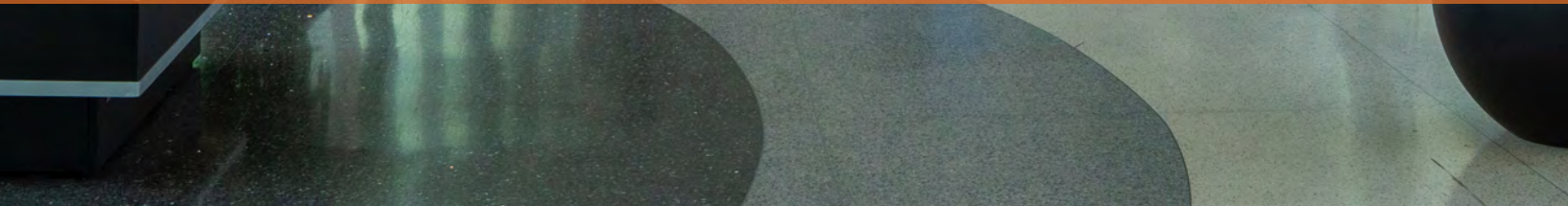
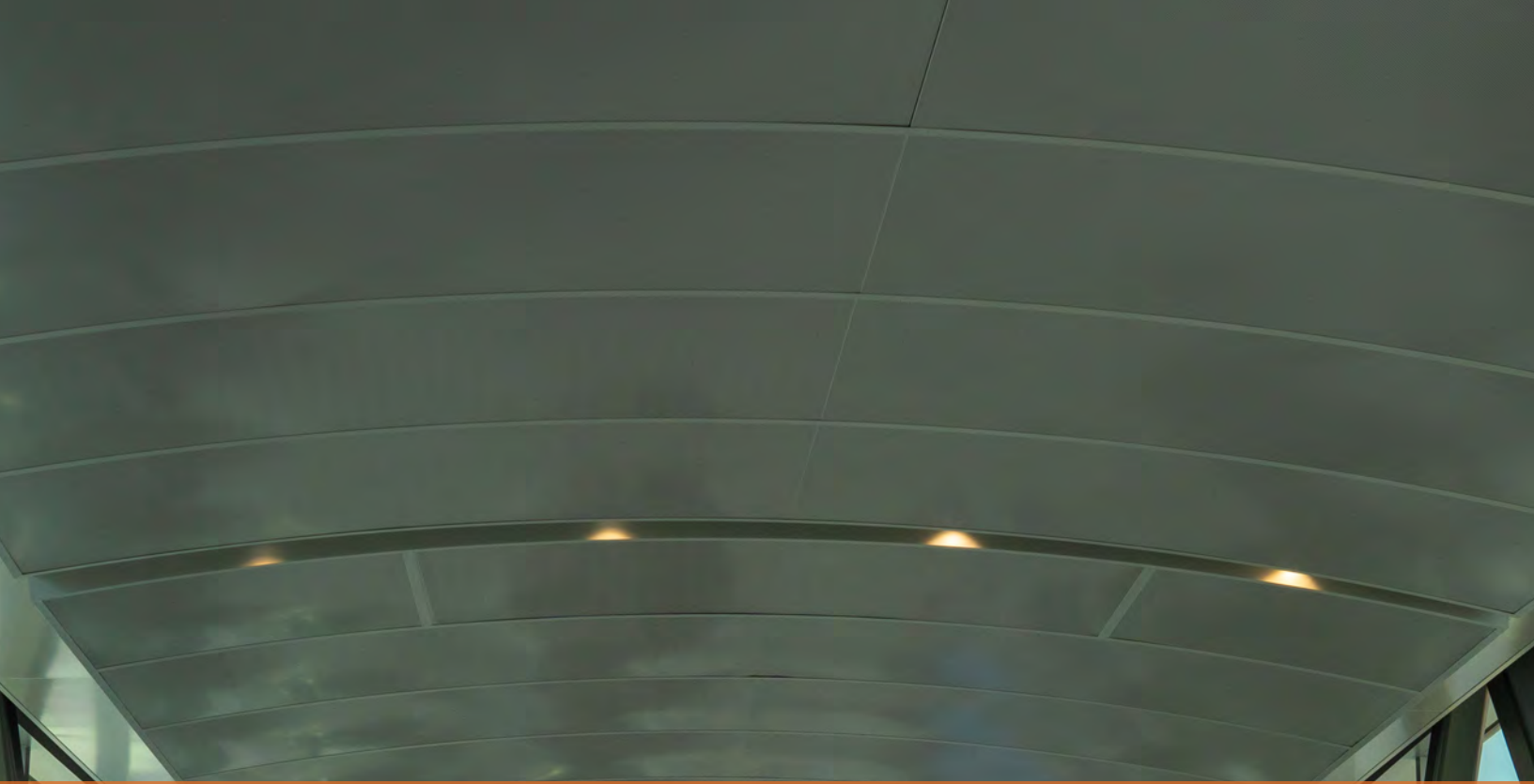


An aerial photograph of an airport at dusk. The sky is a mix of deep blue and orange from the setting sun. The airport tarmac is visible with several United Airlines aircraft parked at gates. The terminal building is illuminated with lights. A large parking lot filled with cars is visible in the background. The overall image has a semi-transparent orange and blue overlay.

HAS²⁰²²

Annual Report





Sky's the limit 5-Star airport

The only thing brighter than the lobby of William P. Hobby Airport just might be the award-winning experience travelers receive from a diverse and vibrant team of airport employees. The airport's signature "Houston-Friendly" hospitality, high-tech infrastructure and a lengthening list of amenities - like a video game lounge and live musical performances - have turned Houston's oldest airport into the newest passenger favorite.

As of March 2023, Hobby Airport has the hardware to prove it.

On March 6, the Airports Council International (ACI World) announced that passengers surveyed voted Hobby the Most Enjoyable Airport in North America. On March 15, the airport learned it's maintaining its 5-Star Skytrax rating.

For a second straight year, Hobby Airport remains the first and only 5-Star airport in North America. For the second year in a row, Hobby Airport is the World Airport Awards winner of Best Regional Airport in North America. Hobby's future is bright.

“

5-Star customer service sets Houston Airports apart from the rest. Houston is HUSTLE TOWN.

Sylvester Turner
Houston Mayor



“

In 2022, passenger confidence strengthened as our team of 1,100 Houston Airports employees continued to dedicate themselves to becoming a 5-Star global air service gateway.

Mario Diaz
Director of Aviation

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Who we are

Our Mission

We exist to connect the people, businesses, cultures and economies of the world to Houston.

Our Strategic Priorities

- Make our passengers happy.
- Act responsibly to achieve social, environmental and economic sustainability.
- Build the platforms for future success.
- Invest in our partnerships and our employees.

Our Vision

Establish Houston as a 5-Star global air service gateway where the magic of flight is celebrated.

Our Core Values

RELATIONSHIPS | We work together with integrity and treat every individual with courtesy and respect. We honor our commitments and behave in a manner that earns trust.

INNOVATION | We have the courage and willingness to consider new and unconventional ways of thinking.

SERVICE | We WOW our passengers through a "can do" attitude and respond quickly to meet and exceed their expectations. We find ways to bring fun and joy into our work and bring our customers along for the ride.

EXCELLENCE | we strive for quality and skillful execution without compromise.





Mayor Sylvester Turner

Please join me in congratulating Houston Airports on another incredible year of growth and continued success. In 2022, Houston Airports welcomed a combined 54 million passengers at George Bush Intercontinental Airport and William P. Hobby Airport. Our award-winning airports are a gateway to Latin America and serve as the primary gateway to the South-Central region of the United States. The City of Houston joins the world in anticipation for the new international terminal at Bush Airport. It will be one of the newest and most modern terminals in the U.S. Houston is a GLOBAL CITY.

As the world continues to recover from the COVID-19 pandemic, it is reassuring and

Letter from the Mayor

refreshing to watch our airports expand Houston's global reach through innovation, teamwork and the hustle synonymous with our city. In the first months of the pandemic, the Mayor's Office of Cultural Affairs worked in concert with Houston Airports to support local creatives. During a time of uncertainty, the City of Houston offered hope and support. A total of 10 site-specific art commissions were unveiled at Bush and Hobby airports in 2022. Houston Airports has one of the biggest public art collections in the aviation industry. Houston is ART CITY.

Despite the pandemic, in the last five years, Houston Airports added two new airlines, Allegiant and Frontier, to Hobby Airport and added service by JetBlue and Southwest Airlines at Bush Airport. The growing the list of airlines flying to Houston, the portfolio of world-class amenities and our 'Houston Friendly' hospitality has become a signature of Houston Airports. 5-Star customer service sets Houston Airports apart from the rest. Houston is HUSTLE TOWN.

