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#### BUILD FORWARD BETTER ANNUAL REPORT 2021





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#### SYLVESTER TURNER

#### MAYOR OF HOUSTON

Dear Residents of Houston.

We can all be justifiably proud of Houston Airports, which provides an outstanding travel experience to millions each year through its excellent leadership, staff and partners at George Bush Intercontinental Airport and William P. Hobby Airport. The third airport within the airport system, and one of the largest multi-airport systems in North America, is Ellington Airport/Houston Spaceport which includes Axiom Space, Intuitive Machines and Collins Aerospace, three anchor tenants that are major movers and shakers in the aerospace industry.

Although the ravages of the COVID-19 pandemic are still present, Houston Airports provided services to more than 45 million travelers in 2021, up substantially from nearly 25 million in 2020. Air travel is clearly on the rebound and those numbers are expected to continue to rise in the coming months and years.

Houston Airports received numerous honors and awards in 2021, which is directly tied to their dedication and commitment to outstanding customer service from curb to gate. Houstonians, Americans, and citizens of the world appreciate options, and Bush and Hobby provide the perfect blend of reliable low-cost carriers, coupled with the service of long-established airline heavyweights such as United and Southwest Airlines

We firmly believe that Houston Airports offers travelers one of the best travel experiences in the world. Every day, thousands enjoy the great benefits of other cultures and societies because of the service of our airport system. But they don't rest on their laurels – they are constantly looking for ways to improve and keep passenger satisfaction first.

At Bush, the IAH Terminal Redevelopment Program and Domestic Modernization Program continues to move forward. In 2021, Hobby also made significant improvements to its infrastructure. In addition to operating the nation's tenth licensed spaceport, Ellington continues to proudly and efficiently support the operations of the United States military, NASA, and other general aviation tenants.

The airport system serves as a tremendous economic catalyst for the City of Houston. Houston Airports is responsible for more than 190,000 jobs and pours more than \$36 billion into the local economy. Many do not realize that the airport system functions as a self-sustaining enterprise fund that does not burden local taxpayers to pay for operations, maintenance, or capital improvements.

The year 2021 was an exceptional year of both challenge and triumph. I say with confidence that, for Houston Airports, the best is yet to come.

I encourage you to peruse this Annual Report and learn more about what Houston Airports is doing to best serve the people of Houston and the citizens of the world.

Sylvety Jum



#### MARIO C. DIAZ

#### **DIRECTOR OF AVIATION**

Two thousand twenty-one was an amazing year for Houston Airports! George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Airport/Houston Spaceport adhered to Houston Airports' mission, vision, and values amidst global aviation industry challenges and made great strides in service, infrastructure, and long-term sustainability.

The year 2021 was typified by our intent to "Build Forward Better," and did we ever deliver! The tenacity and resilience of Houston Airports was evident as we emphasized safety while welcoming passengers and adding destinations to our award-winning airports over the course of 12 long but ultimately rewarding months. The exceptional qualities that make our 1,100-member Houston Airports team the best anywhere were again on full display. Each of them are to be applauded for a commitment to excellence that makes me feel privileged to work with them every single day.

The IAH Terminal Redevelopment Program, ITRP, crossed additional milestones on its way to a 2024 delivery date that will absolutely transform Bush Airport and further enhance the reputation – and reach – of the country's fourth-largest city. When the dust settles, we will reveal an international gateway that will compare favorably with anyone, anywhere, anytime.

At Hobby Airport, we significantly upgraded the travel experience with an exhaustive round of upgrades and improvements – new quartz tile flooring and carpet on the central concourse, SMART restrooms, upgraded service animal relief areas, new children's play areas, a new interfaith chapel – and much more!

We promised our passengers a 5-star experience and we delivered.

Earlier this year, Hobby was named as one of the 16 5-star airports in the world (only the fifth outside of Asia) and the first ever in North America!

At Ellington and the Houston Spaceport, we continued to build momentum with major announcements from each of our three anchor tenants – Axiom Space, Collins Aerospace, and Intuitive Machines. All three organizations have plans to build megacampuses on Ellington in the near future. Intuitive Machines has also developed lunar landers which will travel to the moon in 2022. Their work, accomplished on our Spaceport campus, brings international acclaim and recognition to Houston. We applaud each of them for living up to their stellar reputations for innovation and ingenuity.

We also made great strides in advanced facial comparison technology, expansion of our international biometric entry and exit programs. Additionally, our performing and visual arts programs are second to none!

Our pledge to the citizens of Houston is this: we will continue to Build Forward Better. We have an upcoming domestic modernization program at Bush that will replace functional yet aging infrastructure.

Houston Airports looks forward to serving you in 2022!

Marol Dias





























George Bush Intercontinental Airport (IAH)



33.7MIL

In 2021, more than 33 million passengers traveled through the five-terminal, five-runway airport



**10th** 

10th busiest airport in North America based on aircraft movements, according to ACI-NA (2021)



**182 Total** Destinations

Nonstop service to more than 122 domestic destinations and 60 direct and nonstop international destinations

Largest



One of the largest hubs for the world's second-largest airline, United Airlines



L41K Jobs

Supports more than 141,000 local jobs and contributes more than \$27.3 billion to the local economy (2019)



1969

First Flight out of IAH

#### HOL

#### William P. Hobby Airport (HOU)



11.3MIL

More than 11 million passengers traveled through the airport in 2021



#### **Biometrics**

The first international airport in Texas to have biometric entry and exit



#### 89 Total Destinations

Airline service to 81 domestic and 8 international destinations within U.S., Mexico, Latin America and the Caribbean (2021)

