalf of United Airlines, with a 5.00% coupon rate, to mature on July 15, 2027. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997B and 1998B and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled $12,049,244 or 18.36% of the refunded bonds and reduced total debt service by $45,281,400.

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc. Terminal E Project), Series 2001, financed the construction of international Terminal E and related airport facilities for the exclusive use of United Airlines (Terminal E Special Facilities). On May 8, 2014, the City issued $308,660,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United Airlines, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled $40,519,909 or 13.31% of the refunded bonds and reduced total debt service by $58,675,823.

The Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT) financed the replacement of two flight stations at Terminal B with a new South Concourse building to serve United Airlines' regional jet operations (Terminal B Special Facilities). The Terminal B Special Facilities went into service in March 2014.

10. Conduit Debt Obligations, continued:

The Airport System Special Facilities Revenue Bonds, (Continental Airlines, Inc., Airport Improvement Projects) Series 1997C and 1998C, financed the construction of an aircraft hangar, maintenance and parts storage facility, mail sort facility, flight simulator, and inflight training facility. On March 26, 2015, the City issued $65,785,000 in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2015C, on behalf of United Airlines, with a coupon rate of 5.00%, to mature on July 15, 2020. Proceeds of the bonds were used to refund the outstanding Airport System Special Facilities Revenue Bonds, Series 1997C and 1998C, and to pay costs of issuance. Net present value savings for United Airlines related to the refunded bonds totaled $14,553,627 or 20.95% of the refunded bonds and reduced total debt service by $40,135,502. These bonds matured just after the close of this fiscal year, in July 2020.

11. Commitments and Contingencies

Litigation and Claims

The City is the defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. These matters affecting the Airport System Fund are primarily contract and real property disputes. The status of such litigation ranges from early discovery to various levels of appeal, against which the City will continue to vigorously defend itself. Additionally, there are also various personal injury claims filed against the Airport System Fund which will also be vigorously defended. The amount of damages is limited in certain cases under the Texas Torts Claim Act and is subject to appeal. Management has determined the amounts of loss, if any, would not be material in these financial statements.

Environmental Liabilities

The Houston Airport System recorded a $2.2 million environmental liability in Fiscal Year 2020 for pollution remediation at George Bush Intercontinental Airport. The scope of work includes disposal of contaminated soils at the Mickey Leland International Terminal.

The Houston Airport System recorded a $10 million environmental liability in Fiscal Year 2017 for pollution remediation associated with a hangar addition project at George Bush Intercontinental Airport. The scope of work encompasses vapor intrusion mitigation and soil & groundwater remediation. In Fiscal Years 2019 and 2020, $8.9 million and $343 thousand of this environmental liability was realized, respectively. The remaining $789 thousand liability recorded in Fiscal Year 2017 remains on the books at the end of Fiscal Year 2020. The Houston Airport System is expected to recover the $10 million through a Customer Facility Charge on rental car transactions at William P. Hobby Airport beginning January 2021, following the approval by Houston City Council on March 20, 2019, and has recorded a $10 million receivable in Fiscal Year 2020.

The Houston Airport System has received results for supplemental site testing from an independent study that will result in additional environmental remediation costs associated with the afore-mentioned hangar addition project. Additional cost of ~$5 million has been estimated. No additional pollution remediation liability has been recorded in these financial statements in accordance with GASB 49 as the Houston Airport System is expected to recover the full ~$5 million from United Airlines.

The Houston Airport System management is aware of additional sites polluted by asbestos, mold, and soil contamination. The assessment and remediation of asbestos, mold and groundwater contamination are ongoing and included in the costs of the capital project at the time it becomes an obligating event under GASB 49. Management has determined the costs of this additional remediation for which Houston Airport System is ultimately liable would not be material in these financial statements.

Commitments for Capital Facilities

At June 30, 2020 and 2019, the Fund had contracted for, but not spent, $548,378,492 and $451,978,730 respectively, for capital projects.

11. Commitments and Contingencies, continued:

Risk Management

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of $100 million and commercial property insurance with a per occurrence loss limit of $175 million. The commercial property insurance sublimit for flood is $175 million. The commercial property insurance provides deductibles as follows: $2.5 million per occurrence for all perils except; 3% of the damaged insured value for windstorm or hail from a named storm, subject to a $2.5 million minimum and a $15 million maximum deductible; and 3% of the damaged insured value for flood, subject to a $2.5 million minimum and a $15 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is $15 million.

The City has a separate terrorism policy which covers insured property value. The policy insures up to $250 million aggregate loss limit (including $25 million sub-limit for nuclear, chemical, biological and biochemical coverage) with a $500,000 deductible on all claims except a 48-hour waiting period deductible on business interruption.

Self-insured claims are reported as liabilities in the accompanying financial statements when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This determination is based on reported pending claims, estimates of claims incurred but not yet reported, actuarial reports and historical analysis.

Claims that are expected to be paid with expendable, available financial resources are accounted for in the General Fund and the appropriate Enterprise Funds.

For unemployment claims, the City pays claims as they are settled. Unemployment claim activity is as follows:

	Unemployment Claim Activity	
	June 30, 2020	June 30, 2019
Unpaid claims, beginning of fiscal year	$ 431,385	$ 159,930
Incurred claims (including IBNRs)	1,741,934	898,403
Claim payments	(1,422,042)	(626,948)
Unpaid claims, end of fiscal year	$ 751,277	$ 431,385

Electricity Futures Contracts

On July 1, 2020 the City of Houston entered into an electricity supply agreement with Reliant Energy Retail Services, Inc. for a 5-year term with two 1-year options. The total committed price is approximately $634 million for expected usage of the potentially 7-year contract. The City of Houston has entered into this agreement with locked rates for the duration of the contract terms.

11. Commitments and Contingencies, continued:

Risk and Uncertainties

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all Texas counties in response to the Pandemic. Pursuant to Chapter 41, Texas Government Code, the Governor has broad authority to respond to disasters, including the authority to suspend any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and to issue executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the Federal and State actions and policies are focused on limiting opportunities for the public to congregate and individuals to interact with each other, which affects the operation of businesses and directly impacts the national, State and local economies.

In addition to actions by State and Federal officials, on March 11, 2020, the Harris County Judge activated the County's emergency management plan by issuing a Declaration of Local Disaster for Public Health Emergency (the "Declaration") in order to contain the COVID-19 outbreak and prevent its spread throughout Harris County. On March 24, 2020, the Harris County Judge issued a "Stay Home, Work Safe" Order ("Stay Home Order") prohibiting gatherings and providing that residents stay home other than to perform Essential Services as defined in Federal guidance. The Stay Home Order, which lasted until June 10, 2020, provided that in performing or obtaining Essential Services, residents should follow Center for Disease Control and Prevention ("CDC") guidelines on social distancing.

The Pandemic has negatively affected travel, commerce, and financial markets globally and is widely expected to continue negatively affecting economic growth and financial markets worldwide. The City continues to monitor the Pandemic and work with local, State and national agencies to address its potential impact on the City. The impact of COVID-19 is expected to have a negative financial impact on local, State and national economies, the severity of which is unknown at this time, in a manner that could adversely affect the amount of property and sales and use taxes, franchise charges and fees, and other general revenues received by the City.

The City has identified several funding sources to assist with expenses related to the COVID-19 outbreak. In April 2020, the City established the COVID-19 Disaster Fund and transferred $5 million out of the Budget Stabilization Fund to cover expenditures related to public health emergency response efforts and also received another $5 million through a CDC grant. Most significantly, in April 2020 the City received approximately $405 million from the U.S. Department of Treasury pursuant to the Coronavirus Aid Relief & Economic Security Act (the "CARES ACT"). The Houston Airport System is scheduled to receive up to $200.2 million from the Federal Aviation Administration as part of the CARES Act's attempt to help offset the negative impact on major airports' revenue due to the reduction in passenger traffic. In Fiscal Year 2020 the Fund received and applied $8.1 million against its Subordinate Lien Bond debt service. The City's Administration is currently evaluating how to best utilize the funding, but to date has identified some top priorities including: rental assistance, contact tracing, and funding to cover the redeployment of certain employees. The Houston Airport System intends to use additional CARES Act proceeds of approximately $152 million to offset operating and debt service expenditures during Fiscal Year 2021.

Prior to COVID-19, Fiscal Year 2020 sales tax revenues were budgeted at $695 million, and post-COVID-19, actual sales tax revenues are $684 million. General Fund expenditures have also been reduced significantly to come in under budget by approximately $90 million. Coupled with reduced revenues, significant reductions in expenditures for Fiscal Year 2020 were made by utilizing the Coronavirus Relief Fund money made available through the CARES Act to cover costs of redeploying personnel that were previously paid out of the General Fund. Notwithstanding the preceding estimates, the City at this time cannot predict with any certainty the actual impact COVID- 19 may have on revenues in the coming fiscal year. While the impact on the City is uncertain at this time, the City is monitoring the impact of COVID-19 and will address such impacts, as necessary.

12. Subsequent Events

Approval of Second Passenger Facility Charge Application for George Bush Intercontinental Airport (IAH)

On September 24, 2020, the Federal Aviation Administration's Southwest Regional Office issued a Final Agency Decision (FAD) approving the Houston Airport System's second Passenger Facility Charge application (20-02-C-00-IAH). The second application is at the same $4.50 per eligible enplanement level as the current approved application, and is expected to have an effective charge collection date of January 1, 2028. The total amount approved to be collected is approximately $1.4 billion and is anticipated to be collected over a period of approximately 11 years, ending in April 2039.

Bonds and Commercial Paper Notes

On October 20,2020, the City issued $863,676,000 in Houston Airport Subordinate Lien Revenue Refunding Bonds in three series: Series 2020A (AMT), 2020B (NON-AMT) and 2020C (Taxable) with coupons at 4.0% to 5.0%. The proceeds were placed in escrow for the purpose of generating resources for debt service payments of the refunded portions of HAS Series: 2010 (AMT), 2000B (NON-AMT), 2011A (AMT), 2011B (AMT), 2012A (AMT), 2012B (NON-AMT); to refund $150,973,000 of Houston Airport System Commercial Paper Notes; and to pay costs of issuance of the bonds. The true interest cost of the 2020A Bonds is 3.061%, 2020B is 1.143%, and 2020C is 2.086%. The bonds mature in varying amounts from year 2020 to 2040. Net present value savings related to the bond refundings totaled $94,799,712 and reduced debt service by $98,213,180.

CARES Act Federal Assistance

As of June 30, 2020, the Fund has received $8.1 million in CARES Act funding from the FAA. Since the Fiscal Year 2020 ended, through December 3, 2020, The Airport System received $88.4 million. The program seeks to mitigate the economic impact of COVID-19 on the nation's commercial service airports.