In 2022 Axiom Space broke ground on its 22-acre state-of-the-art facility at the Houston Spaceport at Ellington Airport. Collins Aerospace celebrated the official opening of its sophisticated campus at the world's first truly urban spaceport. As space exploration has evolved, so has our city. Houston is rising to the challenges and pushing the boundaries of the ultimate frontier. Houston is SPACE CITY.

The annual report reflects Houston's spirit and the relentless quest of Houston Airports to become a 5-Star global air service gateway where the magic of flight is celebrated.

I thank all HAS employees for their outstanding contributions to making our airports the very best in the world.


Sylvester Turner



Director Mario Diaz

The 2022 Annual Report presents an exciting opportunity for us to reflect on how far Houston Airports has come. I delight in the continued recovery of air service from the global pandemic. In 2022, air travel exceeded some pre-pandemic holiday travel totals. In 2022, passenger confidence strengthened as our team of 1,100 Houston Airports employees continued to dedicate themselves to becoming a 5-Star global air service gateway.

The professionalism of our team set the stage for Houston Airports to showcase our world-class customer service through an unparalleled passenger experience. This Annual Report serves as a roadmap for the innovation

Letter from the Director

realized in 2022.

HOUSTON AIRPORTS SPENT 2022 GAINING MOMENTUM | From investing in accessible and sustainable infrastructure to streamlining baggage handling systems and finessing an arts program unique to Houston, this Annual Report demonstrates the thoughtful and meaningful change representative of our diverse and welcoming city, and it chronicles the strategic improvements made specifically for all guests of our award-winning airports.

HOUSTON AIRPORTS SPENT 2022 SOARING TO NEW HEIGHTS | George Bush Intercontinental Airport and William P. Hobby Airport welcomed the return of pre-pandemic air travel levels. Air service expanded to offer more commercial and cargo flights.

HOUSTON AIRPORTS SPENT 2022 ACHIEVING MILESTONES | Construction of the new Mickey Leland International Terminal at Bush Airport is moving forward. Once complete, it will feature 17-lanes for TSA security and an intuitive, functional and efficient experience from curb to gate. Our team is consciously prioritizing the environment through the use of sustainable materials and design that maximizes energy efficiency.

HOUSTON AIRPORTS SPENT 2022 REACHING FOR THE STARS | NASA selected all three anchor tenants of the Houston Spaceport at Ellington Airport to develop the next generation of spacesuits and spacewalk systems. Houston Airports partnered with NASA on an art exhibit that celebrated Artemis, the upcoming mission to the Moon and beyond.

I invite you to flip through the pages and experience all Houston Airports has to offer.

Mario Diaz

Houston

At a Glance



HOUSTON IS

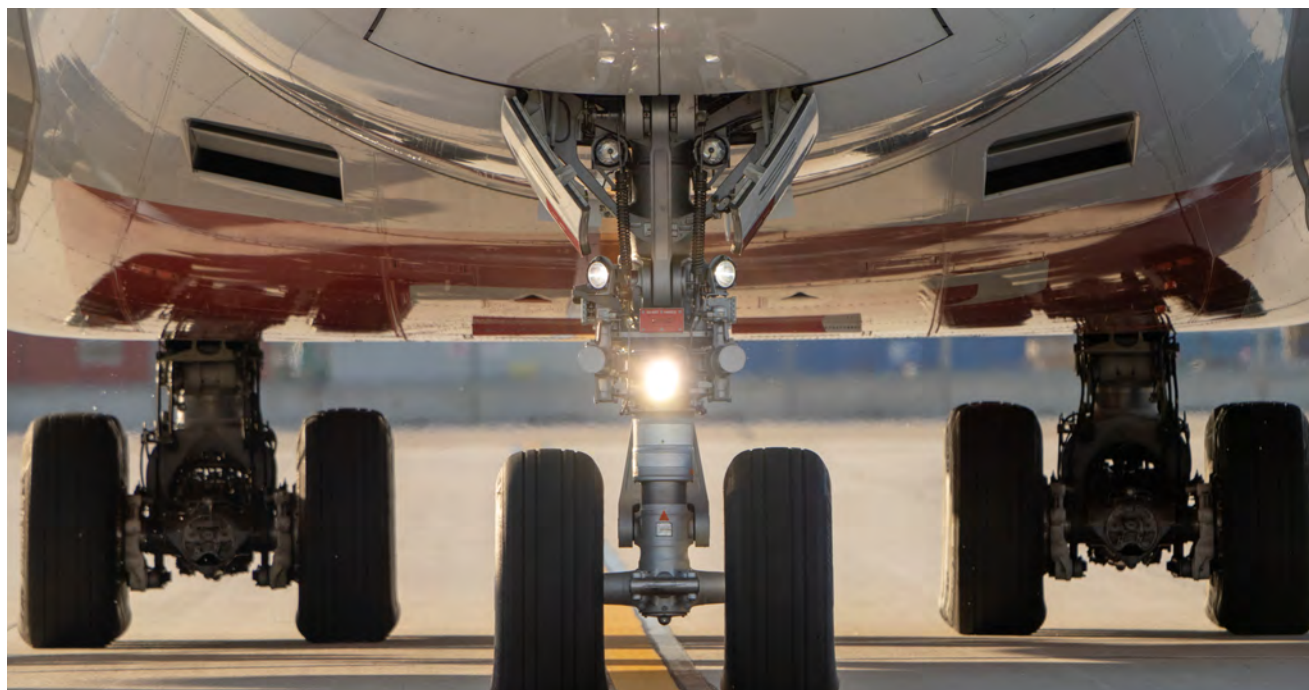
- The 4th largest U.S. City
- The most diverse city in the U.S. Nearly 1 in 4 Houstonians are foreign born
- The Energy Capital of the World
- Home to the largest medical center in the world
- The Houston region is home to 7.2 million people

GLOBAL PRESENCE

- 15 foreign governments maintain trade and commercial officers in Houston
- 39 active foreign chambers of commerce
- 87 nations with consular representation in Houston (3rd largest in the U.S.)
- 17% of the region's economy is tied to exports which supports 330,000 jobs
- 5,000 Houston companies are doing business abroad
- 1,700 Houston companies report foreign ownership
- 16 foreign banks from 9 nations are located in Houston

Houston Airports

At a Glance



HOUSTON AIRPORT SYSTEM

- Houston Airports is the City of Houston's Department of Aviation.
- The airport system is comprised of George Bush Intercontinental Airport (IAH), William P. Hobby Airport (HOU), and Ellington Airport/Houston Spaceport (EFD).
- The self-sustaining City department contributed \$36.4 billion to the local economy in 2019.
- Houston Airports has approximately 1,100 employees and is responsible for 190,000 jobs.
- In 2019 Houston Airports welcomed a record-setting 60 million passengers at George Bush Intercontinental Airport and William P. Hobby Airport.
- In 2022, Houston Airports welcomed 54 million passengers to George Bush Intercontinental Airport and William P. Hobby Airport.
- Houston Airports forms one of North America's largest public airport systems and positions Houston as the international passenger and cargo gateway to the South-Central region of the United States. Houston Airports serves as a primary gateway to Latin America.

Space City

At a Glance

SPACE CITY

- Houston's Johnson Space Center has served as NASA Mission Control for U.S. space exploration and astronaut training since 1961.
- Houston Spaceport is the world's first truly urban spaceport and is leading the nation transitioning from a government-focused to a commercially driven space program.
- Houston Spaceport Anchor Tenants:
 - Axiom Space
 - Collins Aerospace
 - Intuitive Machines
- San Jacinto College is the official partner of the Houston Spaceport for education and training.
- More than 500 aviation and aerospace-related companies operate in Houston.
- More than 23,000 aerospace and aviation professionals call Houston home.





HOUSTON SPACEPORT

MAY 2022

Axiom Space breaks ground on new headquarters and space station production facility.

Axiom Space is developing Axiom Station, the world's first commercial space station.

Scheduled for completion in summer 2023, the state-of-the-art campus will house employee offices, astronaut training, mission control facilities, engineering development and testing labs and a high bay production facility to house Axiom's space station modules.



JUNE 2022

NASA selects Houston Spaceport tenants to develop next generation spacesuits and spacewalk systems. Axiom Space and Collins Aerospace are awarded contracts, up to \$3.5 billion collectively, through 2034.

SEPTEMBER 2022

Collins Aerospace opens new 120,000 square foot facility at the Houston Spaceport to support future space flight and exploration. Some 10,000 square feet of the facility will be dedicated to Houston's first-ever spaceflight incubator, where startups, universities and industry professionals will collaborate using robotics, medicine, additive manufacturing, and more to solve complex space technology challenges.