**Active** 

Hub



Home to one of Southwest Airlines' most important and active hubs



36K Jobs

Supports more than 36,000 local jobs and contributes \$5.8 billion to the local economy (2019)



L937

Acquired by the City of Houston in 1937

#### **EFD**

#### Ellington Airport / Houston Spaceport (EFD)



#### **Commercial Spaceport**

Became home to the nation's 10th licensed commercial spaceport in June 2015



75K

Accommodates more than 75,000 flight operations, offering 24/7 ATC service  $\theta$  three active runways



With NASA as tenant, many of the astronauts from the world-renowned Johnson Space Center receive ongoing space training at EFD

Disaster

Relief

**Training** 

Space



Home to the regional headquarters of the United States Coast Guard



Jobs

Supports more than 13,000 local jobs and contributes \$3.3 billion to the local economy (2019)



Military Operations

Supports the operations of the U.S. Military, the Department of Homeland Security, NASA and a variety of general aviation tenants

**Build Forward Better** 



#### VISION OF HOUSTON SPACEPORT COMING INTO CLEAR FOCUS

When it comes to the Houston Spaceport at Ellington Airport, things are looking up. Property development has taken off and Houston is fast-becoming recognized as a surefire transportation hub of the present and the future and continues to develop and grow exponentially.

The Houston Spaceport is one of 14 FAA-licensed spaceport sites in the United States and the first located near a major metropolitan area. Houston Spaceport's Phase 1 development was completed in early 2021. The 150-acre, \$21 million buildout included the construction of 2.5 miles of streets as well as the development of water, wastewater, electrical power and distribution, fiber optics and communications facilities. Since then, three anchor tenants have begun work on developing facilities at the site: Houston-based Intuitive Machines and Axiom Space as well as Charlotte, N.C.-based Collins Aerospace. The three plan to construct approximately 577,000

HOUSTON AIRPORTS PARTICIPATE IN #WEARBLUEDAY TO RAISE **AWARENESS OF HUMAN** TRAFFICKING sg ft of structures on more than 42 acres of the spaceport property. On January 11, Houston Airports continued its commitment to combating human trafficking. Employees and stakehold-Approximately a third of the ers wore blue shirts to show support for the Blue Camproperty allocated for the paign. Houston Airports was the first airport system in spaceport - about 150 acres the nation to partner with the Department of Transpor- has been developed as a tation and the Department of Homeland Security's Blue shovel-ready site for future Lightning Initiative - a public outreach campaign to development. combat human trafficking. The Blue Lightning Initiative is the launch pad for training that provides airport staff information on what to look for, what to do when they see it, and who to call. IT'S HAPPENING IN OUR COMMU DHS.GOV/BLUECAMPAIGN 1-866-DHS-2-ICE 1.888.373-7888 ® INFO or HELP to BeFree (233733) **Build Forward Better** 

#### HOUSTON AIRPORTS RESPONDS TO WINTER STORM URI

North American winter storm Uri's wrath crippled much of the country, but Houston Airports responded in typical 5-star fashion! From Feb. 13-17, thousands of flights were canceled at U.S. airports. Bush and Hobby airports were forced to cease operations temporarily. Through it all, Houston Airports staff soldiered on and responded with unselfishness and consideration for others.

Airside and maintenance crews worked many hours on end as they cleared thick ice from the airfields and even restored water service at Hobby Airport. Approximately 365 Houston Airports staff members worked directly at the airports during the storm and many more assisted from home.

Uri wreaked havoc and resulted in more than 170 million Americans being placed under winter weather alerts. The storm caused power grids across the U.S. to fail and caused blackouts for over 5.2 million homes and businesses, mainly in Texas. It ultimately became one of the largest blackout events in modern U.S. history. The storm temporarily crippled the airports, yet Houston Airports staff stood tall and continued to serve the public in a nearly uninterrupted fashion.



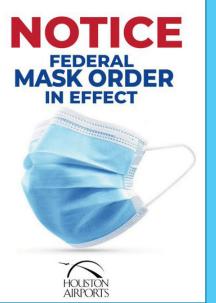


#### HOUSTON AIRPORTS ADVISES PASSENGERS OF NEW FEDERAL MANDATES

mandates regarding travel. When arriving into Houston via an international flight, every passenger over the age of two, including United States citizens or legal permanent residents had to show proof of a negative COVID-19 result. Passengers were required get tested no more than three days before their flight into the United States. Travelers were required to show their negative result to the airline before boarding their flight, or be prepared to show documentation of recovery—proof of a recent positive viral est and a letter from a healthcare provider or a public health official stating clearance travel. In addition, a federal mask mandate was in effect at all U.S. airports.

Travelers two years and older were required to wear a mask that covered the nose





#### HOUSTON SPACEPORT MONUMENT IS A SIGN OF GREAT THINGS TO COME

Houston Spaceport unveiled its new monument sign at Ellington Airport, which took four months to complete. As a center for collaboration and innovation, Houston Spaceport is unique among the other federally licensed spaceports. It lies in Houston, the country's fourth-largest city and a major hub for aerospace and aviation activities. Literally, no other commercial spaceport is located in a city larger than Houston.

## ASTON SPACE E BORNE



#### TERMINAL D/E PARKING GARAGE CLOSES

The Terminal D/E Parking Garage at Bush Airport permanently closed or March 1 to make way for the construction of the new international terminal arrivals and departures hall.

All passengers who would normally park in the garage were directed to park in any other terminal garages and use the subway train to access. Terminals D and E. Other convenient and affordable parking options included two nearby ecopark lots. Passengers were encouraged to visit www.fly2houston.com to check terminal garage parking capacities, prebook parking and save.