Schedule of Changes in the Municipal Net Pension Liability and Related Ratios
for Fiscal Years ended June 30
(in thousands)

	MINICIPAL					
	2020	2019	2018	2017	2016	2015 (I)
Total Pension Liability						
Service cost	$ 77,819	$ 77,175	$ 78,149	$ 75,961	$ 68,968	$ 65,810
Interest	356,430	349,592	341,276	331,166	379,781	361,007
Changes of benefit terms	-	-	-	(724,683)	-	-
Differences between expected and actual experience	(28,865)	(11,538)	19,158	(38,387)	(16,194)	(23,380)
Changes of assumptions	-	-	-	562,237	91,248	-
Benefit payments including refunds of employee contributions	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Refunds	(650)	(1,394)	(807)	(718)	(1,105)	(1,549)
Net change in total pension liability	96,732	122,775	153,848	(74,880)	269,520	166,933
Total pension liability - beginning	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870	4,597,937
Total pension liability - ending (a)	5,332,865	5,236,133	5,113,358	4,959,510	5,034,390	4,764,870
Plan Fiduciary Net Position						
Contributions-employer	176,430	176,261	421,562	182,558	159,958	145,007
Contributions-employee	32,582	32,536	27,905	15,902	15,874	16,198
Net investment income	(115,165)	200,445	231,815	290,911	27,639	73,370
Benefit payments, including refunds of employee contributions	(308,002)	(291,060)	(283,928)	(280,456)	(253,178)	(234,955)
Administrative expense	(4,891)	(1,394)	(807)	(718)	(1,105)	(1,549)
Refunds	(650)	(5,363)	(6,442)	(6,827)	(7,360)	(7,007)
Other	484	710	(3,905)	1,272	1,651	1,041
Net change in plan fiduciary net position	(219,212)	112,135	386,200	202,642	(56,521)	(7,895)
Plan fiduciary net position-beginning	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544	2,464,439
Plan fiduciary net position-ending (b)	2,881,788	3,101,000	2,988,865	2,602,665	2,400,023	2,456,544
City's Net Pension Liability-Ending (a)-(b)	$ 2,451,077	$ 2,135,133	$ 2,124,493	$ 2,356,845	$ 2,634,367	$ 2,308,326
Plan fiduciary net position as percentage of the total pension Liability	54.04%	59.22%	58.45%	52.48%	47.67%	51.56%
Covered payroll	$ 625,056	$ 614,451	$ 611,493	$ 604,895 *	$ 640,529 *	$ 624,205 *
Net position liability as a percentage of covered payroll	392.14%	347.49%	347.43%	389.63% *	411.28% *	369.80% *

* In Fiscal Year 2020 figures were updated due to an adjustment by the City of Houston.

Schedule is intended to show information for 10 years. 2015 is the first year for this presentation. Additional years will be included as they become available.

(I) The 2015 amounts are based on 8.0% per City actuary

Schedule of Changes in the Fund's Net Pension Liability and Related Ratios for Fiscal Years ended June 30 (in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability	$ 480,491	$ 563,449	$ 555,982	$ 535,376	$ 540,464	$ 512,642
Plan Fiduciary Net Position	(222,268)	(333,692)	(324,983)	(280,956)	(257,653)	(264,294)
Net Pension Liability	$ 258,223	$ 229,757	$ 230,999	$ 254,420	$ 282,811	$ 248,348
Proportionate Percentage	9.01%	10.76%	10.87%	10.79%	10.74%	10.76%

Schedule of City Contributions for Municipal Pension Plans for Fiscal Years ended June 30 (in thousands)

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 182,950	$ 178,256	$ 423,989	$ 184,733	$ 162,230	$ 155,299	$ 144,953
Contributions in relation to the actuarially determined contribution	176,430	176,261	421,562	182,558	159,959	145,007	128,274
Contribution deficiency (excess)	$ 6,520	$ 1,995	$ 2,427	$ 2,175	$ 2,271	$ 10,292	$ 16,679
Covered payroll	625,056	614,451	611,493	604,895 *	640,529 *	624,205 *	557,226
Contributions as a percentage of covered payroll	28.2%	28.7%	68.9%	30.2% *	25.0% *	23.2% *	23.0%

RSI

Schedule of the Fund's Contributions for Municipal Pension Plans for Fiscal Years ended June 30 (in thousands)

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 16,484	$ 17,719	$ 42,738	$ 18,898	$ 17,148	$ 16,306	$ 15,626
Contributions in relation to the actuarially determined contribution	15,896	17,520	42,493	18,676	16,908 *	15,226 *	13,828 *
Contribution deficiency (excess)	$ 587	$ 198	$ 245	$ 223	$ 240 *	$ 1,081 *	$ 1,798 *
Covered payroll	56,318	61,076	61,638	61,881 *	67,704 *	65,542 *	60,069 *
Contributions as a percentage of covered payroll	28.2%	28.7%	68.9%	30.2% *	25.0% *	23.2% *	23.0% *

* In Fiscal Year 2020 figures were updated due to an adjustment by the City of Houston.

Schedule is intended to show information for 10 years. 2014 is the first year for this presentation. Additional years will be included as they become available.

Schedule of OPEB Contributions
(in thousands)

	Health Benefits			Long Term Disability		
	2020	2019	2018	2020	2019	2018
Actuarially determined contribution	$ 133,961	$ 133,961	$ 194,236	$ 7,248	$ 6,720	$ 5,990
Contributions in relation to the actuarially determined contribution	(45,811)	(57,100)	(39,820)	(899)	(947)	(975)
Contribution deficiency (excess)	$ 88,150	$ 76,861	$ 154,416	$ 6,349	$ 5,773	$ 5,015
Covered payroll	1,332,000	1,285,000	1,234,545 *	625,056	614,451	611,493
Contribution as a percentage of covered payroll	10.06%	10.42%	15.73%	1.16%	1.09%	0.98%

Schedule of Changes in the Net OPEB Liability and Related Ratios
(in thousands)

	Health Benefits			Long Term Disability		
	2020	2019	2018	2020	2019	2018
Total OPEB Liability						
Service Cost	$ 118,901	$ 110,793	$ 139,332	$ 719	$ 776	$ 730
Interest	90,952	90,245	73,306	461	409	379
Changes of benefit terms	(17,819)	(5,007)	-	-	-	-
Differences between expected and actual experience	(17,603)	(99,153)	(15,727)	(1,079)	1,369	(14)
Changes of assumptions	(164,752)	(224,161)	(310,431)	3,476	255	(158)
Benefit payments including refunds of employee contributions	(45,811)	(57,100)	(39,820)	(901)	(957) *	(975)
Net change OPEB liability	(36,132)	(184,383)	(153,340)	2,676	1,862	(38)
Net OPEB liability - beginning	2,254,189	2,438,572	2,591,912	12,892	11,030 *	11,068
Net OPEB liability - ending (a)	$ 2,218,057	$ 2,254,189	$ 2,438,572	$ 15,568	$ 12,892 *	$ 11,030 *
Plan Fiduciary Net Position						
Service Cost	45,811	57,100	39,820	-	-	-
Employer contributions	-	-	-	(901)	(975)	(975)
Benefit payments including refunds of employee contributions	(45,811)	(57,100)	(39,820)	901	975	975
Net change in plan fiduciary net position	-	-	-	-	-	-
Net OPEB liability - beginning	-	-	-	-	-	-
Net OPEB liability - ending (b)	-	-	-	-	-	-
City's Net OPEB Liability-Ending (a)-(b)	$ 2,218,057	$ 2,254,189	$ 2,438,572	$ 15,568	$ 12,892 *	$ 11,030 *
Plan fiduciary net position as percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 1,332,000	$ 1,285,000	$ 1,235,000	$ 625,056	$ 614,451	$ 611,493
Net OPEB liability as a percentage of covered payroll	166.52%	175.42%	197.46%	2.49%	2.10%	1.80% *

* In Fiscal Year 2020 figures were updated due to an adjustment by the City of Houston.

The Fund's proportionate share of OPEB is as follows (in thousands):

	Health Benefits			Long Term Disability		
	2020	2019	2018	2020	2019	2018
Total OPEB Liability	$ 70,738	$ 73,286	$ 89,450	$ 774	$ 586	$ 457
Plan Fiduciary Net Position	-	-	-	-	-	-
Net OPEB Liability	$ 70,738	$ 73,286	$ 89,450	$ 774	$ 586	$ 457
Proportionate Percentage	3.19%	8.89%	8.79%	4.97%	6.94%	4.14%

Schedule is intended to show information for 10 years. 2018 is the first year for this presentation. Additional years will be included as they become available.

STATISTICAL SECTION (UNAUDITED)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HOUSTON

TEXAS

STATISTICAL SECTION

This section contains statistical information and differs from the financial statements because it usually covers more than one fiscal year and may present non-accounting data.

This information is presented in five categories:

FINANCIAL TREND – intended to assist users in understanding and assessing how the Houston Airport System's financial position has changed over time.

REVENUE CAPACITY – intended to assist users in understanding and assessing the factors affecting the Houston Airport System's ability to generate its own sources of revenues.

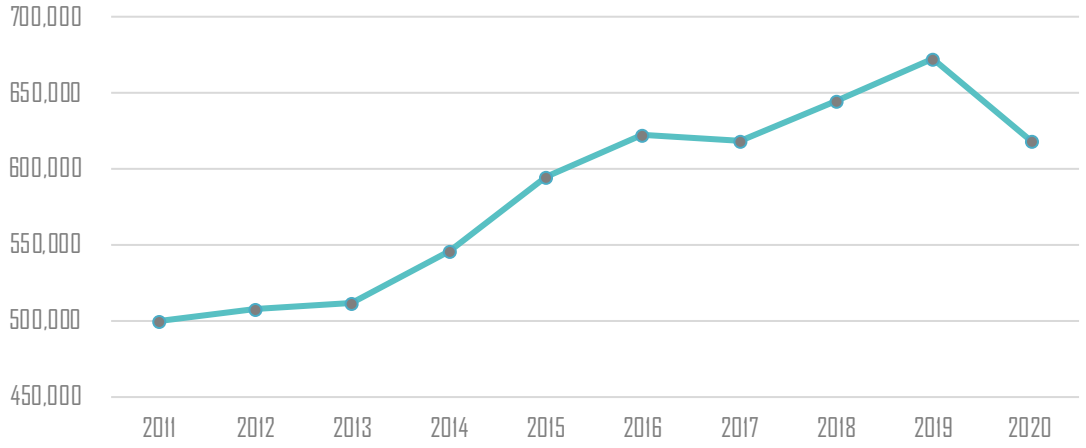
DEBT CAPACITY – intended to assist users in understanding and assessing the Houston Airport System's debt burden and its ability to cover and issue additional debt.

OPERATIONAL INFORMATION – intended to provide contextual information about the Houston Airport System's operations and resources to assist readers in using financial statement information to understand and assess the Houston Airport System economic condition.

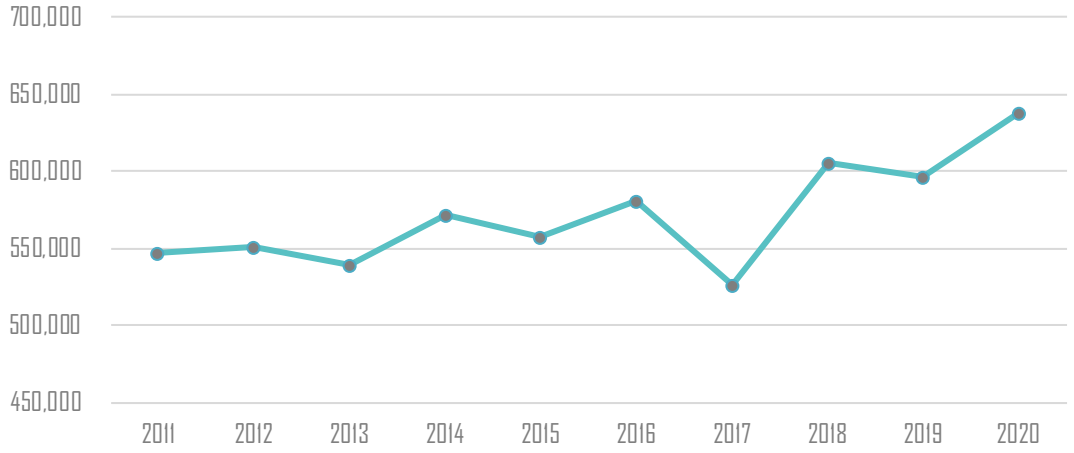
DEMOGRAPHIC AND ECONOMIC – intended to assist users in understanding the socioeconomic environment within which the Houston Airport System operates and to provide information that facilitates comparisons of financial statement information over time and among similiar entities.