FUTURE OF SPACEPORT

The mission of the Houston Spaceport is to create a focal point for aerospace innovation with a collection of aerospace companies that will lead the U.S. in a transition from a government-driven to a commercially driven space program. The partnerships with these anchor tenants, Axiom Space; Collins Aerospace; and Intuitive Machines, are key to realizing the near-endless possibilities for the Houston Spaceport.



Air Service

Development



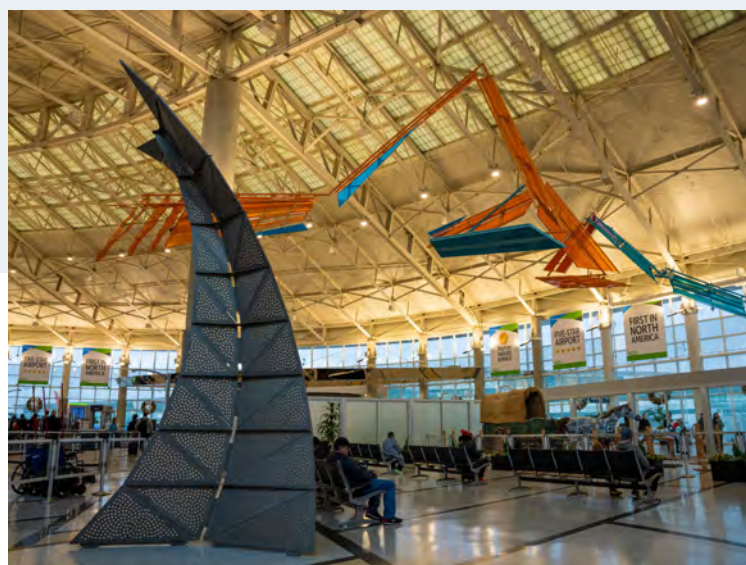
GEORGE BUSH INTERCONTINENTAL AIRPORT (IAH)

- 187 non-stop destinations
- 26 passenger airlines
- IAH is Houston's largest airport and is the premier long-haul airport for the region.
- It is the 10th busiest airport in North America.
- IAH is among the top 10 global hubs.
- About 41 million passengers traveled through the five terminal, five runway airport.
- United handles 73% of IAH traffic.



WILLIAM P. HOBBY AIRPORT (HOU)

- 86 non-stop destinations
- 5 passenger airlines
- HOU is home to Houston's oldest commercial airport and provides domestic and regional international services.
- About 13 million passengers traveled through the single terminal, three runway airport.
- HOU also serves as a major regional center for corporate and private aviation.
- Southwest handles 94% of HOU traffic.



ELLINGTON AIRPORT (EFD)

- EFD is a joint-use airport that supports the operations of the United States military, NASA and general aviation tenants.
- Approximately 75,000 flight operations are handled at EFD each year. A majority are general aviation aircraft.
- EFD is home to the 10th FAA-licensed commercial spaceport in the United States and the third in Texas.
- EFD has 600 acres of prime land available for lease and real estate development.
- EFD is crucial to local, regional and national aviation infrastructure and supports disaster relief and recovery efforts.



PASSENGER TRAFFIC

In 2022, Houston Airports welcomed 54 million passengers to Bush Airport and Hobby Airport exceeded pre-pandemic air travel levels during the Labor Day holiday weekend and the extended Thanksgiving holiday travel week.

In 2019, Houston Airports welcomed a record-setting 60 million passengers at Bush Airport and Hobby Airport.

NEW AIR SERVICE

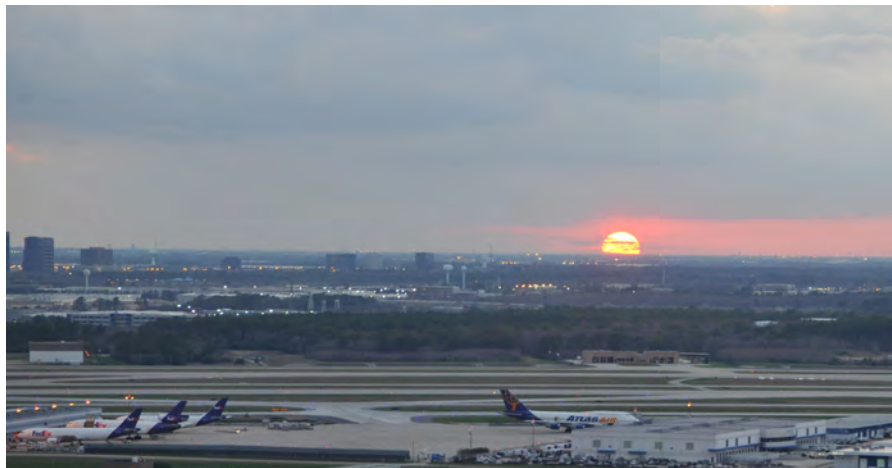
In 2022, Houston Airports resumed flights to 5 of the 6 flight-accessible continents.

Since the start of the global pandemic IAH has welcomed all but two airlines back to service.

Spirit Airlines began service to Monterrey, Mexico in June 2022.

Air Canada began service to Vancouver, Canada in December 2022.

HOU has fully restored all air service that was offered before the global pandemic.



INTERNATIONAL SERVICE

Houston Airports works with 17 International Foreign-Flag Air Carriers



CARGO

Houston is a strategic hub for the importing and exporting of machinery and equipment for oil and gas, aerospace, construction, medical and various sectors and our city has a large manufacturing base for industrial machinery and equipment and chemicals needed globally.

Two air cargo centers at IAH serve 15 scheduled cargo carriers, multiple passenger airlines moving belly freight, and cargo charter airlines operating for different industries.

Domestic cargo continues to grow at a fast pace since the start of the global pandemic thanks to e-commerce demand and the movement of medical machinery and supplies.

- IAH moved 542,071 metric tons and HOU moved 10,897 metric tons of air cargo in 2022.
- The total is a 2.8% year-over-year growth versus 2021.
- This tonnage also represents a 4.2% growth for 2022 as compared to 2019 tonnage.
- In 2022, IAH Airport moved international air cargo with a total value of \$14.2 billion.
- Germany, United Kingdom and The Netherlands are our top-3 trading partners.



Air Service

International Passenger Growth

WHERE WE FLY

121 domestic destinations
66 international destinations
22 flights to Mexico
17 flights to Central/South America
9 flights to the Caribbean
7 flights to Europe
4 flights to Canada
3 flights to Asia
2 flights to the Middle East
2 oceanic flights



Africa



Asia



Europe



Canada

International Passengers	2012	2022	% Change
	8,764,207	10,445,143	19%
<i>Caribbean</i>	228,676	376,165	64%
<i>Mexico</i>	2,863,546	4,574,348	60%
<i>Central & South America</i>	2,481,471	2,871,109	16%
<i>Middle East</i>	361,960	367,506	2%
<i>Europe</i>	1,518,141	1,443,939	-5%
<i>Asia</i>	252,894	235,445	-7%
<i>Canada</i>	916,225	535,008	-42%
<i>Africa</i>	141,294	100	-100%

*Central and
South America*



Caribbean



Mexico



Middle East



IAH (ITRP)

Terminal Redevelopment Program

CHANGE IS COMING

The IAH Terminal Redevelopment Program (ITRP) is a multi-layered program happening in a live operational environment. In 2022, Houston Airports made significant progress on construction of the new international terminal at George Bush Intercontinental Airport. Once construction is substantially completed by late 2024, the facility will be one of the newest and most modern international terminals in the U.S and the facilities will expand Houston's global reach through the additional of long-haul flights. The sustainable and innovative design and updated infrastructure will support a convenient, intuitive and functional passenger experience from curb to gate.

The \$1.36 billion program is widely considered to be the most important expansion program in the history of Bush Airport. ITRP is also the single biggest capital improvement project in the history of Houston Airports.

The scope of the project includes:

- A re-life and refresh of the existing Terminal D
- The addition of a new Terminal D-West Concourse
- A modification of the existing Federal Inspection Station
- The creation of a International Central Processor building

Concessions

In 2022, Houston City Council gave final approval on new concessions contracts for the new international terminal. The portfolio consists of one-of-a-kind retail experiences, iconic local restaurants and a list of trusted national brands. The thoughtful lineup invites more opportunities for local operators to achieve exceptional customer service and offer a 5-Star airport experience.

Sustainability

The design, construction and operation of the ITRP provides opportunities to reduce environmental impacts while demonstrating the commitment of Houston Airports to reach carbon neutrality by 2030.

New air handling units are being installed in Terminal D. The units will better regulate the temperature in the gatehouses and throughout the terminal. Modern and energy efficient LED lighting will brighten up indoor and outdoor spaces. Guided by the acclaimed LEED scorecard system, the ITRP spaces were designed to meet the standard of LEED Silver.