The Terminal D/E curbside pickup and drop-off remained open. To ease potential roadway congestion, those picking up passengers at Terminal E were told to use the cellphone lots until their passenger was ready at curbside.

The garage closure and impending demolition marked yet another milestone or the most significant expansion program in the 52-year history of Bush rport also known as the IAH Terminal Redevelopment Program or ITRP

### HOUSTON AIRPORTS WORKING TO ENHANCE THE AIRPORT EXPERIENCE FOR THE ADA COMMUNITY WITH NEW SERVICE ANIMAL RELIEF AREAS

In its mission to offer a five-star experience to passengers, Houston Airports announced its intention to dedicate more resources to enhancing the airport experience for all passengers and that includes travelers with disabilities. One important project that passengers will see roll out over the next 12 months includes the renovation and addition of service animal relief areas in select terminals at Houston Airports.

For easy access, each area will be located post-security and near passenger gate areas of both Hobby and Bush Airports. Each service animal relief area will also be specially constructed for wheelchair accessibility. They will be open to all passengers traveling with animals on Houston Airports' premises but were specially constructed with service animals and their handlers in mind.



# **Build Forward Better**

#### HOBBY AIRPORT ADDS NEW CHILDREN'S PLAY AREA AND INTERFAITH CHAPEL

With the passenger in mind, Hobby Airport recently opened a second children's play area. The newest children's play area can be found in the central concourse across from the food court. The first play area is in the west concourse near Gate 1. The new children's play area features a wing slide for aspiring future pilots, interactive smart screens and a parachute structure. Children can have fun and parents can sit comfortably while waiting for their flights. Fith health and safety in mind, the play area is constantly deep-cleaned.

Hobby also unveiled a brand-new interfaith chapel, a place of comfort, meditation and prayer for the traveling public and the airport community. Chapel features include an electronic visitors' log, seating, kneelers and prayer rugs. Occasions like funerals or deployments can magnify the inherent stress already present in travel, even more so during the challenges of the COVID-19 pandemic. Hobby interfaith chapel offers a retreat where people of all faiths can give thanks or meditate. Every religion and sect is recognized, and each tradition is valued and respected for its benefit to mankind.



#### SOUTHWEST AIRLINES RELAUNCHES SERVICE FROM BUSH AIRPORT

Southwest Airlines now serves both Bush and Hobby airports with nonstop air service. After a 16-year absence, Southwest Airlines relaunched service at Bush Airport, widening its footprint in Houston to provide greater convenience for business and leisure travelers throughout the region. On Monday, April 12, Southwest Airlines' inaugural flight to Bush Airport arrived from Dallas Love Field and passengers were greeted by a celebratory water arch as it taxied to the ramp at Terminal A.

Southwest Airlines has a long history with Bush Airport. The airport served as one of initial three airports

Southwest serviced on its first day in operation, June 18, 1971. The carrier moved to Hobby Airport shortly thereafter, though it operated service at both airports between 1980 and 2005. Southwest remains a key employer in Houston, providing nearly 4,000 jobs. The airline will be operating 15 daily departures from Bush Airport Terminal A at three separate boarding gates. Southwest customers can now fly between Bush Airport and five nonstop destinations: Chicago Midway, Dallas Love Field, Denver, Nashville and New Orleans.



#### HOUSTON AIRPORTS ROADWAY MONUMENTS HONOR IMPORTANT CAUSES

With a 5-star experience in mind, Houston Airports began installing roadway monuments to welcome passengers as they enter each of the airport properties. Houston's airports now have monuments at Bush Airport, Hobby Airport, Ellington Airport and Houston Spaceport that set a sense of place to the arrival experience for customers. Occasionally, the monument signs are illuminated in different colors to show support for causes that are important to the City of Houston and Houston Airports. In April, all the Houston Airports monuments were lit blue to honor Autism

Awareness Month. Also in April, the monuments donned blue and green hues in support of LifeGift, an organization that offers hope to the thousands of people in Texas and beyond who need lifesaving organ or tissue transplants. The monuments are lit in accordance with the causes supported by the City of Houston.

#### AIRFIELD IMPROVEMENTS AT ELLINGTON AIRPORT SHOW COMMITMENT TO HIGH-QUALITY INFRASTRUCTURE

High-quality infrastructure is certainly a main ingredient when it comes to a great airport. Houston Airports recognizes this and continually evaluates, invests and upgrades its infrastructure, as evidenced by an important airfield improvement project at Ellington Airport. The project included several major components, including panel replacement and application of surface sealant and pavement sealant on designated areas of the airport, which is home to certain operations of the U.S. military, NASA, and a number of general aviation tenants. Houston Airports' Infrastructure Division led the effort, part of an ongoing capital improvement project at all three airports within the airport system.

The project took about three months to complete and greatly enhances the life span of these key Ellington features.

The benefits of the improvements are tremendous, strengthening and reinforcing the runways and taxiways, and prolonging the life of the asphalt underneath. The sealant also prolongs the life of the FAA-required paint markings and the paved shoulders on Taxiway Delta.





# Collins Aerospace 34 Build Forward Better

#### COLLINS AEROSPACE EXPANDS OPERATIONS TO HOUSTON SPACEPORT

Collins Aerospace, a unit of Raytheon Technologies, and Houston Airports announced plans for a new eight-acre, approximately 120,000-square-foot campus that will support spaceflight and host Houston's first spaceflight incubator. The new Collins Aerospace campus, on Houston Spaceport at Ellington Airport, will continue to be part of the company's Mission Systems business, one of six strategic business units for Collins Aerospace. The facility will also host Houston's first-ever incubator supporting spaceflight. It is a dedicated 10,000-square-foot area for start-ups and universities to collaborate on solving critical space technology challenges, including robotics, medicine and additive manufacturing.