TOTAL ANNUAL REVENUES AND EXPENSES (in thousands)

REVENUES



EXPENSES



TOTAL ANNUAL REVENUES AND EXPENSES (in thousands)

CHANGE IN NET POSITION	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues										
Landing area fees	$ 90,384	$ 86,935	$ 91,059	$ 88,342	$ 93,575	$ 86,870	$ 88,046	$ 95,779	$ 87,767	$ 95,862
Building and ground area fees	181,182	182,320	181,701	186,505	197,039	216,018	221,181	220,214	211,323	223,301
Concession, parking, and other revenues	138,836	148,295	160,234	177,260	185,668	186,009	184,814	194,871	199,374	152,749
Total Operating Revenues	410,402	417,550	432,994	452,107	476,282	488,897	494,041	510,864	498,464	471,912
Nonoperating Revenues										
Investment income (loss)	9,735	5,636	(1,934)	11,170	7,496	13,260	3,403	8,591	45,067	43,701
Passenger Facility Charges	63,138	63,550	61,195	62,602	85,392	104,230	101,539	109,021	111,155	78,418
Customer Facility Charges	13,478	15,904	17,104	17,152	17,535	16,417	14,200	17,374	17,439	13,320
Other nonoperating revenues	3,409	4,644	1,978	3,225	7,969	124	5,596	(1,420)	340	10,820
Total Nonoperating Revenues	89,760	89,734	78,343	94,149	118,392	134,031	124,738	133,566	174,001	146,259
TOTAL REVENUES	500,162	507,284	511,337	546,256	594,674	622,928	618,779	644,430	672,465	618,171
Operating Expenses										
Maintenance and operating										
Personnel costs	111,861	107,532	104,162	108,520	114,947	123,872	56,721	133,253	119,841	119,481
Supplies	6,534	7,290	7,344	8,823	7,933	8,140	7,794	5,219	8,390	8,223
Services	143,327	139,612	140,019	149,957	159,577	177,677	184,032	184,826	196,608	204,811
Non-capital outlay	22,585	9,626	14,052	10,202	4,072	5,730	5,912	8,806	12,638	37,915
Impairment to capital assets	-	-	6,514	7,710	-	-		-	-	
Total M & O expenses	284,307	264,060	272,091	285,212	286,529	315,419	254,459	335,104	337,477	370,430
Depreciation expense	165,657	193,266	173,448	174,825	177,512	179,398	184,203	176,053	174,266	175,573
Total Operating Expenses	449,964	457,326	445,539	460,037	464,041	494,817	438,662	511,157	511,743	546,003
Nonoperating Expenses										
Interest expense and others	97,515	94,012	93,749	112,350	92,803	86,259	87,574	94,061	84,578	85,426
Total Nonoperating Expenses	97,515	94,012	93,749	112,350	92,803	86,259	87,574	94,061	84,578	85,426
TOTAL EXPENSES	547,479	551,338	539,288	572,387	556,844	581,076	526,236	605,218	596,321	631,429
Contributions	44,135	15,029	12,761	44,614	36,432	22,542	35,513	13,784	16,599	18,984
TOTAL CHANGE IN NET POSITION	$ (3,182)	$ (29,025)	$ (15,190)	$ 18,483	$ 74,262	$ 64,394	$ 128,056	$ 52,996	$ 92,743	$ 5,726

(continued)

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

CHANGES IN NET POSITION AND PASSENGER FACILITY CHARGE COLLECTIONS (in thousands)

NET POSITION AT YEAR END	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net investment in capital assets	$ 624,507	$ 580,636	$ 518,464	$ 469,971	$ 466,196	$ 537,172	$ 542,363	$ 531,232	$ 542,125	$ 522,492
Restricted net position										
Restricted for debt service	168,841	189,966	213,064	242,558	303,371	333,635	287,858	357,588	428,856	473,008
Restricted for maintenance and operations	43,320	44,023	46,309	49,736	53,912	54,942	54,805	56,891	60,525	61,818
Restricted for special facility	15,081	20,025	26,026	30,986	25,732	26,944	29,369	36,049	43,442	46,377
Restricted for renewal and replacement	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Restricted for capital improvement	549,091	537,165	552,762	581,857	600,159	561,071	676,360	657,050	651,664	623,701
Unrestricted (deficit)	-	-	-	-	(178,003)	(178,003)	(126,938)	(143,297)	(138,356)	(133,414)
TOTAL NET POSITION	$ 1,410,840	$ 1,381,815	$ 1,366,625	$ 1,385,108	$ 1,281,367	$ 1,345,761	$ 1,473,817	$ 1,505,513	$ 1,598,256	$ 1,603,982

PASSENGER FACILITY CHARGE COLLECTIONS (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Intercontinental	$ 50,982	$ 50,358	$ 47,464	$ 48,181	$ 66,491	$ 80,574	$ 77,351	$ 83,220	$ 85,167	$ 61,120
Hobby	12,156	13,192	13,731	14,421	18,901	23,656	24,188	25,801	25,988	17,298
Total	$ 63,138	$ 63,550	$ 61,195	$ 62,602	$ 85,392	$ 104,230	$ 101,539	$ 109,021	$ 111,155	$ 78,418
Year-over-Year Change	-4.89%	0.65%	-3.71%	2.30%	36.40%	22.06%	-2.58%	7.37%	1.96%	-29.45%

PLEDGED REVENUES (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING REVENUES										
Landing area fees										
Landing fees	$ 87,163	$ 83,059	$ 86,911	$ 84,098	$ 89,426	$ 82,703	$ 84,036	$ 91,258	$ 83,318	$ 91,271
Aviation fuel	1,378	1,382	1,444	1,529	1,521	1,527	1,350	1,679	1,554	1,249
Aircraft parking	1,843	2,494	2,704	2,715	2,628	2,640	2,660	2,842	2,895	3,343
Subtotal	90,384	86,935	91,059	88,342	93,575	86,870	88,046	95,779	87,767	95,863
Building and ground area revenues										
Terminal space rentals	160,563	160,247	158,237	163,297	173,392	191,321	196,162	195,198	185,943	196,844
Cargo building rentals	2,511	2,473	2,397	2,432	2,506	2,484	2,448	2,390	2,391	2,378
Other rentals	5,067	5,394	5,848	6,174	6,252	6,808	6,453	6,460	6,454	6,574
Hangar rental	5,446	6,165	6,675	6,605	6,355	6,577	6,813	6,691	6,530	6,821
Ground rental	7,595	8,041	8,544	7,997	8,534	8,828	9,305	9,475	10,005	10,684
Subtotal	181,182	182,320	181,701	186,505	197,039	216,018	221,181	220,214	211,323	223,301
Parking, concession, and other revenues										
Retail concessions	34,426	38,429	41,604	41,444	41,855	35,215	39,999	41,245	41,521	32,265
Auto parking	70,681	72,833	77,596	90,173	97,515	101,650	99,752	103,961	110,136	81,172
Auto rental concession	23,932	26,771	29,522	32,783	31,991	30,737	28,735	28,767	28,949	23,400
Ground transportation	5,946	6,186	6,639	8,301	9,323	10,083	10,402	11,062	12,645	10,072
Other operating revenues	3,851	4,076	4,873	4,559	4,984	8,324	5,926	9,836	6,123	5,839
Subtotal	138,836	148,295	160,234	177,260	185,668	186,009	184,814	194,871	199,374	152,748
TOTAL OPERATING REVENUES	$ 410,402	$ 417,550	$ 432,994	$ 452,107	$ 476,282	$ 488,897	$ 494,041	$ 510,864	$ 498,464	$ 471,912

Gross revenues include all operating revenue of the Airport Fund, and all nonoperating revenue except for revenue with legal spending restrictions. Maintenance and operating expenses include all operating expenses of the system except for depreciation and capital expenses. Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

(continued)

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PLEDGED REVENUES (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NET REVENUE										
Operating revenue	$ 410,402	$ 417,550	$ 432,994	$ 452,107	$ 476,282	$ 488,897	$ 494,041	$ 510,864	$ 498,464	$ 471,912
Interest on investments - revenue fund	12,889	9,826	7,029	5,499	6,014	6,986	9,306	13,348	19,681	19,503
Other nonoperating revenues	341	2,289	1,222	3,162	7,526	(52)	7,177	(1,805)	47	122
Gross revenues	423,632	429,665	441,245	460,768	489,822	495,831	510,524	522,407	518,192	491,537
Less: Maintenance and operating expenses	(262,668)	(255,507)	(252,745)	(268,745)	(283,557)	(314,715)	* (254,506)	(326,889)	** (315,153)	(314,034)
Net pledged revenue	$ 160,964	$ 174,158	$ 188,500	$ 192,023	$ 206,265	$ 181,116	$ 256,018	$ 195,518	$ *** 203,039	$ 177,503
DEBT SERVICE										
Principal	$ 61,136	$ 59,575	$ 56,800	$ 60,419	$ 71,999	$ 79,093	$ 82,707	$ 81,137	$ 80,110	$ 89,090
Interest	97,546	91,736	97,138	96,005	91,320	84,811	92,316	93,319	96,202	91,641
	158,682	151,311	153,938	156,424	163,319	163,904	175,023	174,456	176,312	180,731
Less PFC revenue available for debt service	(38,828)	(36,619)	(34,390)	(35,614)	(38,054)	(42,320)	(54,673)	(50,642)	(60,646)	(55,040)
Less grant revenue available for debt service	(17,999)	(7,360)	-	(22,942)	(16,399)	(13,888)	-	-	-	(14,169)
Total debt service	$ 101,855	$ 107,332	$ 119,548	$ 97,868	$ 108,866	$ 107,696	$ 120,350	$ 123,814	$ 115,666	$ 111,522
COVERAGE OF DEBT SERVICE	1.58	1.62	1.58	1.96	1.89	1.68	2.13	1.58	*** 1.76	1.59
Net Required revenue per bond rate covenant	$ 112,873	$ 119,343	$ 133,552	$ 108,369	$ 122,822	$ 120,125	$ 134,348	$ 137,474	$ 127,430	$ 122,935
RATIO OF REQUIRED REVENUE	1.43	1.46	1.41	1.77	1.68	1.51	1.91	1.42	*** 1.59	1.44

Debt service requirements is equal to interest expense (excluding amortization of bond discount and amounts provided for payment of interest by bond proceeds and other sources and deposited into a restricted fund for that purpose) for each respective fiscal year ended June 30, plus principal payment payable on the next July 1. Certain grant revenue and passenger facility charge revenue is available to cover net required revenue and required debt service. In Fiscal Year 2016, $6,250,000 in remaining series 2009A proceeds were used to pay senior lien bond debt service.

Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

Revenues and expenses cannot be included in net pledged revenue if they are accounted for outside of the Airport Revenue Fund, and do not affect amounts available for transfer to debt service funds.

*Maintenance and operating expense for debt coverage calculations decreased by $60.2 million between Fiscal Year 2017 and Fiscal Year 2016, primarily due to a $67.4 million decrease in pension expense associated with pension reform enacted in 2017. Without the effects of pension reform, it is estimated that debt service coverage would have been 1.63.

** Fiscal Year 2019 maintenance and operating expenses is updated due to allowable exclusions in the definition of maintenance and operating expense in the Master Bond Ordinance.