Some of the benefits include:

- 27% reduction in energy costs when compared to LEED baseline
- 25% reduction in energy costs when compared to applicable energy codes
- 100% LED lighting for all new and replaced lighting
- Advanced energy metering for sources
- Intelligent building control strategies to adapt to occupancy needs
- 50% reduction of all water usage when compared to LEED baseline
- Sustainable building materials
- 75% of construction and demolition debris recycled

CHANGE IS
COMING TO IAH

5-STAR RESTAURANTS
AND RETAIL
COMING SOON!



FUTURE DEVELOPMENT

Investment helps to broaden our reach. In 2022 Houston Airports received \$43.6 million in federal funding to upgrade its domestic terminals. The grant money will fund projects that improve energy efficiencies, ticketing, security screening, checkpoints, baggage systems, and gates, and modernize curbside access and loading bridges.

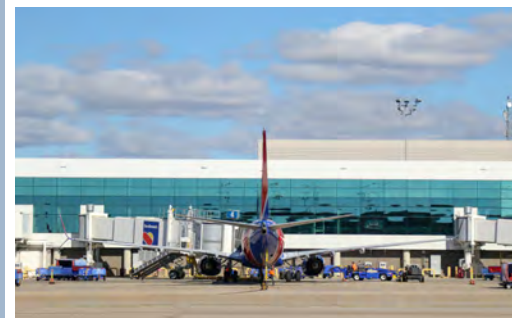
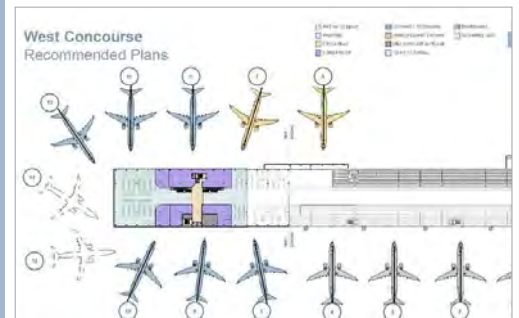
In a testament to the 5-Star customer service offered by Houston Airports and increased demand from passengers, airline partners are requesting at total of 24 more gates to accommodate growth:

- Request for 17 additional gates at George Bush Intercontinental Airport
- Request for 7 additional gates at William P. Hobby Airport

Terminal A at George Bush Intercontinental Airport is more than 50 years old. With the help of federal grants, Houston Airports is moving forward with plans to modernize the terminal while building capacity for growth. Among the plans are new gates with new boarding bridges. A redesign of our restrooms will allow for energy efficient upgrades.

United Airlines is set to unveil the 'Gate of the Future' at Bush Airport in 2025. The accessible space will meet the needs of more types of guests.

Westward expansion is coming to Hobby Airport. Houston Airports is working to expand its West Concourse with the addition of 7 new gates. In addition to offering more flights and more destinations, Hobby Airport is seizing the opportunity to incorporate unique and exciting dining and retail options. The expansion will also offer more artists a chance to showcase their talents in the terminal. The gate expansion, with supporting roadway, utility and airfield infrastructure, provides increased capacity required to respond to growing demands.



Sustainability

In early 2022, 10 major sustainability components of Project 912 were completed at George Bush Intercontinental Airport and William P. Hobby Airport. The energy savings achieved by these projects have an estimated combined energy savings of over 1,500 kW per year, over 10 million kWh per year and a projected financial savings of \$15 million over 15 years.

In 2022, Houston Airports recycled debris removed during construction of the new international terminal:

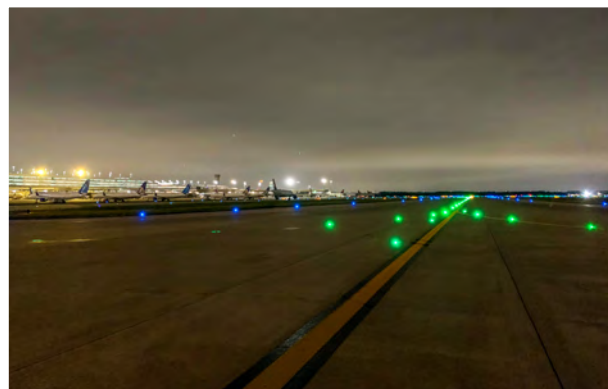
- 53,000 tons of concrete recycled
- 2,000 tons of metal recycled
- A solar panel array at Hobby Airport collects nearly one megawatt of power.
- Bush and Hobby Airport offer electric vehicle charging stations at all parking facilities.
- Houston Airports spent 2022 installing LED lighting in terminals, at parking facilities and along runways at both airports.

At Bush Airport:

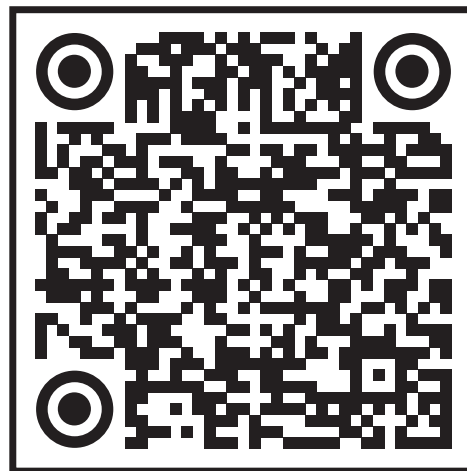
- 2,000 acres of south pine trees capture an estimated 10,000 tons of CO₂ annually.
- 1,200 acres of conservation land capture an estimated 6,000 TONS of CO₂ annually.

At Hobby Airport:

- 1,000 acres of grassland capture about 250 tons of CO₂ annually.



QR CODE TO HAS SUSTAINABILITY PAGE:



Accomplishments

In 2022, despite a litany of challenges, Houston Airports neared pre-pandemic traffic levels while a team of more than 1,100 employees achieved new heights. Houston Airports welcomed 54 million passengers in 2022.

More guests in our airports created more opportunity for Houston Airports to showcase new wayfinding signage inside and outside our airports. Art played a primary role in 2022, as the Houston Airports public art collection expanded with the acquisition of 74 portable artworks and the addition of 10 site-specific art commissions.

Exciting food and retail options also played a key role in 2022. Vending machines added in various terminals vary from family-friendly options to luxury cosmetics and high-end cupcakes.

From streaming shows and movies to video-chatting with family and friends, Houston Airports began installing Wi-Fi 6 throughout Bush and Hobby airports. Wi-Fi 6 is the latest version of the technology. It allows for potentially faster connection speeds. Faster Wi-Fi means better upload and download speeds due to increased bandwidth and it can help decrease network congestion.

A consolidated website for Houston Airports improves the online guest experience. The online parking reservation system for Bush and Hobby airports is now centrally managed from a single webpage. At Fly2Houston.com guests can now engage with our airports through interactive maps like WhereWeFly.

U.S. Customs and Border Protection began requiring all U.S. airports to complete Biometric Facial Comparisons on at least 22% of passengers on outbound flights.

HAS ACCOMPLISHMENTS

- Established Artist in Residence Program
- Site-Specific art installations
- Additional landscaping added throughout airports
- Designated family parking on each level of all airport garages

HOBBY ACCOMPLISHMENTS

- Completed companion care changing room
- Solar panel installation on Red Garage
- Installation of ADA safety railing in skybridge to Blue Garage
- Installation of common use ticketing equipment

BUSH ACCOMPLISHMENTS

- Terminal A North checkpoint reconfiguration
- Terminal A and Terminal D Customer Service teams created
- Terminal A Baggage Handling System completion
- Terminal A LED light added to information display screens
- Terminal A and Terminal D Harmony in the Air stages installed
- Terminal B and Terminal C Skyway flooring replacement

In 2022

William P. Hobby Airport became the first and only 5-Star Skytrax airport in North America.

George Bush Intercontinental Airport maintained its 4-Star Skytrax rating for a fifth consecutive year.

William P. Hobby Airport wins 2022 World Airport Award for Best Regional Airport in North America.

Houston Airports awarded Energy Management Top Performer Award by CenterPoint Energy.

William P. Hobby Airport and Ellington Airport earn perfect reviews from the FAA during CFC Part 139 inspections.

Houston Airports receives Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

2022 World Airport Awards

BUSH AIRPORT - IAH

Top 3 Best Regional Airport in North America

Top 3 World's Best Airport: 30-40 Million Passengers

Top 2 World's Best Website and Digital Services

Top 10 Cleanest Airports in North America

HOBBY AIRPORT - HOU

Top 2 Best Airports in the U.S.