As an anchor tenant of Houston Spaceport, Collins Aerospace will receive up to \$25.6 million in financing from Houston Airports for capital improvements. The amount financed will be reimbursed by Collins Aerospace.





#### HOBBY AIRPORT MAKES SMART MOVE WITH NEW RESTROOMS

Hobby Airport is intent on utilizing smart technology in providing 5-star service to its passengers. Houston Airports Director Mario Diaz presided over a ribbon-cutting ceremony May 12 at Hobby. The event showcased new smart restrooms near gates 40 -43, Phase 1 of a two-phase restroom renovation effort. The impressive results highlight a modular design with brand-new wall panel systems that improved air quality and lighting and installed updated plumbing fixtures. Exterior glass was added to the

restrooms to match the glass in the terminal and introduce more translucent light. The restrooms provide a nearly touchless experience for passengers, from dispensing soap to washing and drying hands.

#### SUN COUNTRY AIRLINES OFFERING NONSTOP FLIGHTS FROM HOUSTON

Sun Country Airlines, a low-cost air carrier based in Minneapolis, announced plans to begin new seasonal nonstop flights between Bush Airport and Las Vegas, Minneapolis, and Cancun, Mexico. The direct flights between Minneapolis and Houston run on Thursdays and Sundays, and nonstop flights to Cancun will begin May 27, just in time for the busy summer travel season.







### FLYSAFE HOUSTON







#### FLYSAFE HOUSTON COMMUNICATIONS CAMPAIGN RECEIVES DOUBLE HONORS AT 42ND ANNUAL TELLY AWARDS

Houston Airports FlySafe Houston communications campaign received double honors at the 42nd annual Telly Awards. FlySafe Houston is an internationally accredited passenger and employee-focused safety and health initiative that aims to reduce the spread of COVID-19 at every corner of Houston's airports.

The FlySafe Houston communications campaign video, which was written, produced and edited exclusively by the Houston Airports communications team, was honored in two categories:

- Silver Telly Winner in Branded Content: Writing (Official Listing)
- Bronze Telly Winner in Branded Content: Public Interest/Awareness (Official Listing)

The Telly Awards honor excellence in video and television across all screens and is judged by leaders from video platforms, television, streaming networks and production companies.

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Build Forward Better





CRUNCH TIME - HEAVY MACHINERY CHARACTERIZES
ONGOING CONSTRUCTION AS TERMINAL MODERNIZATION
PROGRAM ADVANCES WITH SAFETY EMPHASIS

Arriving and departing passengers at Bush Airport undoubtedly noticed the roadway construction that is paving the way for a new elite and technologically advanced international terminal. It is one of two main projects under the IAH Terminal Redevelopment Program, ITRP. Roadway and utility construction on North Terminal Road at Bush Airport has necessitated the temporary reduction in the number of lanes leading to Terminals C, D and E.

ITRP reached another significant milestone in April, surpassing more than 2 million man-hours without a reportable incident since its inception in 2015. A recent review of ITRP safety statistics noted that the program's to-date recordable incident rate (RIR) is an outstanding 0.10.

The Terminal D/E Parking Garage is now permanently closed, making way for construction of the new international terminal arrivals and departures hall. The new hall will vastly improve the experience for passengers. The work will also create jobs for Houstonians.

The overall ITRP scope is comprised of two large projects making up the International Terminal Complex and enabling projects. The International Terminal Complex is comprised of:

- The International Terminal North Concourse Project. This is comprised of two parts

   the refurbishment and re-life of the existing Terminal D facility; and the demolition and construction of the New Terminal D West Concourse.
  - The International Terminal Central Processor (ICP) and Federal Inspection Ser vices (FIS) Project. This is comprised of the demolition of the existing Terminal q D-E Garage, roadway modifications and construction of the new International Central Processor (ICP) building. In addition, there will be modifications to the existing Federal Inspection Services (FIS) building.

The Program's careful planning includes safeguarding for future expansion of the international terminal as passenger and airline traffic grows beyond the record levels attained in 2019, pre-pandemic.



#### THIRD QUARTER

**2021 JULY THROUGH SEPTEMBER** 

Harmony & Eir

Performing Arts Progra

This Performance is Brought to You by HOUSTON AIRPORTS

Houston Airports
Provides an Enjoyable
Passenger Experience
With Live Performances
By Houston's Finest
Professional Musicians

Share the Harmony! Fly2Houston.com

> HOUSTON AIRPORTS

#### TRAVEL REBOUND STEADILY GROWING IN HOUSTON

Travel rebound is steadily growing and nearing prepandemic levels. Houston Airports uses three measurements to gauge passenger travel: enplanements, capacity and load factor.

- June 2021, enplanements the boarding of an aircraft by a passenger—gained 2.24M, an increase of 15% over the previous month.
- Capacity —the number of seats made available by carriers is still -14% below pre-COVID levels of June 2019.
- The load factor the percentage of available seating capacity filled by passengers reached another COVID record high of 85%.

In June, Houston Airports recovered 85% of domestic and 71% of international enplanements from 2019. This is an improvement of 9% for domestic and 7% for international compared to the previous month.

Travel from Houston to Mexico is at an all-time high and has surpassed even 2019 numbers. Currently, the enplanement is 132% recovered—which is 32% over 2019.