*** Fiscal Year 2019 Net pledged revenue,coverage of debt service and ratio of required revenue are updated accordingly.

RECONCILIATION OF HISTORIAL FINANCIAL RESULTS (in thousands)
JUNE 30, 2020 and 2019

	2020	2019
Net Revenues under Bond Resolution		
Revenues	$ 491,537	$ 518,192
Operation and Maintenance Expenses	(314,034)	(315,152)
Net Revenues under Bond Resolution	177,503	203,040
Reconciliation of Change in Net Assets to Bond Resolution Net Revenues		
Change in Net Assets	5,726	92,743
Exclusion:		
Passenger Facility Charge Revenues Collected	78,418	111,155
Interest Income - Total	43,701	45,067
Interest Expenses	(74,533)	(81,575)
Gain/(Loss) on Disposal of Assets	(10,856)	119
Customer Facility Charges	13,320	17,439
Specialist Facility Cost	(37)	(43)
Cost of Issuance for Debt	-	(2,960)
Other Revenue (Expenses)	10,820	221
Capital Contributions	18,984	16,599
Total Exclusion	79,817	106,022
Inclusion:		
Net Expense Adjustment under Bond Resolution		
Operating Expenses Exc. Depreciation & Amortization in other funds		
Fund 8000 HAS Grants	-	994
Fund 8010 Renewal & Replacement Fund	19,310	10,189
Fund 8011 Airport Improvement Fund	56	9,437
Fund 8037 HAS - O&M Grants	425	636
Fund 8044 HAS Disaster Recovery O&M	-	15
Fund 8051 HAS State Energy Conservation Loan CL311	214	-
Fund 8052 HAS State Energy Conservation Loan CL312	110	-
Fund 8207 HAS Consolidated ITRP AMT Construction	36,500	1,165
Miscellaneous	(219)	(111)
Total Inclusion	56,396	22,325
Changes in Net Assets less Exclusion plus Inclusion	(17,695)	9,046
Depreciation & Amortization	175,573	174,266
Interest on investments - Eligible per Bond Resolution	19,503	19,681
Other revenues - Eligible per Bond Resolution	122	47
Net Revenues Per Bond Resolution	$ 177,503	$ 203,040

	2020	2019
Operations and Maintenance Expense Reconciliation		
Operations and Maintenance Expense per Financial Statement	$ 546,003	$ 511,743
Exclusion:		
Depreciation & Amortization	(175,573)	(174,266)
Allowable Exclusions per Bond Resolution		
Fund 8000 HAS Grants	-	(994)
Fund 8010 Renewal & Replacement Fund	(19,310)	(10,189)
Fund 8011 Airport Improvement Fund	(56)	(9,437)
Fund 8037 HAS - O&M Grants	(425)	(636)
Fund 8044 HAS Disaster Recovery O&M	-	(15)
Fund 8051 HAS State Energy Conservation Loan CL311	(214)	-
Fund 8052 HAS State Energy Conservation Loan CL312	(110)	-
Fund 8207 HAS Consolidated ITRP AMT Construction	(36,500)	(1,165)
Miscellaneous	219	111
Total Operation and Maintenance Expense per Bond Resolution	$ 314,034	$ 315,152

The Airport System's operation and maintenance expense per our Statement of Revenues, Expenditures and Changes in Net Position (financial statement) and our Master Bond Ordinance (bond resolution) differ due to allowable exclusions in the definition of operation and maintenance expense in the Master Bond Ordinance. The Operations and Maintenance Expense Reconciliation above provides a listing of allowable exclusions by fund.

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PLEDGED REVENUES FOR CONSOLIDATED RENTAL CAR FACILITY

(not rounded to the nearest thousand)	For Years Ended December 31:									
Resources Available for Debt Service	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Customer facility charge collections	$ 12,300,253	$ 14,596,573	$ 16,444,942	$ 17,317,058	$ 17,451,368	$ 17,359,920	$ 14,822,377	$ 15,669,757	$ 17,311,972	$ 17,615,108
Interest income	7,961	475	318	731	785	3,840	29,003	56,976	131,162	167,666
Transfers from Rate Stabilization Account	-	-	-	-	-	-	-	-	-	
Transfers from Coverage Account	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143	3,169,143
Total Resources Available for Debt Service	$ 15,477,357	$ 17,766,191	$ 19,614,403	$ 20,486,932	$ 20,621,296	$ 20,532,903	$ 18,020,523	$ 18,895,876	$ 20,612,277	$ 20,951,917
Annual Debt Service										
Special Facility Revenue Bonds, Series 2001:										
Principal	$ 2,675,000	$ 2,960,000	$ 3,260,000	$ 3,590,000	$ -	$ -	$ -	$ -	$ -	$ -
Interest	8,108,278	7,944,033	7,759,329	7,552,645	6,006,288	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128
Subtotal Series 2001	10,783,278	10,904,033	11,019,329	11,142,645	6,006,288	4,691,128	4,691,128	4,691,128	4,691,128	4,691,128
Special Facility Refunding Bonds, Series 2014:										
Principal	-	-	-	-	4,355,000	5,160,000	5,305,000	5,490,000	5,715,000	5,960,000
Interest	-	-	-	-	230,243	691,019	652,835	584,082	478,893	346,534
Subtotal Series 2014	-	-	-	-	4,585,243	5,851,019	5,957,835	6,074,082	6,193,893	6,306,534
Total Annual Debt Service	$ 10,783,278	$ 10,904,033	$ 11,019,329	$ 11,142,645	$ 10,591,531	$ 10,542,147	$ 10,648,963	$ 10,765,210	$ 10,885,021	$ 10,997,662
DEBT SERVICE COVERAGE RATIO	1.44	1.63	1.78	1.84	1.95	1.95	1.69	1.76	1.89	1.91

Customer Facility Charges are used first to pay debt service on the Airport System Special Facilities Taxable Revenue Bonds (Consolidated Rental Car Facility Project), Series 2001 and on the Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014. Additional collections are used to pay administrative costs for the special facility agreement, and then for capital improvements and major repairs on the special facility. Customer facility charges are kept and invested separately by BNYMellon Bank as trustee, and cannot be used for any other City or Airport Fund purpose as long as any Special Facility Revenue Bonds (CRCF) remain outstanding.

No other City or Airport Fund revenues are pledged toward the payment of Special Facility Revenue Bonds (CRCF).

The Special Facilities Revenue Bond (CRCF) covenants require the Airport Fund to maintain a debt service coverage ratio of at least 125%

The City imposed a $3.00 Customer Facility Charge as of April 1, 2001, which was increased to $3.50 effective July 1, 2003, reduced to $3.25 effective April 1, 2005, reduced to $3.00 effective July 1, 2006, increased to $3.75 effective November 1, 2009, increased to $4.25 effective April 1, 2011, reduced to $4.00 effective April 1, 2013, and reduced again to $3.00 effective April 1, 2016, and increased to $4.00 effective April 1, 2017.

For purposes of coverage calculation, collections are considered available for debt service when they are received by the trustee.

For purposes of coverage calculation, interest and principal is calculated on the accrual basis, for instance, in 2008, funding is accumulated for payments due on 7/1/2008 and 1/1/2009.

For more information on the Consolidated Rental Car Facility assets and debt, see Notes 1 and 5.

OUTSTANDING DEBT (in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OUTSTANDING DEBT BY TYPE (1)										
Senior lien revenue bonds, fixed rate	$ 449,660	$ 449,660	$ 449,660	$ 449,660	$ 449,660	$ 440,385	$ 430,645	$ 420,420	$ -	$ -
Subordinate lien revenue bonds, fixed rate	1,582,080	1,464,905	1,419,125	1,376,505	1,331,765	1,284,860	1,232,585	1,331,795	1,843,145	1,763,235
Subordinate lien revenue bonds, periodic auction rate	315,550	305,425	298,525	286,300	276,275	266,925	254,475	242,275	-	-
Subordinate lien revenue bonds, variable rate	93,730	93,630	93,505	93,305	93,105	92,905	92,705	92,505	92,305	92,105
Subtotal, revenue bonds payable	2,441,020	2,313,620	2,260,815	2,205,770	2,150,805	2,085,075	2,010,410	2,086,995	1,935,450	1,855,340
Unamortized discount	(16,216)	(4,176)	(3,905)	(3,619)	(3,317)	(3,016)	(2,717)	(2,422)	(675)	(599)
Unamortized premium	11,583	96,928	89,587	82,318	75,141	68,118	61,302	112,362	179,927	162,949
Revenue bonds payable, net	$ 2,436,387	$ 2,406,372	$ 2,346,497	$ 2,284,469	$ 2,222,629	$ 2,150,177	$ 2,068,995	$ 2,196,935	$ 2,114,702	$ 2,017,690
Senior lien commercial paper payable	-	-	-	1,200	49,500	87,000	87,000	21,473	48,473	132,973
Inferior lien contract payable	37,430	32,895	28,115	23,075	17,760	12,155	6,240	-	-	-
Pension obligation bonds payable (2)	2,006	2,006	2,006	2,006	2,006	2,006	2,006	29,616	2,006	2,006
Note payable (3)	-	-	-	-	-	120,439	115,421	-	-	-
Privately placed long term loans (4)	-	-	-	-	-	-	-	-	-	324
Special facilities revenue bonds, rental car (5)	115,240	112,280	109,020	105,430	102,055	96,895	91,590	86,100	80,385	74,425
TOTAL OUTSTANDING DEBT PAYABLE	$ 2,591,063	$ 2,553,553	$ 2,485,638	$ 2,416,180	$ 2,393,950	$ 2,468,672	$ 2,371,252	$ 2,334,124	$ 2,245,566	$ 2,227,418
Total enplaned passengers	24,944,816	25,303,825	25,132,792	25,944,623	26,903,969	27,813,447	27,364,057	27,712,788	29,807,599	21,828,420
Outstanding debt per enplaned passenger	$ 103.87	$ 100.92	$ 98.90	$ 93.13	$ 88.98	$ 88.76	$ 86.66	$ 84.23	$ 75.34	$ 102.04
OUTSTANDING CONDUIT DEBT										
Special facilities revenue bonds (6)	$ 455,895	$ 565,500	$ 565,090	$ 561,470	$ 711,790	$ 711,790	$ 711,790	$ 848,865	$ 848,865	$ 924,460

(1) Includes both current and long-term liabilities.

(2) A portion of the City of Houston Taxable General Obligation Pension Bonds, Series 2005 and Series 2017, have been allocated to the Airport Fund for payment. Series 2017 was paid on March 1, 2019.

(3) A Note payable to Southwest Airlines for the construction of the Hobby International Terminal project was paid with Revenue and Refunding Bond Series 2018A proceeds on March 20, 2018.

(4) Two flex loans were executed in 2019 with the Texas State Energy Conservation Office (SECO). These 2% loans are capped at $7.9 and $7.5 million, payable over 14.6 and 10 years starting in 2022.

(5) The Special Facilities Revenue and Refunding Bonds (Consolidated Rental Car Facility), Series 2001 and Series 2014, are included in the Airport Fund financial statements (See Notes 1 and 5).

(6) These Special Facilities Revenue Bonds are conduit bonds secured solely by lease payments from United Airlines. No revenues of the Airport System Fund are pledged to pay these bonds.