Top 3 Best Airports in North America

Top 10 Cleanest Airports in North America



HOU



IAH

**Houston Airports: Home of the
First 5-Star Airport in North America**

Financial

H i g h l i g h t s





The Houston Airport System (“HAS”) is an independent, financially self-sufficient department of the City of Houston, Texas (the “City”) that owns George Bush Intercontinental Airport (“IAH”), William P. Hobby Airport (“HOU”), and Ellington Airport (“EFD”). The Airport System Fund (the “Fund”) is an enterprise fund of the City. HAS, under the administrative control of the Mayor, manages and operates the Fund. Management of HAS offers readers of the Fund’s financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2022 (“FY2022”) and June 30, 2021 (“FY2021”).

Operational and Financial Highlights

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global health pandemic and recommended containment and mitigation measures worldwide. Many state and local governments in the United States issued “stay-at-home” or “shelter-in-place” orders, which severely restricted movement and limited businesses and activities to essential functions. The COVID-19 outbreak and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The outbreak has adversely affected both domestic and international travel and travel-related industries. Airports and airlines have been acutely impacted by the reductions in passenger volumes and flights, as well as by the broader economic shutdowns and continued restrictions. In response, airlines have reduced flight frequency and aircraft size to attempt to match capacity to the reduced demand for air travel.

The United States government, the Federal Reserve Board, and foreign governments took regulatory actions and implemented other measures to mitigate the broad disruptive effects of the COVID-19 outbreak on the U.S. and global economies.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) signed into law on March 27, 2020 provided \$10 billion of assistance to U.S. airports, which was apportioned among such airports based on various formulas. HAS is eligible to receive a total of \$200.2 million of CARES Act funds, on a reimbursement basis, through the Federal Aviation Administration (the “FAA”) over a four-year period per the CARES Act. In addition, the Coronavirus Response and Relief Supplemental Appropriation Act (“CRRSA Act”), passed by the U.S. Congress on December 27, 2020, provided relief to airports to prevent, prepare for, and respond to the COVID-19 pandemic, including relief from rent and minimum annual guarantees for eligible airport concessions at various airports. HAS and its airport concessions are eligible to receive approximately \$45.8 million and \$6.2 million, respectively, of CRRSA Act funds on a reimbursement basis over a four-year period. Furthermore, the American Rescue Plan Act of 2021 (“ARP Act”) was signed into law by the President of the United States on March 11, 2021 to provide additional financial assistance to the airports. HAS and its concessions are eligible to receive approximately a total of \$181.0 million and \$24.8 million, respectively, of ARP Act funds, on a reimbursement basis, over a four-year period. A summary of related expenditures are as follows:

	(\$ in thousands)		
	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020
Debt service	\$85,387	\$157,034	\$8,057
Operation and maintenance expenses	49,234	30,335	-
Total	\$134,621	\$187,369	\$8,057
Concessions Relief	31,028	-	-

Key Performance Indicators

The following table highlights changes in some of HAS' operating and financial key performance indicators for the years ended June 30, 2022, 2021, and 2020.

For the Years Ended	June 30, 2022	June 30, 2021	June 30, 2020
Total passengers (in millions)	52.0	29.7	43.6
Aircraft operations (in thousands)	690.9	511.7	623.8
Passenger landed weight* (in millions of pounds)	31,550.4	21,171.0	27,872.1
Cargo landed weight* (in millions of pounds)	2,285.9	2,283.4	2,473.2
Cargo metric tons* (in thousands)	533.5	462.8	484.4

*FY2021 was adjusted

Adoption of New Accounting Standards – Accounting for Interest Cost Incurred before the End of a Construction Period

The Fund implemented Government Accounting Standards Board Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period ("GASBS 89"), for the fiscal year beginning July 1, 2021. Upon adoption of the new standard, the Fund recognized the interest cost incurred before the end of a construction period as an expense in the period in which the cost incurred for financial statements prepared using the economic resources measurement focus.

Overview of the Financial Statements

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 Fund is an enterprise fund of the City; thus, it is included in the City's Annual Comprehensive Financial Report.

The Statements of Net Position present 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 Fund is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present 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 Statements of Cash Flows report how much cash was provided by or used for the Fund's operations, investing activities, non-capital financing activities, and capital and related financing activities.

NET POSITION
JUNE 30, 2022, JUNE 30, 2021, and JUNE 30, 2020
(in thousands)

	June 30, 2022	June 30, 2021	June 30, 2020
Assets			
Current assets	\$ 740,025	\$ 681,939	\$ 547,960
Noncurrent assets	1,492,113	1,442,828	999,035
Net capital assets	2,866,640	2,745,216	2,731,583
Total assets	5,098,778	4,869,983	4,278,578
Deferred outflows of resources	34,065	31,340	44,948
Liabilities			
Current liabilities	285,644	228,190	218,481
Noncurrent liabilities	2,752,905	2,698,330	2,470,138
Total liabilities	3,038,549	2,926,520	2,688,619
Deferred inflows of resources	296,569	341,420	30,925
Net Position			
Net investment in capital assets	507,167	495,497	514,164
Restricted net position	1,209,671	1,128,325	1,204,076
Unrestricted (deficit)	80,887	9,561	(114,258)
Total net position	\$ 1,797,725	\$ 1,633,383	\$ 1,603,982

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Total net position at June 30, 2022 was \$1,797.7 million, a \$164.3 million or 10.1% increase from June 30, 2021. Total net position at June 30, 2021 was \$1,633.4 million, a \$29.4 million or 1.8% increase from June 30, 2020.

Approximately a third of the Fund's total net position, 28.2% and 30.3% as of June 30, 2022 and 2021, respectively, reflects net investment in capital assets (e.g., land, buildings, runways, equipment and infrastructure), net of related outstanding debt used to acquire those assets, offset by bond proceeds remaining in cash and investment accounts at fiscal year-end.

FY2022

Total assets increased by \$228.8 million or 4.7% from \$4,870.0 million at June 30, 2021 to \$5,098.8 million at June 30, 2022. There were decreases in unrestricted and restricted cash and cash & cash equivalents by \$153.8 million or 28.7% and increases in investments by \$273.7 million or 22.8% compared to June 30, 2021 mainly due to the recovery from the pandemic to a more normalized operating activities which increased our investments and subsequent fundings of the Terminal Construction activity at IAH which reduced unrestricted and restricted cash. As travel demand recovered during the second half of FY2021 and all of FY2022, accounts receivable decreased by \$50.9 million or 91.1% compared to the balance at the end of FY2021. Restricted receivables for Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC") decreased by \$5.3 million or 34.6% due to higher travel demand during the fourth quarter of FY2022 and the timing between charges and collections by the airlines and rental car companies. In addition, as described in the Adoption of New Accounting Standards - Leases section above, the Fund established lease receivable as of July 1, 2020

and had an outstanding balance of \$260.5 million at June 30, 2022. Balance due from other governments increased by \$58.6 million or 283.4% compared to June 30, 2021 as HAS requested reimbursements from the FAA for eligible capital expenditures under the Airport Improvement Program ("AIP") as well as eligible expenditures under the CARES, CCRSA, and ARPA Acts. Furthermore, construction in progress increased by \$147.2 million or 35.9% due to costs capitalized for expansion and renovation projects during FY2022. There was also an increase in buildings and improvements of \$132.2 million or 2.4%.

Deferred outflows of resources increased by \$2.7 million or 8.7% mainly attributable to an increase of \$2.1 million or 100.0% in pension related deferred outflows. In addition, due to actuarial changes of assumptions for the other post-employment benefits – health benefit plan ("OPEB-HB"), deferred outflows increased by \$1.1 million or 12.2% compared to FY2021.

Total liabilities increased by \$112.0 million or 4.2% compared to June 30, 2021 primarily due to \$165 million in draws for commercial paper in FY22 partially offset by principal payments on bonds of \$75.6M and a \$7.5 million or 11.1% decrease in special facility bonds for principal payments made during FY2022. Contracts and retainages payable increased by \$22.8 million or 33.9% as significant construction work is being performed at all HAS airports. Notes payable increased by \$1.6 million or 10.9% as HAS drew down available funds from the two loans with the Texas State Energy Conservation Office and incurred interest during the construction period. Net pension liability increased by \$3.9 million or 2.4%. There was also a decrease of \$12.5 million or 15.1% for OPEB-HB due to plan changes.

Total deferred inflows of resources decreased by \$44.9 million or 13.1% mainly due to reduced inflows from leases of 22.4M due to normal lease amortization. In addition, deferred inflows related to pension plan decreased by \$18.0 million or 32.0% compared to June 30, 2021 mainly due to appreciation in fair value of plan investments being less than projected earnings for FY2022. Deferred inflows for OPEB-HB decreased by \$4.6 million or 28.5% due to FY2022 amortization of prior year deferred amounts.