Travel is more heavily focused on leisure and visiting friends and family travel. Industry experts have forecasted a recovery of pre-pandemic levels in the 2024 time frame.

#### COVID-19 TESTING AVAILABLE AT BUSH AIRPORT

XpresCheck—an extension of XpresSpa, a health and wellness airport shop— offered fast and accurate COVID-19 testing in Terminal E at Bush Airport. With many international destinations requiring negative COVID-19 tests, XpresCheck offered easy access to a testing site right at the airport. COVID-19 testing included a Polymerase Chain Reaction (PCR) Test, a Blood Antibody Test and the Rapid Abbott ID NOW COVID-19 test with results while the passenger waited. Results were typically available within 30 to 60 minutes.









#### HOUSTON'S AIRPORTS WIN BIG AT 2021 WORLD AIRPORT AWARDS

The top honors went to Bush Airport, which received the highest ranking among U.S. airports in the World's Top 100 Airports category and placed as the second-best airport in North America, achieving both honors for the second consecutive year. Bush Airport climbed six spots in rank to No. 25 among the top 100 world airports. Bush Airport also ranked as the cleanest airport in the U.S and finished fourth in the rankings for Best U.S. Airport Staff.

Hobby airport received several noteworthy accolades as well, including the most improved airport in the U.S. It also ranked third in the Best Regional Airports in North America category. In the Top 100 Best World Airports category, Hobby Airport placed 49th, up from 67th in 2020. Additionally, Hobby ranked tenth in the Cleanest Airports - North America category.

Houston is the only U.S. city to have two airports in the Best Airports in North America and Cleanest Airports categories. Since the early onset of the pandemic, Houston Airports implemented Fly-Safe Houston, an internationally accredited passenger and employee-focused safety and health initiative that helps reduce the spread of COVID-19 at Houston Airports.

George Bush Intercontinental and William P. Hobby Airports ranked No. 1 in multiple categories including Best, Cleanest and Most Improved U.S. airport

Houston Airports soared high, once again, at the Skytrax 2021 World Airport Awards by earning a long list of honors in various categories.

#### Bush Airport, IAH

#1 U.S. Airport #1 Cleanest U.S. Airport COVID-19 Airport Excellence Award

#### Hobby Airport, HOU

#1 Most Improved U.S. Airport
TOP 10 Cleanest Airport in North America
TOP 10 Best Airports in North America

# ild Forward Bett

#### HOUSTON CELEBRATES THE 'LARGEST ONE-TIME' ART ACQUISITION AT HOUSTON AIRPORTS

Houston Airports, with the support of the Mayor's Office of Cultural Affairs, MOCA, made its largest one-time art acquisition that will be installed at Bush and Hobby airports. The investment was directly made using Houston Airports' Enterprise Fund – a non-taxpayer, self-sustaining revenue source.

The selection of these 74 artworks was one of the most competitive processes to date. Eligibility for this opportunity was opened to include artists across the state to represent the diverse creative communities active in Houston and in Texas.

A committee of art professionals, artists and departmental representatives reviewed more than 670 applications from artists across the state of Texas offering ready to hang "portable" artworks for Houston Airports to purchase. "Portable Works" are not permanently sited and will be curated to enhance the aviation experience for passengers.

#### HOBBY AIRPORT EXCEEDS EXPECTATION FOR NURSING PARENTS

Hobby Airport unveiled its newly remodeled nursing rooms – complete with comfortable furniture, appealing style, and all the amenities that a parent might need to nurse a young child. Thanks to the Friendly Airports for Mothers Act, medium and large U.S.-based airports are required to have one nursing area per terminal. These nursing areas, also known as mother's rooms, are available for use by any gender parent who needs a quiet place to feed a baby or young child. Hobby Airport now offers three nursing rooms and a Mamava portable nursing pod which provides pre-security access for passengers. These pods require passengers to download the free Mamava app. Through the app, passengers gain access to the pods via a code.



EDGE4VETS FREE JOB PREP
WORKSHOP FOR VETERANS RETURNS
TO HOUSTON AIRPORTS

Houston Airports, in partnership with Edge4Vets, provides training and job opportunities for some of the nation's service personnel who are returning to the civilian workforce. The free workshop was postponed last year due to the COVID-19 pandemic, but because of its importance, Houston Airports held two workshops in October in an effort to identify talented personnel for local aviation jobs, while ensuring that the right consideration is given to those who have fought and served.

Edge4Vets was developed by the Human Resiliency Institute at Fordham University in New York and comes to Houston Airports in partnership with Airports Council International – North America following successful applications on the East and West Coasts.





#### THERAPY DOGS AT HOUSTON AIRPORTS AGAIN PUTTING SMILES ON FACES

All smiles: The therapy dog program at Houston Airports is back in service! Due to the COVID-19 pandemic, some services were sadly postponed at the airports. However, because of a strong travel rebound, a cherished airport program is back in full swing. The therapy dog program, which helps ease the anxiety and stress some passengers experience while traveling, was made available at both Bush and Hobby Airports. The four-legged volunteers and their well-trained companions are one of the many ways Houston Airports provides passengers with a 4-star customer experience.

Passengers again saw furry four-legged friends trotting through the terminals. The Therapy Dogs visit Bush Airport's Terminal A every Tuesday from noon to 2 p.m. and are at Hobby Airport on Friday and Sunday mornings. Houston Airports joins a growing number of similar programs at other airports such as Los Angeles, San Francisco and San Antonio.