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

SUMMARY OF CERTAIN FEES AND CHARGES

IAH	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Landing Rates (1) (5)	2.737	2.743	2.850	2.844	2.803	2.635	2.571	2.763	2.561	2.533
Terminal Space Rentals (2) (5)	23.88-80.97	21.38-79.14	21.67-78.25	20.77-72.51	21.75-75.45	22.88-76.08	22.95-72.46	24.26-72.69	24.02 - 69.27	24.54 - 70.22
Apron Rentals (2) (5)	1.841-2.613	1.712-2.612	1.927-2.702	2.051-2.576	2.114-2.597	2.155-2.703	2.236-2.649	2.453-2.780	2.697 - 2.984	2.683 - 2.859
Aircraft Parking (per day) (4)	70.00-300.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00 - 400.00
Cargo (per day) (3)	125.00-450.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00 - 600.00
Parking Rates (6)										
Economy (Ecopark) Uncovered (7)	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Economy (Ecopark) Covered (7)	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Economy (Ecopark2) Covered (8)	-	-	-	-	-	5.00	6.00	6.00	7.00	7.00
Structured (9)	17.00	17.00	17.00	19.00	19.00	20.00	22.00	22.00	24.00	10.00
Sure Park (10)	20.00	20.00	20.00	23.00	23.00	24.00	24.00	24.00	26.00	26.00
Valet (10)	-	-	23.00	25.00	25.00	26.00	26.00	26.00	28.00	28.00

HOU	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Landing Rates (1) (5)	2.227	1.941	1.925	1.768	2.113	1.835	1.982	2.013	2.000	2.049
Terminal Space Rentals (2) (5)	96.91-99.41	90.77-93.27	85.95-88.45	87.73-90.23	92.77-95.27	87.62-90.12	64.79-67.29	48.10-68.15	54.33 - 73.42	58.04 - 70.94
Apron Rentals (2) (5)	1.973	1.787	1.815	1.891	2.209	1.765	1.652-1.853	1.791-1.848	1.874 - 1.924	2.002 - 2.040
Aircraft Parking (per day) (4)	70.00-300.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00-400.00	100.00 - 400.00
Cargo (per day) (3)	125.00-450.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00-600.00	200.00 - 600.00
Parking Rates (6)										
Economy (Ecopark) (11)	8.00	10.00	10.00	12.00	-	-	-	-	-	-
Economy (Ecopark2) (12)	6.00	6.00	6.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Structured (9)	17.00	17.00	17.00	19.00	19.00	20.00	22.00	22.00	24.00	10.00
Valet (10)	-	-	23.00	25.00	25.00	26.00	26.00	26.00	28.00	28.00

(1) Per 1,000 pounds of landing weight
(2) Range per square foot
(3) Daily cargo rates increased on August 1, 2011 at Intercontinental and Hobby to a range of $200-$600
(4) Daily aircraft parking rates increased on August 1, 2011 at Intercontinental and Hobby to a range of $100-$400
(5) 2011-2019 actual rates provided versus budgeted; 2020 budgeted rates provided.
(6) Maximum per day
(7) New rates effective September 1, 2013
(8) New rates effective December 3, 2018
(9) Covid 19 Temporary rates March 20 - May 30, 2020 $5.00/Day; June 1 - June 30, 2020 $10.00/Day
(10) New rates effective February 4, 2019
(11) Ecopark 1 at Hobby closed March 18, 2014
(12) New rates effective May 5, 2014

PASSENGER STATISTICS
LAST TEN YEARS

DOMESTIC PASSENGERS

	IAH		HOU		EFD		Domestic Total	
Fiscal Year	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
2011	31,638	-1.4%	9,434	7.8%	-	-	41,072	0.5%
2012	31,778	0.4%	10,192	8.0%	-	-	41,970	2.2%
2013	30,830	-3.0%	10,690	4.9%	-	-	41,520	-1.1%
2014	30,832	0.0%	11,609	8.6%	-	-	42,441	2.2%
2015	31,967	3.7%	11,837	2.0%	-	-	43,804	3.2%
2016	31,959	0.0%	12,209	3.1%	-	-	44,168	0.8%
2017	30,809	-3.6%	12,423	1.8%	-	-	43,232	-2.1%
2018	31,102	1.0%	12,864	3.5%	-	-	43,966	1.7%
2019	33,972	9.2%	13,628	5.9%	-	-	47,600	8.3%
2020	25,068	-26.2%	9,998	-26.6%	-	-	35,066	-26.3%

INTERNATIONAL PASSENGERS

HAS PASSENGERS

	IAH		HOU		International Total		GRAND TOTAL	
Fiscal Year	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change	Enplanements & Deplanements (in thousands)	Percentage Change
2011	8,730	7.3%	-	-	8,730	7.3%	49,802	1.7%
2012	8,686	-0.5%	-	-	8,686	-0.5%	50,656	1.7%
2013	8,795	1.3%	-	-	8,795	1.3%	50,315	-0.7%
2014	9,470	7.7%	-	-	9,470	7.7%	51,911	3.2%
2015	10,018	5.8%	4	-	10,022	5.8%	53,826	3.7%
2016	10,904	8.8%	519	12875.0%	11,423	14.0%	55,591	3.3%
2017	10,662	-2.2%	860	65.7%	11,522	0.9%	54,754	-1.5%
2018	10,404	-2.4%	957	11.3%	11,361	-1.4%	55,327	1.0%
2019	10,939	5.1%	966	0.9%	11,905	4.8%	59,505	7.6%
2020	7,969	-27.2%	591	-38.8%	8,560	-28.1%	43,626	-26.7%

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PASSENGER STATISTICS BY CARRIER

FOR YEARS ENDED JUNE 30, 2020 AND 2019

DOMESTIC

AIRLINES	IAH 2019 Total Passengers	IAH 2019 Market Share	IAH 2020 Total Passengers	IAH 2020 Market Share	HOU 2019 Total Passengers	HOU 2019 Market Share	HOU 2020 Total Passengers	HOU 2020 Market Share
Alaska Airlines	188,351	0.4%	163,808	0.5%	-	0.0%	-	0.0%
All Nippon Airways Company, Ltd.	-	0.0%	325	0.0%	-	0.0%	-	0.0%
American Airlines, Inc.	2,126,489	4.7%	1,500,662	4.6%	-	0.0%	-	0.0%
Compass Airlines - AE	40,225	0.1%	34,091	0.1%	-	0.0%	-	0.0%
Envoy Air - AA	86,774	0.2%	66,797	0.2%	20,245	0.1%	26,839	0.3%
ExpressJet Airlines Inc. - AE	-	0.0%	-	0.0%	12,693	0.1%	-	0.0%
Mesa Airlines - HP	4,176	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines - AE	118,240	0.3%	85,391	0.3%	57,496	0.4%	200,245	1.9%
PSA Airlines - AE	-	0.0%	2,023	0.0%	-	0.0%	-	0.0%
Republic Airlines - AE	69,186	0.2%	47,133	0.1%	10,736	0.1%	-	0.0%
SkyWest Airlines - AE	7,855	0.0%	13,187	0.0%	33,628	0.2%	17,768	0.1%
American Airlines, Inc. Subtotal	**2,452,945**	**5.5%**	**1,749,284**	**5.3%**	**134,798**	**0.9%**	**244,852**	**2.3%**
Delta	1,159,756	2.7%	1,285,389	3.9%	436,104	3.0%	281,781	2.7%
Compass Airlines - DL	6,345	0.0%	-	0.0%	-	0.0%	-	0.0%
Endeavor - DL	156,440	0.3%	-	0.0%	-	0.0%	-	0.0%
GO JET Airlines - DL	13,201	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic Airlines - DL	98,807	0.2%	-	0.0%	-	0.0%	-	0.0%
SkyWest Airlines - DL	154,214	0.3%	-	0.0%	-	0.0%	-	0.0%
Delta Subtotal	**1,588,763**	**3.5%**	**1,285,389**	**3.9%**	**436,104**	**3.0%**	**281,781**	**2.7%**
Boutique Air	2,918	0.0%	3,857	0.0%	-	0.0%	-	0.0%
Frontier	192,057	0.4%	297,303	0.9%	-	0.0%	-	0.0%
JetBlue Airways	-	0.0%	71,103	0.2%	176,990	1.2%	60,276	0.6%
Kalitta Charters, LLC	7	0.0%	1	0.0%	5	0.0%	7	0.0%
Southwest Airlines Company	-	0.0%	-	0.0%	12,709,594	87.1%	9,403,219	88.8%
Southwest Airlines Company Subtotal	**-**	**0.0%**	**-**	**0.0%**	**12,709,594**	**87.1%**	**9,403,219**	**88.8%**
Spirit Airlines	2,244,010	5.1%	1,777,892	5.4%	-	0.0%	-	0.0%
United Airlines	17,999,240	40.1%	12,392,954	37.5%	-	0.0%	78	0.0%
ExpressJet Airlines, Inc. - UA	2,883,776	6.4%	2,230,876	6.8%	-	0.0%	-	0.0%
Mesa Airlines - UA	4,145,441	9.2%	3,235,459	9.8%	-	0.0%	-	0.0%
Republic Airlines - UA	1,529,222	3.4%	886,482	2.7%	-	0.0%	-	0.0%
SkyWest Airlines - UA	715,846	1.6%	874,679	2.6%	-	0.0%	-	0.0%
United Airlines Inc. Subtotal	**27,273,525**	**60.7%**	**19,620,450**	**59.4%**	**-**	**0.0%**	**78**	**0.0%**
US Airways	-	0.0%		0.0%	-	0.0%	-	0.0%
Mesa Airlines - US	14,379	0.0%	-	0.0%	165,816	1.2%	-	0.0%
PSA Airlines - US	11,199	0.0%	-	0.0%	-	0.0%	-	0.0%
Republic Airlines - US	-	0.0%	96,217	0.3%	-	0.0%	-	0.0%
US Airways Subtotal	**25,578**	**0.0%**	**96,217**	**0.3%**	**165,816**	**1.2%**	**-**	**0.0%**
Charter Airlines	4,122	0.0%	2,692	0.0%	4,686	0.0%	7,194	0.0%
TOTAL DOMESTIC	33,972,276	75.6%	25,068,321	75.9%	13,627,993	93.4%	9,997,407	94.4%

DOMESTIC

AIRLINES	Houston Airport System 2019 Total Passengers	Houston Airport System 2019 Market Share	Houston Airport System 2020 Total Passengers	Houston Airport System 2020 Market Share
Alaska Airlines	188,351	0.3%	163,808	0.4%
All Nippon Airways Company, Ltd.	-	0.0%	325	0.0%
American Airlines, Inc.	2,126,489	3.6%	1,500,662	3.4%
Compass Airlines - AE	40,225	0.1%	34,091	0.1%
Envoy Air - AA	107,019	0.2%	93,636	0.2%
ExpressJet Airlines Inc. - AE	12,693	0.0%	-	0.0%
Mesa Airlines - HP	4,176	0.0%	-	0.0%
Mesa Airlines - AE	175,736	0.3%	285,636	0.7%
PSA Airlines - AE	-	0.0%	2,023	0.0%
Republic Airlines - AE	79,922	0.1%	47,133	0.1%
SkyWest Airlines - AE	41,483	0.1%	30,955	0.1%
American Airlines, Inc. Subtotal	**2,587,743**	**4.4%**	**1,994,136**	**4.6%**
Delta	1,595,860	2.6%	1,567,170	3.6%
Compass Airlines - DL	6,345	0.0%	-	0.0%
Endeavor - DL	156,440	0.3%	-	0.0%
GO JET Airlines - DL	13,201	0.0%	-	0.0%
Republic Airlines - DL	98,807	0.2%	-	0.0%
SkyWest Airlines - DL	154,214	0.3%	-	0.0%
Delta Subtotal	**2,024,867**	**3.4%**	**1,567,170**	**3.6%**
Boutique Air	2,918	0.0%	3,857	0.0%
Frontier	192,057	0.3%	297,303	0.7%
JetBlue Airways	176,990	0.3%	131,379	0.3%
Kalitta Charters, LLC	12	0.0%	8	0.0%
Southwest Airlines Company	12,709,594	21.4%	9,403,219	21.6%
Southwest Airlines Company Subtotal	**12,709,594**	**21.4%**	**9,403,219**	**21.6%**
Spirit Airlines	2,244,010	3.8%	1,777,892	4.0%
United Airlines	17,999,240	30.2%	12,393,032	28.4%
ExpressJet Airlines, Inc. - UA	2,883,776	4.8%	2,230,876	5.1%
Mesa Airlines - UA	4,145,441	7.0%	3,235,459	7.5%
Republic Airlines - UA	1,529,222	2.6%	886,482	2.0%
SkyWest Airlines - UA	715,846	1.2%	874,679	2.0%
United Airlines Inc. Subtotal	**27,273,525**	**45.8%**	**19,620,528**	**45.0%**
US Airways	-	0.0%	-	0.0%
Mesa Airlines - US	180,195	0.3%	-	0.0%
PSA Airlines - US	11,199	0.0%	-	0.0%
Republic Airlines - US	-	0.0%	96,217	0.2%
US Airways Subtotal	**191,394**	**0.3%**	**96,217**	**0.2%**
Charter Airlines	8,808	0.0%	9,886	0.0%
TOTAL DOMESTIC	47,600,269	80.0%	35,065,728	80.4%