FY2021

Total assets increased by \$591.4 million or 13.8% from \$4,278.6 million at June 30, 2020 to \$4,870.0 million at June 30, 2021. Increases in unrestricted and restricted cash and cash & cash equivalents by \$128.0 million or 31.4% and investments by \$152.9 million or 14.6% compared to June 30, 2020 mainly due to a draw on the commercial paper up to the maximum available credit in May 2021. The outstanding balance on commercial paper was subsequently refunded in June 2021 by the issuance of 2021A series subordinate lien revenue refunding bonds. As travel demand started to recover during the second half of FY2021, accounts receivable decreased by \$19.8 million or 26.2% compared to the balance at the end of FY2020. Restricted receivables for Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC") increased by \$12.8 million or 489.6% due to higher travel demand during the fourth quarter of FY2021 and the timing between charges and collections by the airlines and rental car companies. In addition, as described in the Adoption of New Accounting Standards - Leases section above, the Fund established lease receivable as of July 1, 2020 and had an outstanding balance of \$276.3 million at June 30, 2021. Balance due from other governments increased by \$27.1 million or 555.5% compared to June 30, 2020 as HAS requested reimbursements from the FAA for eligible capital expenditures under the Airport Improvement Program ("AIP") as well as eligible expenditures under CARES Act. Furthermore, construction in progress increased by \$154.6 million or 60.6% due to costs capitalized for expansion and renovation projects during FY2021, offset by a decrease in buildings and improvements of \$60.0 million or 1.1% for early retirement of garage D/E at IAH.

Deferred outflows of resources decreased by \$13.6 million or 30.3% mainly attributable to a decrease of \$25.9 million or 100.0% in pension related deferred outflows as prior year deferred amounts were fully amortized by the end of FY2021. The decrease was offset by a \$5.0 million or 28.7% increase in debt refunding related deferred outflows for the refunding in October 2020. In addition, due to actuarial changes of assumptions for the other post-employment benefits – health benefit plan (“OPEB-HB”), deferred outflows increased by \$7.3 million or 28.7% compared to FY2020.

Total liabilities increased by \$238.0 million or 8.8% compared to June 30, 2020 due to an increase in bonds payable of \$404.3 million or 20.0% for the issuance of 2020A, 2020B, 2020C, and 2021A series subordinate lien revenue refunding bonds during FY2021, offset by a \$113.0 million or 85% decrease in commercial paper and a \$6.2 million or 8.3% decrease in special facility bonds for principal payments made during FY2021. Contracts and retainages payable increased by \$27.1 million or 67.5% as significant construction work being performed at all HAS airports. Notes payable increased by \$13.9 million or 4,280.9% as HAS drew down available funds from the two loans with the Texas State Energy Conservation Office. Net pension liability decreased by \$96.7 million or 37.4% due to a significant increase in fiduciary net position for the pension plan from \$2.9 billion to \$3.9 billion mainly as a result of net appreciation in investments at fair value. The decrease in net pension liability was offset by an increase of \$11.6 million or 16.4% for OPEB-HB due to actuarial changes of assumptions.

Total deferred inflows of resources increased by \$310.5 million or 1,004.0% mainly due to the adoption of GASBS 87. In addition, deferred inflows related to pension plan increased by \$52.9 million or 1,544.5% compared to June 30, 2020 mainly due to appreciation in fair value of plan investments greatly exceeded projected earnings for FY2021. Deferred inflows for OPEB-HB decreased by \$11.3 million or 41.4% due to FY2021 amortization of prior year deferred amounts.

Changes in Net Position

For FY2022 and FY2021, net position of the Fund increased by \$164.3 million or 10.1% and \$29.4 million or 1.8%, respectively.

CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022, JUNE 30, 2021, and JUNE 30, 2020 (In thousands)

	June 30, 2022	June 30, 2021	June 30, 2020
Operating revenues	\$ 481,174	\$ 318,555	\$ 471,912
Operating expenses	482,793	489,388	546,003
Operating loss	(1,619)	(170,833)	(74,091)
Nonoperating revenues	257,450	271,280	154,316
Nonoperating expenses	132,536	95,803	85,426
Nonoperating income	124,914	175,477	68,890
Income (loss) before capital contributions	123,295	4,644	(5,201)
Capital contributions	41,047	24,757	10,927
Change in net position	164,342	29,401	5,726
Total net position, July 1	1,633,383	1,603,982	1,598,256
Total net position, June 30	\$ 1,797,725	\$ 1,633,383	\$ 1,603,982

TOTAL REVENUES AND CAPITAL CONTRIBUTION
FOR THE YEARS ENDED JUNE 30, 2022, JUNE 30, 2021, and JUNE 30, 2020
(in thousands)

	June 30, 2022	June 30, 2021	June 30, 2020
Operating Revenues			
Landing area fees	\$ 94,253	\$ 70,578	\$ 95,862
Rentals, building and ground areas	192,029	155,598	223,301
Parking and concessions	187,235	85,908	146,910
Other operating revenues	7,657	6,471	5,839
Nonoperating Revenues			
Passenger Facility Charges	98,446	62,541	78,418
Customer Facility Charges	13,723	8,769	13,320
Investment income	-	1,523	43,701
CARES Act/CRRSAA/ARPA grants	134,621	187,369	8,057
Other nonoperating revenues	10,660	11,078	10,820
Total revenues	738,624	589,835	626,228
Capital contributions	41,047	24,757	10,927
Total revenues and capital contributions	\$ 779,671	\$ 614,592	\$ 637,155

FY2022

Operating revenues increased by \$162.6 million or 51.0% as total enplaned and deplaned passenger volume at IAH and HOU increased by 74.1% due to the COVID-19 pandemic recovery compared to FY2021. Airline landing fees increased by \$23.7 million or 33.5% compared to FY2021, and rental revenues increased by \$36.4 million or 23.4% mainly due to a significantly higher number of enplaned passengers for FY2022. In addition, garage parking rates were increased throughout FY2022, in conjunction with a higher number of enplaned passengers, which resulted in an increase in parking revenues by \$54.6 million or 124.6% compared to FY2021. Concession revenues also increased by \$46.7 million or 111.0% due to the pandemic recovery.

Nonoperating revenues decreased by \$13.8 million or 5.1% mainly due to a decrease in COVID-19 related grants of \$52.7 million or 28.2% and a decrease of \$48.6 million or 3,193.2% in investment income, due to low interest rates for investments as well as depreciation in fair value (unrealized loss). In addition, interest expense increased by \$14.6 million or 23.5% due to the effect of a full year's interest for the issuances occurring in FY2021. This is partially offset by an increase in PFC revenues \$35.9 million or 57.4% due to higher number of passengers compared to FY2021. Additionally, losses on disposal of assets decreased by \$19.0 million or 68.9%. CFC charges increased by \$5.0 million or 56.5% due to higher numbers of passengers compared to FY2021. Cost of Issuance charges of \$6.0 million were incurred in FY2021 while none were incurred in FY2022.

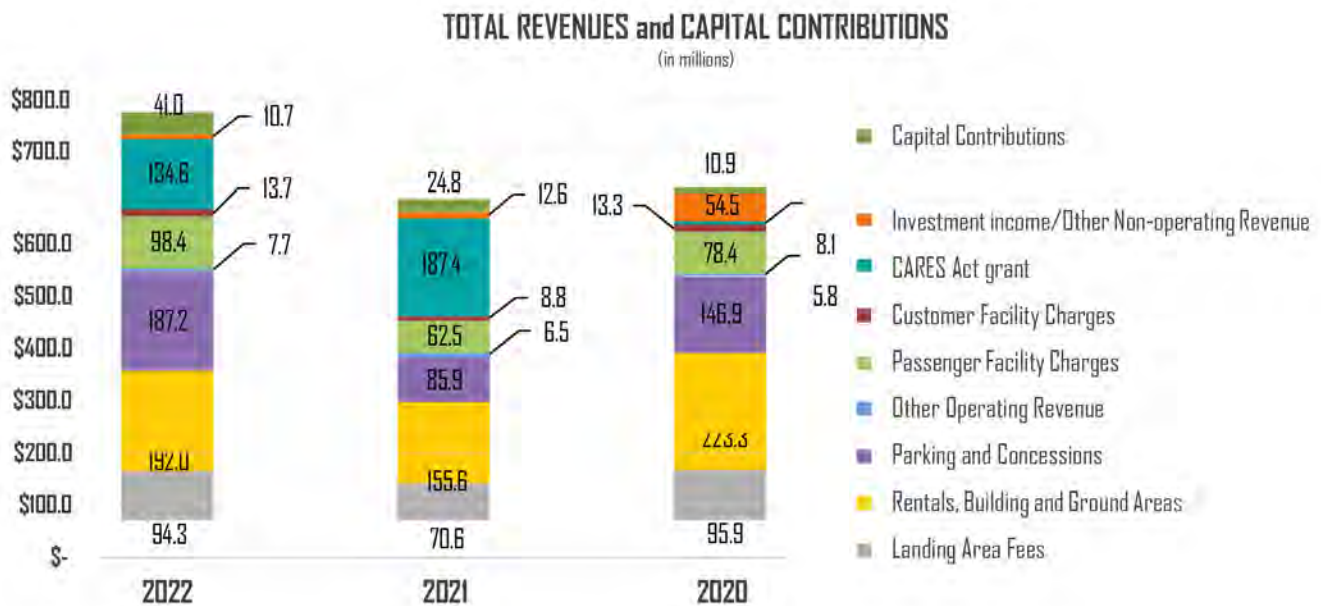
Capital contributions from the FAA increased by \$16.3 million or 65.8% as HAS continues with various renovation and expansion projects at IAH and HOU.