#### GUEST SERVICES: HOUSTON AIRPORTS UNVEILS CUSTOMER EXPERIENCE BRAND PROMISE

With a number of ongoing expansions, upgrades and modernizations, Houston Airports takes great pride in meeting and exceeding customer expectations. Houston Airports unveiled its new customer experience brand promise, specifically designed to intimately serve its guests – every customer who visits Bush, Hobby and Ellington airports. The brand promise states:

"From your house to ours, we promise to deliver a five-star airport experience for our guests that showcases world-class service, modern facilities and uniquely "Houston friendly" hospitality – first time, every time."

Houston Airports has shifted its culture to customer-centric and the brand promise applies to every single guest, every single day. Houston Airports Director Mario Diaz said that to fully deliver on that promise, the airports must be consistently clean, the experience must be safe and efficient, and even more value is added through improvement of processes and new guest experience offerings that will help the airports reach a vaunted 5-star Skytrax rating.

#### WINGS OVER HOUSTON AIRSHOW RETURNS WITH THE U.S. AIR FORCE THUNDERBIRDS AND CANADIAN FORCES SNOWBIRDS

In 2020, Wings Over Houston converted to a drive-in format for spectators as a result of the COVID-19 pandemic. To maintain space between others, spectators were permitted to set chairs and tables only on one side of their vehicle. Some spectators viewed the "parade in the sky" from atop their vehicles while others stood in front of their vehicles. Inclement weather only allowed for a Saturday, Oct. 10, performance but it was well-attended and highly praised.

Kicking off its 37th consecutive year, the event returned fully to the great outdoors in October 2021 and included performances by two headliners, U.S. Air Force Thunderbirds and the Canadian Forces (CF) Snowbirds. Wings Over Houston contributes to the local region through scholarships, many local and national charities, nonprofit organizations and military recruiting efforts.





#### HOUSTON'S AIRPORTS RECEIVE INTERNATIONAL HEALTH ACCREDITATION FOR SECOND **CONSECUTIVE YEAR**

For the second consecutive year, Airports Council International, ACI, designated Bush and Hobby airports as safe and secure airports for the traveling public. ACI's Airport Health Accreditation program recognizes airports around the world for prioritizing health and safety measures to curb the COVID-19 pandemic. Houston's two commercial airports were the first in Texas to be given this international accreditation in 2020.

To become accredited. ACI conducts an assessment to determine how aligned an airport's health measures are with the ACI Aviation Business Restart and Recovery guidelines, ICAO Council Aviation Restart Task Force recommendations and industry best practices. The program is open to all ACI member airports of all sizes and in all regions.

The accreditation recognizes the effectiveness of Houston Airports' FlySafe Houston program, which was launched in June 2020 to directly combat and mitigate the deadly COVID-19 pandemic. FlySafe Houston offers a detailed commitment to new safety measures to safeguard a healthy airport experience.



WWW.TED.





# **Build Forward Better**

# HOUSTON AIRPORTS CELEBRATES ITS PASSENGERS DURING CUSTOMER APPRECIATION WEEK

December 12-18 was Customer Appreciation Week at Houston Airports and the award-winning airport system continued to put its customers first. As another nod to exceptional customer service during the holidays, every passenger boarding one randomly selected domestic flight each day at both Bush and Hobby airports were surprised with useful gifts that they could use during their flight. Gifts included neck pillows, blankets, and more along with a personalized message from each departing airport.

At Bush, participating airlines included Air Canada, Alaska, American Airlines, Delta, Frontier, JetBlue, Southwest, United and WestJet. Houston Airports surprised 13 flights between both airports. A total of about 1,700 passengers. At Hobby, participating airlines included Allegiant, American Airlines, Delta and Southwest Airlines.

The gifts made each passenger's journey more comfortable and created a memorable airport experience. Passengers were encouraged to share the moment with friends, and many did take to social media. Houston Airports even provided custom photo filters so passengers could share their moments on their Instagram stories and Snapchat feed. The program received significant exposure on social media - Facebook, Instagram and Twitter - with more than 101,000 impressions and 8,000 engagements.











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, 2021 ("FY2021") and June 30, 2020 ("FY2020").

# **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 4-year period. As of and for the year ended June 30, 2021, no CRRSA Act or ARP Act funds were expended by HAS.

COVID-19 has had a material impact on aircraft operations, passenger volumes, and revenues at IAH and HOU for FY2020 and FY2021. During FY2021, HAS received a total \$187.4 million of CARES Act funds. In addition, HAS received approximately \$8.0 million in CARES Act proceeds during FY2020. The proceeds were used to pay debt service as well as to pay for eligible operating and maintenance expenses in accordance with the grant agreements. A summary of proceeds received from March 27, 2020 through June 30, 2021 and related expenditures are as follows:

	(\$ in thousands)					
	Year Ended une 30, 2021		rch 27, 2020 to une 30, 2020			
Debt service	\$ 157,034	\$	8,057			
Operation and maintenance expenses	30,335		-			
Total	\$ 187,369	\$	8,057			
		_				

In addition, HAS provided financial relief to airlines by agreeing to extend payment terms on a portion of terminal rents during FY2021 and/or into the year ending June 30, 2022. These amounts are recorded as a revenue and accounts receivable in the accompanying financial statements. As of June 30, 2021, the amount of outstanding terminal rents with extended payment terms included in accounts receivable was approximately \$10.6 million.

# **Key Performance Indicators**

The following table highlights changes in some of HAS' operating and financial key performance indicators for the years ended June 30, 2021, 2020, and 2019.