PASSENGER STATISTICS BY CARRIER TOTAL
FOR YEARS ENDED JUNE 30, 2020 AND 2019

INTERNATIONAL	IAH				HOU			
AIRLINES	2019		2020		2019		2020	
	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share	Total Passengers	Market Share
AeroMéxico	142,906	0.3%	116,243	0.4%	-	0.0%	-	0.0%
All Nippon Airways Company, Ltd. - ANA	153,685	0.3%	110,634	0.3%	-	0.0%	-	0.0%
Air China	156,832	0.4%	94,549	0.3%	-	0.0%	-	0.0%
Air France	156,864	0.4%	105,440	0.3%	-	0.0%	-	0.0%
Air New Zealand	144,018	0.3%	82,478	0.2%	-	0.0%	-	0.0%
BahamasAir	9,805	0.0%	-	0.0%	-	0.0%	-	0.0%
British Airways	239,024	0.5%	160,264	0.5%	-	0.0%	-	0.0%
Emirates	261,321	0.6%	177,930	0.5%	-	0.0%	-	0.0%
Ethiopian Airlines	-	0.0%	7,500	0.0%	-	0.0%	-	0.0%
EVA Airways Corporation	202,101	0.5%	142,604	0.4%	-	0.0%	-	0.0%
Interjet	193,987	0.4%	173,062	0.5%	-	0.0%	-	0.0%
JetBlue Airways	-	0.0%	-	0.0%	598	0.0%	-	0.0%
Jazz Air - Air Canada	329,540	0.8%	231,407	0.7%	-	0.0%	-	0.0%
KLM	174,729	0.4%	117,347	0.4%	-	0.0%	-	0.0%
Lufthansa	290,560	0.7%	186,610	0.6%	-	0.0%	-	0.0%
Qatar Airways	156,608	0.3%	133,981	0.4%	-	0.0%	-	0.0%
Singapore Airlines	92,005	0.2%	61,853	0.2%	-	0.0%	-	0.0%
Spirit Airlines	182,717	0.4%	170,449	0.5%	-	0.0%	-	0.0%
Southwest Airlines Company	-	0.0%		0.0%	964,942	6.6%	590,946	5.6%
TACA	63,021	0.1%	58,030	0.2%	-	0.0%	-	0.0%
Turkish Airlines	197,000	0.5%	148,092	0.4%	-	0.0%	-	0.0%
United Airlines Inc.	6,355,437	14.2%	4,579,371	13.9%	-	0.0%	-	0.0%
ExpressJet Airlines, Inc. - UA	261,267	0.5%	169,233	0.5%	-	0.0%	-	0.0%
Mesa Airlines - UA	903,072	2.0%	706,658	2.1%	-	0.0%	-	0.0%
United Airlines Inc. Subtotal	**7,519,776**	**16.7%**	**5,460,796**	**16.5%**	**-**	**0.0%**	**-**	**0.0%**
WestJet Airlines	124,447	0.3%	85,590	0.3%	-	0.0%	-	0.0%
Viva Aerobus	81,766	0.2%	88,184	0.3%	-	0.0%	-	0.0%
Volaris Airline	57,754	0.1%	56,079	0.2%	-	0.0%	-	0.0%
Charter Airlines	8,819	0.0%	-	0.0%	-	0.0%	-	0.0%
TOTAL INTERNATIONAL	10,939,285	24.4%	7,969,122	24.1%	965,540	6.6%	590,946	5.6%
TOTAL AIRLINES	**44,911,561**	**100.0%**	**33,037,443**	**100.0%**	**14,593,533**	**100.0%**	**10,588,353**	**100.0%**

INTERNATIONAL	Houston Airport System			
AIRLINES	2019		2020	
	Total Passengers	Market Share	Total Passengers	Market Share
AeroMéxico	142,906	0.2%	116,243	0.3%
All Nippon Airways Company, Ltd. - ANA	153,685	0.3%	110,634	0.3%
Air China	156,832	0.3%	94,549	0.2%
Air France	156,864	0.3%	105,440	0.2%
Air New Zealand	144,018	0.2%	82,478	0.2%
BahamasAir	9,805	0.0%	-	0.0%
British Airways	239,024	0.4%	160,264	0.4%
Emirates	261,321	0.4%	177,930	0.4%
Ethiopian Airlines	-	0.0%	7,500	0.0%
EVA Airways Corporation	202,101	0.3%	142,604	0.3%
Interjet	193,987	0.3%	173,062	0.4%
JetBlue Airways	598	0.0%	-	0.0%
Jazz Air - Air Canada	329,540	0.6%	231,407	0.5%
KLM	174,729	0.3%	117,347	0.3%
Lufthansa	290,560	0.5%	186,610	0.4%
Qatar Airways	156,608	0.3%	133,981	0.3%
Singapore Airlines	92,005	0.2%	61,853	0.1%
Spirit Airlines	182,717	0.3%	170,449	0.4%
Southwest Airlines Company	964,942	1.6%	590,946	1.4%
TACA	63,021	0.1%	58,030	0.1%
Turkish Airlines	197,000	0.4%	148,092	0.3%
United Airlines Inc.	6,355,437	10.7%	4,579,371	10.5%
ExpressJet Airlines, Inc. - UA	261,267	0.4%	169,233	0.4%
Mesa Airlines - UA	903,072	1.5%	706,658	1.6%
United Airlines Inc. Subtotal	**7,519,776**	**12.6%**	**5,460,796**	**12.5%**
WestJet Airlines	124,447	0.3%	85,590	0.2%
Viva Aerobus	81,766	0.1%	88,184	0.3%
Volaris Airline	57,754	0.1%	56,079	0.1%
Charter Airlines	8,819	0.0%	-	0.0%
TOTAL INTERNATIONAL	11,904,825	20.0%	8,560,068	19.6%
TOTAL AIRLINES	**59,505,094**	**100.0%**	**43,625,796**	**100.0%**

ORIGINATING PASSENGER ENPLANEMENTS

IAH

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2011	9,683,773	10,506,727	20,190,500	48.0%
2012	9,926,431	10,249,285	20,175,716	49.2%
2013	9,235,098	10,521,105	19,756,203	46.7%
2014	9,653,120	10,452,170	20,105,290	48.0%
2015	10,453,670	10,504,885	20,958,555	49.9%
2016	11,130,370	10,301,326	21,431,696	51.9%
2017	11,127,432	9,602,708	20,730,140	53.7%
2018	11,332,305	9,443,423	20,775,728	54.5%
2019	12,410,801	10,067,653	22,478,454	55.2%
2020	9,274,636	7,252,407	16,527,043	56.1%

HOU

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2011	3,617,541	1,121,642	4,739,183	76.3%
2012	3,906,900	1,221,209	5,128,109	76.2%
2013	3,959,666	1,416,922	5,376,588	73.6%
2014	4,134,726	1,701,165	5,835,891	70.8%
2015	4,271,166	1,674,247	5,945,413	71.8%
2016	4,695,633	1,687,702	6,383,335	73.6%
2017	4,852,811	1,807,446	6,660,257	72.9%
2018	4,829,823	2,107,238	6,937,061	69.6%
2019	4,996,510	2,332,635	7,329,145	68.2%
2020	3,656,655	1,644,722	5,301,377	69.0%

Houston Airport System

Fiscal Year	Originating Enplanements	Connecting Enplanements	Total Enplaned Passengers	Originating Enplanement Percentage
2011	13,301,314	11,628,369	24,929,683	53.4%
2012	13,833,331	11,470,494	25,303,825	54.7%
2013	13,194,764	11,938,027	25,132,791	52.5%
2014	13,787,846	12,153,335	25,941,181	53.2%
2015	14,724,836	12,179,132	26,903,968	54.7%
2016	15,826,003	11,989,028	27,815,031	56.9%
2017	15,980,243	11,410,154	27,390,397	58.3%
2018	16,162,128	11,550,661	27,712,789	58.3%
2019	17,407,311	12,400,288	29,807,599	58.4%
2020	12,931,291	8,897,129	21,828,420	59.2%

AIRCRAFT OPERATIONS, LANDING WEIGHT AND CARGO ACTIVITY

	AIRCRAFT OPERATIONS (in thousands)			AIRCRAFT LANDED WEIGHT (in million pounds)		
Fiscal Year	Total	Increase (Decrease)	Percentage Change	Total	Increase (Decrease)	Percentage Change
2011	861	3	0.35%	32,536	874	2.76%
2012	838	(23)	-2.67%	32,841	305	0.94%
2013	799	(39)	-4.65%	33,044	203	0.62%
2014	811	12	1.50%	33,881	837	2.53%
2015	816	5	0.62%	34,969	1,088	3.21%
2016	787	(29)	-3.55%	35,519	550	1.57%
2017	760	(27)	-3.43%	34,648	(871)	-2.45%
2018	735	(25)	-3.29%	34,814	166	0.48%
2019	752	17	2.31%	37,210	2,396	6.88%
2020	624	(128)	-17.02%	30,348	(6,862)	-18.44%

CARGO ACTIVITY
(in metric tons)

Fiscal Year	Domestic Freight	International Freight	Mail	Total Cargo	Year-over-Year Change
2011	205,174	208,748	33,897	447,819	8.1%
2012	203,042	216,893	33,253	453,188	1.2%
2013	203,082	216,693	27,142	446,917	-1.4%
2014	193,776	225,400	27,333	446,509	-0.1%
2015	192,331	252,876	30,026	475,233	6.4%
2016	195,644	205,361	25,713	426,718	-10.2%
2017	209,343	224,226	24,983	458,552	7.5%
2018	231,670	234,384	23,790	489,844	6.8%
2019	270,965	240,260	23,413	534,638	9.1%
2020	303,101	181,244	19,857	504,202	-5.7%

CITY OF HOUSTON, TEXAS

PERFORMANCE MEASURES

AIRPORT SYSTEM FUND

PERFORMANCE MEASURES	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue per Enplaned Passenger	$ 20.05	$ 20.05	$ 20.35	$ 21.06	$ 22.10	$ 22.40	$ 22.59	$ 23.25	$ 22.56	$ 28.32
Maintenance and Operations Expenses per Enplaned Passenger	$ 11.40	$ 10.44	$ 10.83	$ 10.99	$ 10.65	$ 11.34	$ 9.29	$ 12.09	$ 11.32	$ 16.97
Debt Service per Enplaned Passenger	$ 6.81	$ 6.43	$ 6.58	$ 6.47	$ 6.54	$ 6.69	$ 7.06	$ 6.77	$ 6.33	$ 8.83
Outstanding Debt per Enplaned Passenger (1)	$ 104.06	$ 97.25	$ 95.49	$ 90.11	$ 86.31	$ 86.41	$ 84.43	$ 80.26	$ 69.32	$ 94.60
Intercontinental Budgeted Airline Cost per Est. Enplaned Passenger (2)	$ 10.42	$ 10.79	$ 10.72	$ 11.21	$ 11.28	$ 10.94	$ 11.31	$ 11.38	$ 11.57	$ 10.48
Intercontinental Actual Airline Cost per Enplaned Passenger (2)	$ 10.52	$ 10.39	$ 10.52	$ 10.61	$ 10.56	$ 10.62	$ 11.08	$ 11.39	$ 10.48	$ 14.19
Hobby Budgeted Airline Cost per Est. Enplaned Passenger (2)	$ 7.99	$ 7.24	$ 7.34	$ 7.37	$ 6.99	$ 6.76	$ 6.48	$ 6.22	$ 6.52	$ 6.44
Hobby Actual Airline Cost per Enplaned Passenger (2)	$ 7.68	$ 6.63	$ 6.64	$ 6.19	$ 6.43	$ 7.15	$ 6.15	$ 6.40	$ 6.64	$ 9.21

(1) The calculation of outstanding debt per enplaned passenger does not include unamortized discount and premium.