FY2021

Operating revenues decreased by \$153.4 million or 32.5% as total enplaned and deplaned passenger volume at IAH and HOU decreased by 31.9% due to the COVID-19 pandemic compared to FY2020. Airline landing fees decreased by \$25.3 million or 26.4% compared to FY2020, and rental revenues decreased by \$67.7 million or 30.3% mainly due to a significantly lower number of enplaned passengers for FY2021. In addition, garage parking rates were reduced throughout FY2021, in conjunction with a lower number of enplaned passengers, which resulted a decrease in parking revenues by \$37.4 million or 46.0% compared to FY2020. Concession revenues also decreased by \$23.6 million or 36.0% due to the pandemic.

Nonoperating revenues increased by \$117.0 million or 75.8% mainly due to an increase in CARES Act grant of \$179.3 million or 2,225.4%, offset by a decrease of \$42.2 million or 96.5% in investment income due to low interest rates for investments as well as depreciation in fair value (unrealized loss). In addition, PFC decreased by \$15.9 million or 20.2% due to lower number of passengers compared to FY2020.

Capital contributions from the FAA increased by \$13.8 million or 126.6% as HAS continue with various renovation and expansion projects at IAH and HOU.



TOTAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022, JUNE 30, 2021, and JUNE 30, 2020
(in thousands)

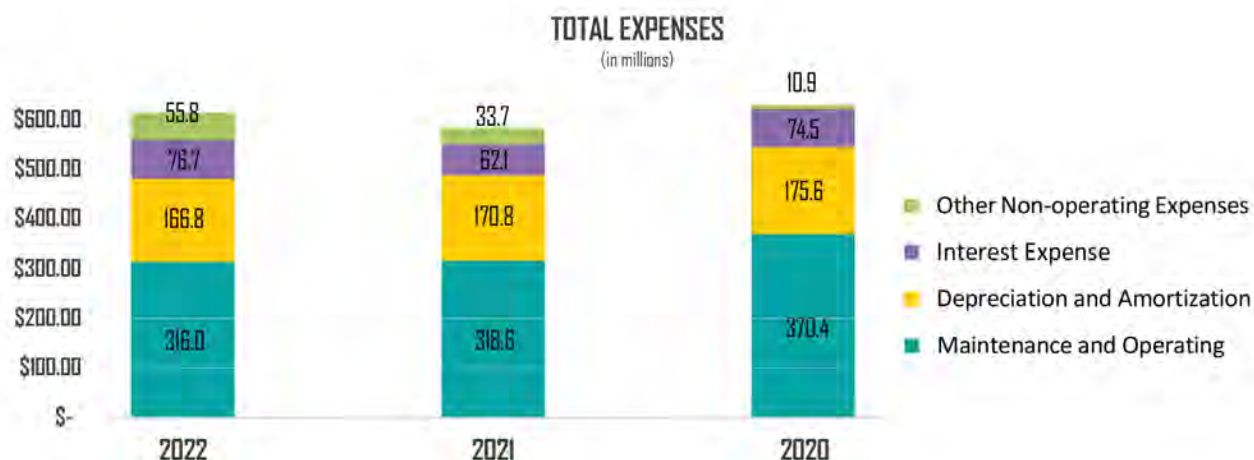
	June 30, 2022	June 30, 2021	June 30, 2020
Operating Expenses			
Maintenance and operating	\$ 316,001	\$ 318,568	\$ 370,430
Depreciation and amortization	166,792	170,820	175,573
Interest expense	76,705	62,107	74,533
Other nonoperating expenses	55,831	33,696	10,893
Total expenses	\$ 615,329	\$ 585,191	\$ 631,429

FY2022

Total operating expenses decreased by \$6.6 million or 1.3%. Depreciation expense decreased by \$4.0 million or 2.3% due to assets becoming fully depreciated in FY2022. Personnel costs decreased by \$5.1 million or 6.1% due to a significant reduction, \$11.2 million or 213.4%, in the OPEB, Other Postemployment Benefits, due to change in benefit terms which is not deferred and is recognized in the current year. Overtime pay increased by \$1.9 million or 114.0% due to on-going construction activity in FY22. Salaries increased by \$2.6 million or 3.9% due to HOPE increase in FY22. Expenses for professional services increased by \$5.6 million or 2.5% compared to FY21. Expenses for non-capital outlay decreased by \$3.0 million or 62.9% compared to FY21.

FY2021

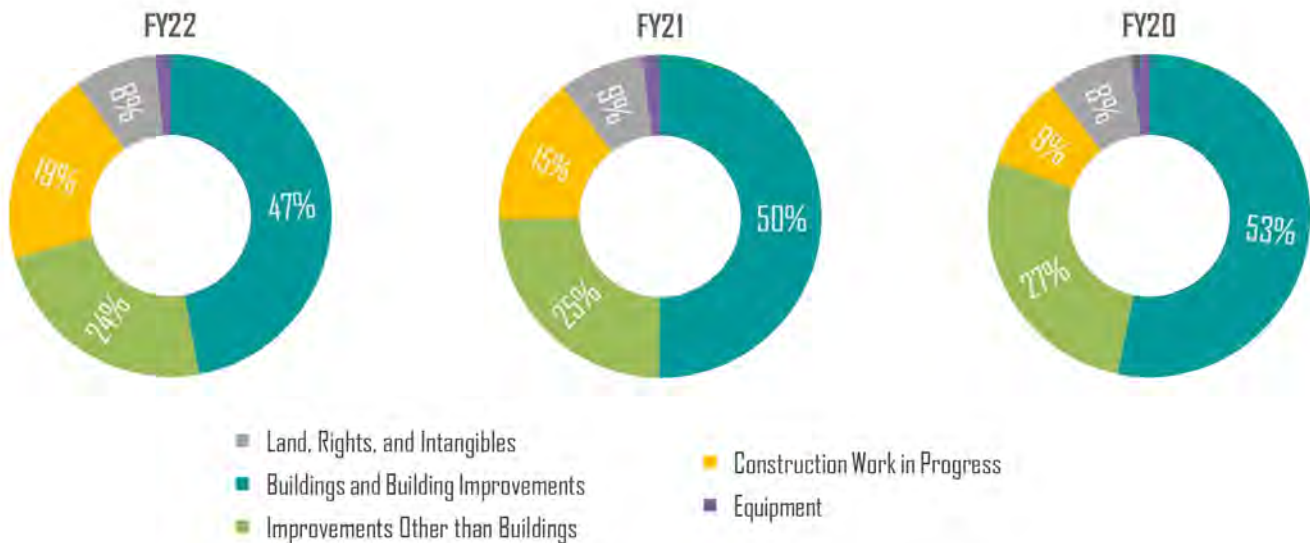
Total operating expenses decreased by \$56.6 million or 10.4% primarily attributable to a decrease of \$39.8 million or 179.4% in pension and OPEB-HB expenses, offset by an increase in regular salary of \$4.2 million or 6.81%. Significant appreciation in fair value of pension plan assets in FY2021 resulted a large amount of deferred inflows to be amortized over 5 years, including FY2021. Expenses for professional services (construction related) increased by \$13.8 million or 81% compared to FY2020. During FY2020, HAS made a one-time \$36.5 million lease buyout payment associated with the IAH Terminal Redevelopment Program; thus, other operating expenses decreased by \$33.4 million or 91.2% in FY2021 compared to FY2020. Depreciation expense decreased by \$4.8 million or 2.7% mainly due to early retirement of garage D/E at IAH. Interest expense decreased by \$12.4 million or 16.7% compared to FY2020 due to additional savings realized from the 2020 series refunding bonds. However, loss on disposal of assets increased by \$16.7 million or 154.2% due to early retirement of garage D/E at IAH.