For Years Ended	June 30, 2021	June 30, 2020	June 30, 2019
Total passengers (in millions)	29.7	43.6	59.5
Aircraft operations (in thousands)	511.7	623.8	752.4
Passenger landed weight (in millions of pounds)	21,159.3	27,872.1	34,953.8
Cargo landed weight (in millions of pounds)	2,278.9	2,473.2	2,256.1
Cargo metric tons (in thousands)	460.7	484.4	511.2

# **Adoption of New Accounting Standards - Leases**

The Fund implemented Government Accounting Standards Board Statement No. 87, Leases ("GASBS 87"), for the fiscal year beginning July 1, 2020. Upon adoption of the new lease standard, the Fund recognized right-of-use assets and lease liabilities totaling \$0.4 million and lease receivable and deferred inflows of resources totaling \$264.6 million. See Notes 1, 4, and 12 for disclosures on significant accounting policies, detailed description of leases, and information on estimated future lease payments.

# **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.

JUNE 30, 2	021, JUNE	POSITION 30, 2020, an thousands)	nd JU	NE 30, 2019		
	June	e 30, 2021	Jun	e 30, 2020	Jun	e 30, 2019
Assets						
Current assets	\$	681,939	\$	547,960	\$	543,415
Noncurrent assets		1,442,828		999,035		971,210
Net capital assets		2,745,216		2,731,583		2,765,308
Total assets		4,869,983		4,278,578		4,279,933
Deferred outflows of resources		31,340		44,948		37,388
Liabilities						
Current liabilities		228,190		218,481		216,428
Noncurrent liabilities		2,698,330		2,470,138		2,470,516
Total liabilities		2,926,520		2,688,619		2,686,944
Deferred inflows of resources		341,420		30,925		32,121
Net Position						
Net investment in capital assets		495,497		514,164		542,125
Restricted net position		1,128,325		1,204,076		1,194,487
Unrestricted (deficit)		9,561		(114,258)		(138,356)
Total net position	\$	1,633,383	\$	1,603,982	\$	1,598,256

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

Total net position at June 30, 2021 was \$1,633.4 million, a \$29.4 million or 1.8% increase from June 30, 2020. Total net position at June 30, 2020 was \$1,604.0 million, a \$5.7 million or 0.4% increase from June 30, 2019.

Approximately a third of the Fund's total net position, 30.3% and 32.1% as of June 30, 2021 and 2020, 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.

# 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. See Note 4 to the financial statements for additional discussion on the leases. 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. See Capital Assets section in this MD&A for further discussion and analysis on current and future capital projects.

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.

### FY2020

Total assets decreased by \$1.4 million or less than 0.1% from \$4,280.0 million at June 30, 2019 to \$4,278.6 at June 30, 2020. Unrestricted and restricted cash and cash & cash equivalents increased by \$213.2 million or 109.5% compared to June 30, 2019 due to a decrease in unrestricted and restricted investments of \$214.9 million or 17.0% as investments were liquidated to meet short-term operational needs. In addition, as a result of COVID-19 pandemic, accounts receivable increased by \$44.7 million or 145.5% compared to June 30, 2019 as air carriers, auto rental companies, and concessionaires experienced significant disruption in their operations and cash flows. Balance due from other governments decreased by \$13.5 million or 73.5% compared to June 30, 2019 as reimbursements were received from the FAA for eligible capital expenditures made during fiscal year ended June 30, 2019. In addition, buildings, improvements, and construction in progress increased by \$134.4 million or 2.34% due to certain expansion and renovation projects during FY2020. See Capital Assets section in this MD&A for further discussion and analysis on current and future capital projects.

Deferred outflows of resources increased by \$7.5 million or 20.0% mainly attributable to an increase of \$8.2 million or 46.0% in pension related deferred outflows for the difference recognized between actual and projected earnings for FY2020 from pension trust assets.

Total liabilities increased by \$1.7 million or 0.1% compared to June 30, 2019 due to a decrease in bonds payable of \$97.0 million or 4.6% for principal payments made during FY2020, offset by a \$84.5 million or 174.3% increase in outstanding commercial paper balance to fund ongoing capital projects and a \$28.5 million or 12.4% increase in net pension liability due to a loss on investments recognized by the pension plan for FY2020.

# CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019 (in thousands)

	June	9 30, 2021	June	30, 2020	June	e 30, 2019
Operating revenues	\$	318,555	\$	471,912	\$	498,464
Operating expenses		489,388		546,003		511,743
Operating loss		(170,833)		(74,091)		(13,279)
Nonoperating revenues		271,280		154,316		173,881
Nonoperating expenses		95,803		85,426		84,458
Nonoperating income		175,477		68,890		89,423
Income (loss) before capital contributions		4,644		(5,201)		76,144
Capital contributions		24,757		10,927		16,599
Change in net position		29,401		5,726		92,743
Total net position, July 1		1,603,982		1,598,256		1,505,513
Total net position, June 30	\$	1,633,383	\$	1,603,982	\$	1,598,256

# **Changes in Net Position**

For FY2021 and FY2020, net position of the Fund increased by \$29.4 million or 1.8% and \$5.7 million or 0.4%, respectively.