(2) Airline Costs include terminal building charges, aircraft parking apron charges, and landing fees only for passenger carriers. The costs are calculated during the rates and charges process based on budget and estimate of passengers. They are then recalculated, after the annual audit, during the rates and charges reconciliation process. The estimated costs utilized are based on projected results and are subjected to change.

CASH AVAILABLE BY DAYS FUNDED (in thousdands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Airport System Revenue Fund (1) (2)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$
Operating & Maintenance Reserve	42,643	43,630	46,397	49,633	50,754	51,615	51,807	52,686	55,845	55,845
Renewal & Replacement Fund (3)	19,777	20,876	11,822	11,822	10,011	10,001	10,514	11,483	18,770	(15,378)
Airports Improvement Fund (3)	438,368	455,030	460,634	487,974	396,631	449,768	417,930	444,464	410,795	384,169
Total cash available for operations	$ 500,788	$ 519,536	$ 518,853	$ 549,429	$ 457,396	$ 511,384	$ 480,251	$ 508,633	$ 485,410	$ 424,636
Maintenance and operating expense (4) (5)	$ 262,668	$ 255,507	$ 252,745	$ 268,745	$ 283,557	$ 314,715	$ 254,506	$ 326,889	$ * 315,153	$ 314,034
Days in fiscal year	365	366	365	365	365	366	365	365	365	366
Daily cash requirement	$ 720	$ 698	$ 692	$ 736	$ 777	$ 860	$ 697	$ 896	$ ** 863	$ 858
Days funded	696	744	749	746	589	595	689	568	** 562	495
TOTAL AIRPORT SYSTEM CASH AND INVESTMENTS	$ 1,057,458	$ 1,034,122	$ 1,087,394	$ 1,139,956	$ 1,222,307	$ 1,248,346	$ 1,259,622	$ 1,362,459	$ 1,456,679	$ 1,454,903

(1) The funds are listed in order of availability; each fund must be fully depleted before the next can be used.

(2) Available funding in the Airport System Revenue Fund on June 30th is transferred to the Airports Improvement Fund to comply with airport bond ordinances.

(3) Excludes cash required for accrued liabilities and capital appropriations.

(4) Excludes capital asset impairments and retirements, and expense incurred on cancelled capital projects. Includes interest expense for the Series 2005 pension obligation bonds and the debt service on the note payable to Southwest Airlines.

(5) Maintenance and operating expense funded by cash available for operations decreased by $60.2 million between Fiscal Year 2017 and Fiscal Year 2016, primarily due to a $67.4 million decrease in pension expense associated with pension reform enacted in 2017. Without the reform, it is estimated that days funded at June 30, 2017 would be 557.

* Fiscal Year 2019 maintenance and operating expenses is updated due to allowable exclusions in the definition of maintenance and operating expense in the Master Bond Ordinance.

** Fiscal Year 2019 daily cash requirement and days funded are updated accordingly.

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

AIRPORT INFORMATION

	IAH		HOU		EFD (I)	
LOCATION	22 miles N of downtown Houston		7 miles SE of downtown Houston		15 miles SE of downtown Houston	
AREA	10,080.10 acres		1,501.9 acres		1,944.60 acres	
ELEVATION	97 MSL		46 MSL		32 MSL	
AIRPORT CODE	IAH		HOU		EFD	
RUNWAYS	8R-26L	9,402x150 ft	13L-31R	5,148x100 ft	17L-35R	4,609x80 ft
	9-27	10,000x150 ft	13R-31L	7,602x150 ft	17R-35L	9,001x150 ft
	15L-33R	12,001x150 ft	4-22	7,602x150 ft	4-22	8,001x150 ft
	15R-33L	10,000x150 ft				
	8L-26R	9,000x150 ft				
TERMINAL SPACE	Airlines	2,970,924 sf	Airlines	531,197 sf	n/a	
	Tenants	201,134 sf	Tenants	63,672 sf		
	Public/Common	795,426 sf	Public/Common	152,648 sf		
	Mechanical	278,048 sf	Mechanical	115,815 sf		
	Other	213,879 sf	Other	47,615 sf		
	Total	4,459,411 sf	Total	910,947 sf		
NUMBER OF GATES/HARDSTAND POSITIONS	128/7		30/n/a		n/a	
COMMERCIAL AIRLINES APRON	3,871,192 sf		681,239 sf		n/a	
RENTAL CAR FACILITY	10 Rental Car Agencies		10 Rental Car Agencies		1 Rental Car Agency	
PARKING SPACES	S-T Hourly	14,818	S-T Hourly	5,611		
	L-T ECO	8,612	L-T ECO	958		
	Employee	2,031	Employee	906	Employee	27
	Total	25,461	Total	7,475	Total	27

(I) No scheduled commercial flights

EMPLOYEE STAFFING BY FUNCTION

FULL TIME EQUIVALENT (FTE)
Number of Employees (1)

DEPARTMENT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	361.0	329.6	292.3	303.5	314.3	343.0	321.1	304.4	287.4	288.0
IAH Operations (2)	833.9	789.9	755.8	775.6	704.4	630.5	620.4	615.8	609.0	611.3
HOU Operations (2)	300.8	266.6	264.1	260.1	245.6	246.3	244.2	243.9	233.1	223.6
EFD Operations (2)	30.8	28.9	27.3	29.5	27.7	25.4	25.8	25.9	26.8	22.3
TOTAL FTE EMPLOYEES	1,526.5	1,415.0	1,339.5	1,368.7	1,292.0	1,245.2	1,211.5	1,190.0	1,156.3	1,145.2

(1) A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full time equivalent employment is calculated by dividing total labor hours including overtime by 2,080

(2) Includes Airside, Landside, Communication Center and Ground Transportation

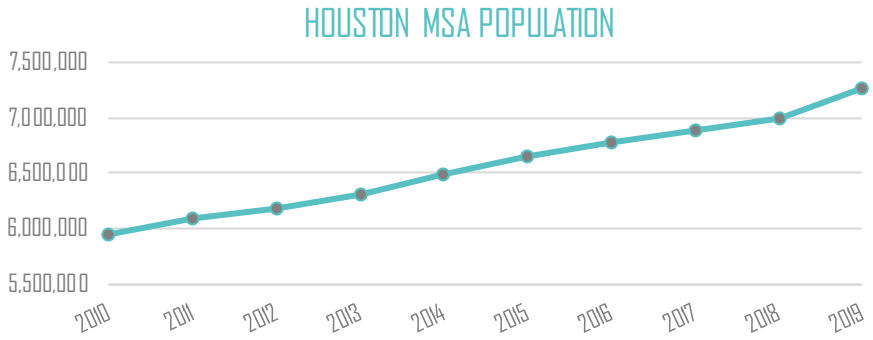
SERVICE AREA/SERVICE AREA POPULATION/PRINCIPAL EMPLOYERS

The primary service region for the Houston Airport System, the 9-county Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA), has a diverse economic base and is recognized as a major national and international energy, financial, medical, transportation, retail, and distribution center. The MSA extends out five additional counties of Matagorda, Trinity, Walker, Washington, and Wharton for the broader The Houston-The Woodlands Combined Statistical Area (CSA). According to U.S. Bureau of the Census, the population estimate was 7.07 million for the MSA and 7.26 million for the CSA as of July 1, 2019.

Houston, the nation's fourth most populous city, is the largest in the South. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

SERVICE AREA POPULATION

Year	Houston MSA Population
2010	5,946,800
2011	6,086,538
2012	6,177,035
2013	6,313,158
2014	6,490,180
2015	6,656,947
2016	6,772,470
2017	6,892,427
2018	6,997,384
2019	7,264,844



Source: Greater Houston Partnership and U.S. Census Bureau, Population Division

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

EMPLOYER	June 30, 2020 Employees	Rank	Percentage of Total City Employment	June 30, 2011 Employees	Rank	Percentage of Total City Employment
Houston Methodist	25,543	1	2.23%			
HEB	25,337	2	2.21%			
Walmart	22,854	3	1.99%			
Memorial Hermann Health System	21,925	4	1.91%	19,500	1	1.96%
The University of Texas MD Anderson Cancer Center	21,576	5	1.88%	15,000	3	1.51%
HCA Houston Healthcare	15,000	6	1.31%			
United Airlines	13,500	7	1.18%			
Kroger	13,490	8	1.18%			
ExxonMobil	13,000	9	1.13%	13,000	4	1.31%
Shell Oil Company	11,500	10	1.00%	13,000	5	1.31%
Schlumberger Limited				10,000	8	1.00%
United Continental Holdings				16,000	2	1.61%
United Space Alliance				10,185	7	1.02%
The Methodist Hospital System				12,000	6	1.21%
National Oilwell Varco				10,000	9	1.00%
Baylor College of Medicine				9,232	10	0.93%
TOTAL	183,725		16.03%	127,917		12.86%

Source: GHP Houston Facts - 2020

Employers excludes school districts and city, county, state and federal governments.

Employee numbers are for the ten-county region, not the city only.

Employee may live outside the City.

Total Houston residents employed regardless of place of employement:

June 2020 Local Area Unemployment Statistics, Bureau of Labor Statistics	2020	1,146,428
U.S. Census Bureau, American communit Survey	2011	995,620

DEMOGRAPHIC AND ECONOMIC

Fiscal Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Median Age (2)	Education Level in Years of Formal Schooling (2)	School Enrollment (2)	Average Unemployment Rate (percentage)
2011	2,099,451 (7)	Not available	$ 26,109	32.2	12.7	560,316 (3)	8.2 (4)
2012	2,145,146	Not available	$ 26,179 (5)	33.2 (5)	13.0 (5)	576,020 (5)	7.5 (7)
2013	2,160,821	Not available	$ 26,849 (5)	32.1 (5)	13.0 (3), (5)	548,061 (3)	6.5 (4)
2014	2,195,914	Not available	$ 27,029 (5)	32.3 (5)	13.0 (5)	557,780 (5)	9.0 (8)
2015	2,239,558	Not available	$ 27,305 (7)	32.4 (5)	13.0 (3), (5)	564,871 (5)	4.4 (8)
2016	2,296,224 (5)	Not available	$ 27,938 (5)	32.6 (5)	13.0 (3), (5)	580,250 (5)	5.8 (6)
2017	2,303,482 (5)	Not available	$ 28,503 (5)	32.6 (5)	13.1 (3), (5)	594,377 (5)	5.7 (6)
2018	2,312,717 (5)	Not available	$ 29,224 (5)	32.7 (5)	13.2 (3)	597,728 (5)	5.1 (6)
2019	2,325,205 (5)	Not available	$ 30,547 (5)	32.9 (5)	13.2 (3)	594,916 (5)	4.4 (6)
2020	2,320,268 (9)	Not available	$ 31,576 (9)	32.9 (9)	13.4 (9)	1,889,245 (9)	10.0 (6)

(1) Source: Population Estimate program, U. S. Census Bureau, as of the beginning of the fiscal year. (Fiscal Year 2020 is as of July 1, 2019.)