Capital Assets

CAPITAL ASSETS JUNE 30, 2022, JUNE 30, 2021, and JUNE 30, 2020 (Net of Depreciation and Amortization) (in thousands)

	June 30, 2022	June 30, 2021	June 30, 2020
Land	\$ 216,039	\$ 216,100	\$ 216,100
Rights and intangibles	20,988	18,333	13,406
Buildings and building improvements	1,352,792	1,374,518	1,452,751
Improvements other than buildings	676,088	678,694	742,419
Equipment	43,819	47,891	51,837
Construction work in progress	556,914	409,680	255,070
	<u>\$ 2,866,640</u>	<u>\$ 2,745,216</u>	<u>\$ 2,731,583</u>



The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to \$2.87 billion at June 30, 2022, an increase of \$121.4 million or 4.4% compared to June 30, 2021. During FY2022, the Fund added approximately \$147.2 million, net of transfers, to its construction work in progress balance. The additions were mainly related to the ITRP with more than \$80 million in additions, \$20.0 million for the Southwest Airlines gate expansion at HOU, as well as \$40.0 million for the Spaceport expansion at EFD. FY2022 depreciation expense was approximately \$166.8 million.

The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to \$2.75 billion at June 30, 2021, an increase of \$13.6 million or 0.5% compared to June 30, 2020. At the end of March 2021, HAS closed one of the garages at IAH as part of the IAH Terminal Redevelopment Program (the "ITRP"). Due to early retirement of the garage, the Fund derecognized \$111.4 million of historic costs associated with the garage and \$83.8 million of accumulated depreciation, which resulted a loss on disposal of approximately \$27.6 million. During FY2021, the Fund added approximately \$154.6 million, net of transfers, to its construction work in progress balance. The additions were mainly related to the ITRP with more than \$100 million in additions, \$30.2 million for taxiway Ws at IAH, as well as \$26.6 million renovation projects at IAH's terminal A. FY2021 depreciation expense was approximately \$170.6 million.

Capital Improvement Program (“CIP”)

The City updates and adopts annually a rolling five-year comprehensive plan that determines and prioritizes its capital and infrastructure needs, including HAS. Management of HAS continuously monitors and adjusts the CIP based upon financial capacity, air travel demand, and airline industry developments. The HAS five-year Capital Improvement Plan (“CIP”) for fiscal years 2023-2027 calls for \$2.3 billion to expand, update, and maintain the airport system.

Major projects, greater than \$100 million individually, are as follows:

1. IAH – IAH Terminal Redevelopment Program: \$1,024 million
2. HOU – Seven gate expansion: \$230 million
3. EFD – Taxiway L: \$118 million

The remainder of the budget consists of improvement and rehabilitation of infrastructure for IAH, HOU, and EFD/Spaceport.

In addition, on August 25, 2021 (fiscal year 2022), the City issued Special Facilities Bonds in the approximate aggregate principal amount of \$289.5 million to finance improvements to the baggage handling system at IAH, which will include an early baggage storage system, and other terminal facilities. These Special Facilities Bonds will be limited special obligations of the City and not secured by the Fund’s Net Revenues.

Debt

OUTSTANDING DEBT JUNE 30, 2022, JUNE 30, 2021, AND JUNE 30, 2020 (in thousands)

	June 30, 2022	June 30, 2021	June 30, 2020
Senior Lien Debt			
Commercial paper	\$ 185,000	\$ 20,000	\$ 132,973
Total senior lien debt	185,000	20,000	132,973
Subordinate Lien Debt			
Revenue bonds	2,133,665	2,209,245	1,855,340
Unamortized discount and premium	197,747	214,880 *	162,351
Total subordinate lien debt	2,331,412	2,424,125	2,017,691
Other Debt			
Direct borrowing debt	15,993	14,421	324
Pension obligation bonds	2,006	2,006	2,006
Special facility revenue bonds			
Consolidated rental car facility	60,680	68,185	74,425
Total other debt	78,679	84,612	76,755
Total outstanding debt	\$ 2,595,091	\$ 2,528,737	\$ 2,227,419
Deferred Outflows of Resources			
Deferred outflows from debt refunding	\$ (21,823)	\$ (24,219) *	\$ (17,263)

*FY2021 was adjusted

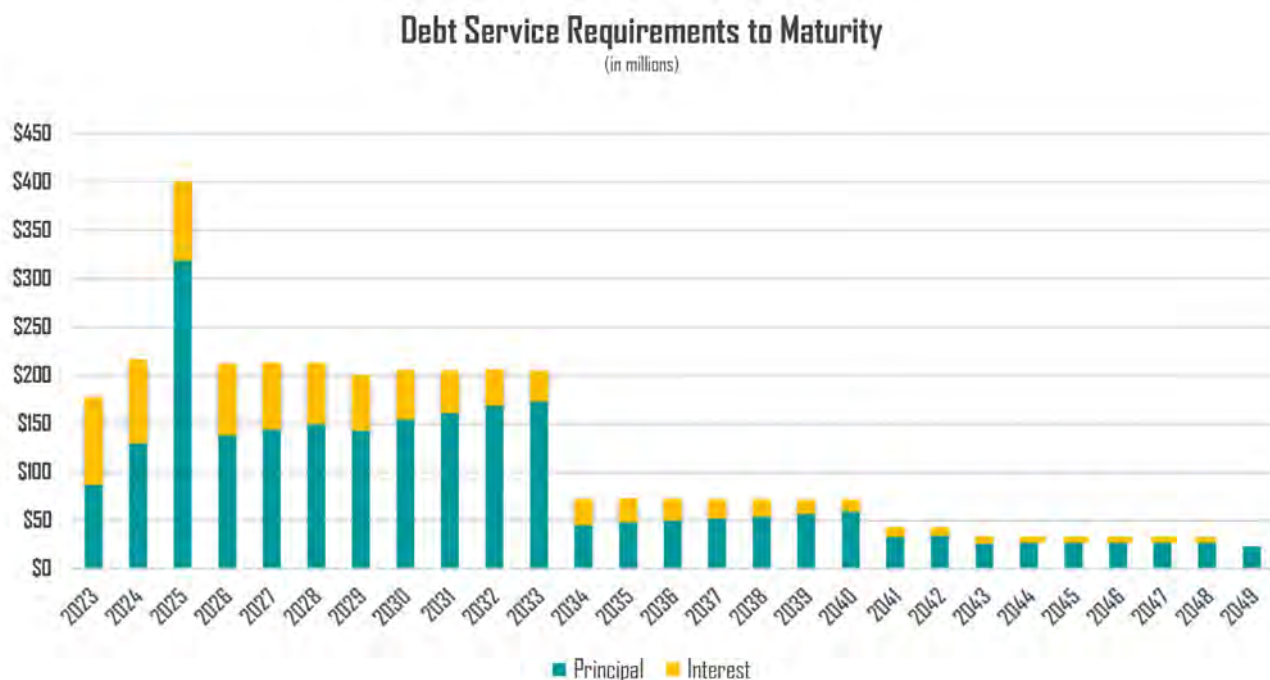
HAS funds major projects like terminal expansion/renovations, runway improvements, and other expansion projects through the issuance of debt, net of available FAA discretionary funding. Minor renewals and replacements are generally funded out of the Fund's "Renewal & Replacement Fund" and "Airports Improvement Fund." HAS continuously monitors the cash flow and contracting requirements for all approved capital projects.

At June 30, 2022 and 2021, the Fund's outstanding senior lien and subordinate lien debt, net of unamortized discount and premium totaled \$2.52 billion and \$2.44 billion, respectively. In addition, the Fund is responsible for other debt totaling \$78.7 million and \$84.6 million as summarized in the above table at June 30, 2022 and 2021, respectively.

During FY2022, HAS borrowed an additional \$165.0 million of commercial paper.

During FY2021, HAS issued Series 2020A, 2020B, 2020C, and 2021A Airport System Subordinate Lien Revenue Refunding Bonds. Series 2020A was issued for \$131.6 million for the purpose of refund \$151.0 million of Commercial Paper Notes and pay related costs of issuance. Series 2020B was issued for \$71.6 million for the purpose of fully refund \$91.9 million of Subordinate Lien Revenue Refunding Bonds Series 2010 and pay related costs of issuance. Series 2020C was issued for \$660.5 million for the purpose of refund and defease \$614.8 million of Subordinate Lien Revenue Refunding Bonds Series 2000B, 2011A, 2011B, 2012A, and 2012B and pay related costs of issuance. Net present value savings related to the Series 2020 bonds was approximately \$94.8 million, and debt service was reduced by approximately \$98.2 million. In addition, Series 2021A was issued for \$286.0 million for the purpose of refund \$345.8 million of Commercial Paper Notes and pay related costs of issuance.

The graph below represents the required principal and interest payments on outstanding debt through the year ending June 30, 2049.



The underlying ratings of the Fund's obligations at June 30, 2022 are as follows:

	Senior Lien	Subordinate Lien	Consolidated Rental Car SFRB
Fitch's Bond Rating:	No bonds outstanding	A	A-
Moody's Bond Rating:	No bonds outstanding	A1	A3
Standard & Poor's Bond Rating:	No bonds outstanding	A	BBB+

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