(2) Source: American Community Survey, U. S. Census Bureau. (Fiscal Year 2020 data is for calendar year 2019.)

(3) School enrollment includes nursery school through graduate school.

(4) Source: Local Area Unemployment Statistics, Bureau of Labor Statistics Texas Workforce Commission

(5) Source: U. S. Census Bureau FactFinder

(6) Source: Bureau of Labor Statistics

(7) Source: American FactFinder

(8) Source: Texas Labor Market TRACER

(9) Source: Census data school based on MSA (Metro Area Houston-The Woodlands-Sugar Land)

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COMPLIANCE SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HOUSTON

TEXAS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH REQUIREMENTS ISSUED BY THE FEDERAL AVIATION ADMINISTRATION

To the Honorable Mayor, Members of City Council
and City Controller of the City of Houston, Texas

Report on Compliance

We have audited the City of Houston, Texas' ("the City") compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration ("the Guide"), that could have a direct and material effect on its Passenger Facility Charge ("PFC") Program for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its PFC.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's PFC program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the PFC program; however, our audit does not provide a legal determination on the City's compliance.

To the Honorable Mayor, Members of City Council
and City Controller of the City of Houston, Texas

Opinion

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor, Members of City Council
and City Controller of the City of Houston, Texas

Report on Passenger Facility Charge Revenues and Disbursements Schedules

We have audited the basic financial statements of the City, as of and for the year ended June 30, 2020, and have issued our report thereon dated December 11, 2020, which contained an unmodified opinion on those financial statements and a reference to other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying passenger facility charge revenues and disbursements schedules are presented for purposes of additional analysis as required by the Guide and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the passenger facility charge revenues and disbursements schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

McConnell & Jones LLP Banks, Finley, White & Co.

December 11, 2020

CITY OF HOUSTON, TEXAS

AIRPORT SYSTEM FUND

PASSENGER FACILITY CHARGE REVENUES AND DISBURSEMENTS SCHEDULE

GEORGE BUSH INTERCONTINENTAL AIRPORT (IAH)

FOR THE YEAR ENDED JUNE 30, 2020

	Fiscal Year 2019 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	Fiscal Year 2020 Total	Fiscal Year 2020 Program Total
REVENUES							
Collections (Note 3)	$ 650,997,235	20,860,566	22,386,922	19,930,489	10,680,494	73,858,471	$ 724,855,706
Other revenue-insurance (Note 3)	2,059,629	-	-	-	-	-	2,059,629
Interest	13,378,418	1,225,059	1,317,378	1,325,575	1,286,630	5,154,642	18,533,060
Total Revenues	666,435,282	22,085,625	23,704,300	21,256,064	11,967,124	79,013,113	745,448,395
DISBURSEMENTS							
1.01 Automated People Mover System	$ 195,996,659	-	3,189,078	-	13,227,206	16,416,284	$ 212,412,943
1.02 Terminal B Expansion & Improvemts	95,555,400	-	707,833	-	1,930,302	2,638,135	98,193,535
1.03 Central FIS Facility	92,017,806	-	2,020,601	-	7,732,280	9,752,881	101,770,687
1.04 North Parallel Runway 8L/26R	31,682,510	-	864,153	-	1,822,588	2,686,741	34,369,251
1.05 Administrative Costs	112,917	-	-	-		-	112,917
1.06 Central Plant HVAC Upgrades	15,863,207	-	355,650	-	719,631	1,075,281	16,938,488
1.07 Terminal A/B South Taxiways	15,580,752	-	385,520	-	986,628	1,372,148	16,952,900
Total Disbursements	446,809,251	-	7,522,835	-	26,418,635	33,941,470	480,750,721
Net PFC Revenues	$ 219,626,031	22,085,625	16,181,465	21,256,064	(14,451,511)	45,071,643	$ 264,697,674
PFC Account Balance	$ 219,626,031	241,711,656	257,893,121	279,149,185	264,697,674	264,697,674	$ 264,697,674

Please see Notes to the Passenger Facility Charge Revenues and Disbursements Schedules

PASSENGER FACILITY CHARGE REVENUES AND DISBURSEMENTS SCHEDULE

WILLIAM P. HOBBY AIRPORT (HOU)
FOR THE YEAR ENDED JUNE 30, 2020

	Fiscal Year 2019 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	Fiscal Year 2020 Total	Fiscal Year 2020 Program Total
REVENUES							
Collections (Note 3)	$ 208,491,877	6,282,665	6,208,047	6,204,672	218,685	18,914,069	$ 227,405,946
Other revenue-insurance (Note 3)	755,196	-	-	-	-	-	755,196
Interest	4,138,345	202,799	232,161	224,449	219,966	879,375	5,017,720
Total Revenues	213,385,418	6,485,464	6,440,208	6,429,121	438,651	19,793,444	233,178,862
DISBURSEMENTS							
1.01 Rehab Runways	3,535,302	-	19,489	-	167,854	187,343	3,722,645
1.02 Rehab & Modification to Taxiways	14,894,352	-	51,147	-	363,819	414,966	15,309,318
1.03 Expand Taxiway Electrical System	3,220,026	-		-		-	3,220,026
1.04 Arpt Drainage & Stormwater Improvs	4,375,799	-	59,125	-	234,748	293,873	4,669,672
1.05 Acquire Runway 17 Protection Zone	604,226	-	6,411	-	28,095	34,506	638,732
1.06 Airfield Lighting & Control	7,314,850	-	24,946	-	50,237	75,183	7,390,033
1.07 Central Terminal Expansion	29,899,654	-	213,378	-	1,144,425	1,357,803	31,257,457
1.08 Conduct Master Plan	393,948	-		-		-	393,948
1.09 Central Concourse Equipment	13,364,188	-	85,565	-	185,878	271,443	13,635,631
1.10 Apron Reconstruction	3,403,154	-	105,776	-	198,990	304,766	3,707,920
1.11 Taxiway & Taxilane Reconstruction	7,124,120	-	221,430	-	416,562	637,992	7,762,112
1.12 Overlay Runway 12R/30L	5,256,894	-	27,066	-	45,690	72,756	5,329,650
1.13 Perimeter Fencing & Obstruction	1,517,249	-	1,036	-	1,749	2,785	1,520,034
1.14 Access Controls & Telecom	716,014	-	30,498	-	51,485	81,983	797,997
1.15 Environmental Impact Statement	264,171	-	5,177	-	10,634	15,811	279,982
1.16 Land Acquisition RW4 RPZ	603,221	-	1,325	-	9,425	10,750	613,971
1.17 Drainage/Stormwater Plan	1,375,000	-		-		-	1,375,000
1.18 PFC Consulting, Admin, Audit	97,621	-		-	-	-	97,621
Subtotal HOU 1.00 Projects	97,959,789	-	852,369	-	2,909,591	3,761,960	101,721,749
2.01 International Terminal Expansion	7,668,597	-	2,122,128	-	4,327,652	6,449,780	14,118,377
2.02 International Terminal - Apron	1,237,510	-	342,456	-	698,369	1,040,825	2,278,335
2.03 International Terminal - Roadways	4,167,046	-	272,823	-	445,455	718,278	4,885,324
2.04 Elevated passenger walkway	734,964	-	88,881	-	145,783	234,664	969,628
2.05 Satellite utilities plant - Phase I	2,548,355	-	301,484	-	614,939	916,423	3,464,778
2.06 Passenger walkway canopy	-	-		-		-	-
2.07 Central concourse expansion	56,011,603	-	2,449,320	-	7,042,813	9,492,133	65,503,736
2.08 Explosive detection baggage equip.	5,295,282	-		-		-	5,295,282
2.09 Partial reconstruction R/W 4-22	1,718,298	-	(525,978)	-	(597,696)	(1,123,674)	594,624
2.10 Partial reconstruction Taxiway C	394,108	-	(119,134)	-	(124,224)	(243,358)	150,750
2.11 Partial reconstruct NE perimeter rd	240,844	-	(72,804)	-	(75,914)	(148,718)	92,126
2.12 Air units - central concourse	-	-	-	-	-	-	-
Subtotal HOU 2.00 Projects	80,016,607	-	4,859,176	-	12,477,177	17,336,353	97,352,960
Total Disbursements	177,976,396	-	5,711,545	-	15,386,768	21,098,313	199,074,709
Net PFC Revenues	$ 35,409,022	6,485,464	728,663	6,429,121	(14,948,117)	(1,304,869)	$ 34,104,153
PFC Account Balance	$ 35,409,022	41,894,486	42,623,149	49,052,270	34,104,153	34,104,153	$ 34,104,153

Please see Notes to the Passenger Facility Charge Revenues and Disbursements Schedules

NOTES TO PASSENGER FACILITY CHARGE REVENUES AND DISBURSEMENTS SCHEDULES FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – Passenger Facility Charge Program

The Passenger Facility Charge ("PFC'') was established by Title 49, United States Code ("U.S.C."), Section 40117, which authorizes the Secretary of Transportation (further delegated to the FAA Administrator) to approve the local imposition of an airport PFC of $1, $2, $3, $4, or $4.50 per enplaned passenger for use on certain airport projects. Under Part 158, public agencies (as defined in the statute and regulation) controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting - The accompanying passenger facility charge revenues and disbursements schedules present revenues received on a cash basis, while expenditures are reported based upon the allocation of costs to approved projects.

NOTE 3 – Reconciliation to Statement of Revenues, Expenses and Changes in Net Position

Passenger facility charges are reported on an accrual basis in the City of Houston Airport System Fund Statement of Revenues, Expenses and changes in Net Position in the Comprehensive Annual Financial Report. Reporting standards adopted by the FAA require for purposes of the PFC Revenues and Disbursements Schedule such charges be reported on a cash basis. A reconciliation between cash collections and revenue reported on the accrual basis is as follows:

Fiscal Year 2020	William P. Hobby Airport	George Bush Intercontinental Airport	Airport System Total
Passenger Facility Charges			
Cash collections per Revenues and Disbursements Schedule	$ 18,914,069	$ 73,858,471	$ 92,772,540
Less prior year accrual	(2,376,284)	(14,060,520)	(16,436,804)
Add current year accrual	760,129	1,321,688	2,081,817
Amounts per Statement of Revenues, Expenses and Changes in Net Position	$ 17,297,914	$ 61,119,639	$ 78,417,553

PASSENGER FACILITY CHARGE PROGRAM AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2020

1.	Type of report issued on PFC financial statements.	Unmodified	
2.	Type of report on PFC compliance.	Unmodified	
3.	Quarterly Revenues and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	X Yes	___ No
4.	PFC Revenues and Interest are accurately reported.	X Yes	___ No
5.	The Public Agency maintains a separate financial accounting record for each application.	X Yes	___ No
6.	Funds disbursed were for PFC-eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	X Yes	___ No
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	X Yes	___ No
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	X Yes	___ No
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	X Yes	___ No
10.	Quarterly Reports were transmitted (or available via website) to remitting carriers.	X Yes	___ No
11.	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	X Yes	___ No
12.	Project design and implementation are carried out in accordance with Assurance 9.	X Yes	___ No
13.	Program administration is carried out in accordance with Assurance 10.	X Yes	___ No
14.	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	X Yes	___ No

PASSENGER FACILITY CHARGE PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Auditors' Results

1) There were no material weaknesses identified during the audit of the passenger facility charge program.

2) There were no significant deficiencies identified during the audit of the passenger facility charge program.

3) The auditors' report on compliance for the passenger facility charge program expresses an unmodified opinion.

B. Findings and Questioned Costs

None reported

CITY OF HOUSTON

TEXAS