TOTAL REVENUES AND YEARS ENDED JUNE 30, 2021,		30, 2020, a			19	
	June	e 30, 2021	•	June 30, 2020	Jun	e 30, 2019
Operating Revenues						
Landing area fees	\$	70,578	\$	95,862	\$	87,767
Rentals, building and ground areas		155,598		223,301		211,323
Parking and concessions		85,908		146,910		193,251
Other operating revenues		6,471		5,839		6,123
Nonoperating Revenues						
Passenger Facility Charges		62,541		78,418		111,155
Customer Facility Charges		8,769		13,320		17,439
Investment income		1,523		43,701		45,067
CARES Act grant		187,369		8,057		-
Other nonoperating revenues		11,078		10,820		220
Total revenues		589,835		626,228		672,345
Capital contributions		24,757		10,927		16,599
Total revenues and capital contributions	\$	614,592	\$	637,155	\$	688,944

## 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.

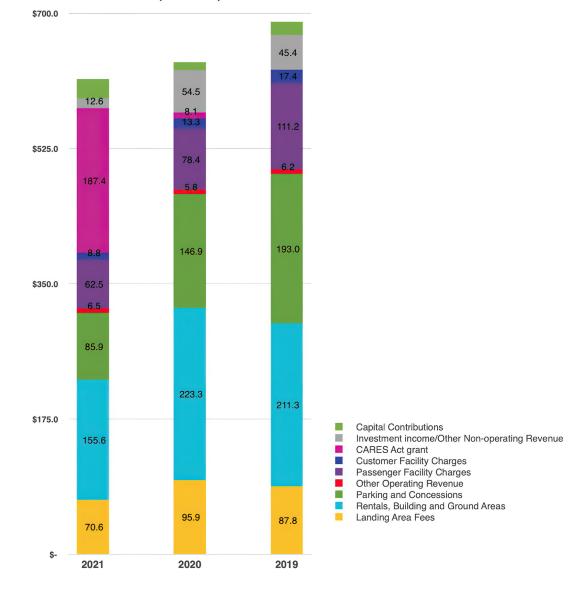
# FY2020

Operating revenues decreased by \$26.6 million or 5.3% as total enplaned and deplaned passenger volume at IAH and HOU decreased by 26.8% due to the COVID-19 pandemic. In FY2020 at IAH, there was a 6.3% rate decrease in landing fees from \$2.704 to \$2.533 per 1,000 pounds. At HOU, there was an 8.4% rate increase in landing fees from \$1.857 to \$2.049 per 1,000 pounds. In addition, garage parking rates remained at \$24 per day during most of FY2020 until April 2020 when it was first decreased to \$5 per day and subsequently increased to \$10 per day in May. Rental revenues increased by \$12.0 million or 5.7% due to increase in rates, while concessions decreased by \$17.4 million or 20.9% due to the pandemic.

Nonoperating revenues decreased \$19.6 million or 11.3% mainly due to a \$32.7 million or 29.5% decrease in PFC, a \$4.1 million or 23.6% decrease in CFC, and a \$1.4 million or 3% decrease in investment income, offset by a \$10.6 million or 4,788.1% increase in other revenue and a \$8.1 million reimbursement received from the FAA under CARES Act. Decreases in PFC and CFC mainly caused by the COVID-19 pandemic as domestic and international air traffic dropped significantly during the fourth guarter of FY2020.

Capital contributions from the FAA and the Transportation Security Administration (the "TSA") decreased by \$5.7 million or 34.2% due to timing of expenditures by HAS and reimbursements from the FAA and TSA.

# TOTAL REVENUES and CAPITAL CONTRIBUTIONS (in millions)



# TOTAL EXPENSES YEARS ENDED JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019 (in thousands)

	June 30, 2021		June 30, 2020		June 30, 2019	
Operating Expenses						
Maintenance and operating	\$	318,568	\$	370,430	\$	337,477
Depreciation and amortization		170,820		175,573		174,266
Interest expense		62,107		74,533		81,575
Other nonoperating expenses		33,696		10,893		2,883
Total expenses		585,191	\$	631,429	\$	596,201

# FY2021

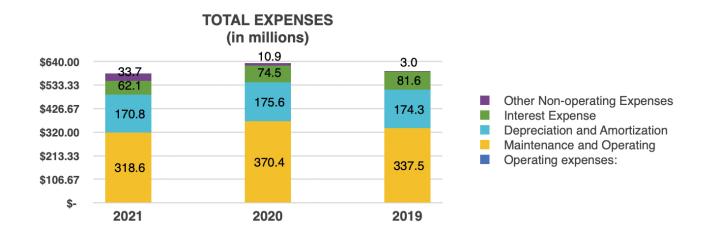
Total operating expenses decreased by \$56.6 million or 10.4% primarily attributable to a decrease of \$39.8 million or 179.4% in pension and OPEB-HB expenses, offset by an increase in regular salary of \$4.2 million or 6.81%. Significant appreciation in fair value of pension plan assets in FY2021 resulted 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.

## FY2020

Total operating expenses increased by \$34.3 million or 6.7% due to an increase of \$33.0 million or 9.8% in maintenance and operating expenses, and depreciation expense increased by \$1.3 million or 0.8%. The increase in maintenance and operating expenses of \$33.0 million was primarily attributable to a \$36.5 million lease buyout associated with the IAH Terminal Redevelopment Program, and the increase in depreciation expense was due to a \$9.1 million increase in the renewal and replacement of depreciable property. The increases were partially offset by a \$6.0 million decrease in building maintenance services, a \$3.7 million decrease in management consulting services, and a \$0.9 million decrease in advertising services.

Interest expense decreased by \$7.0 million or 8.6% compared to the fiscal year ended June 30, 2019 due to savings realized from the 2018 series refunding bonds. In addition, a \$10.9 million loss on disposal of assets was recognized for replacement of taxiway Ws at IAH.



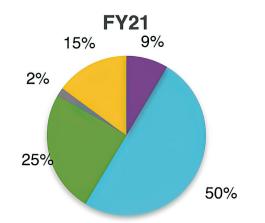
# **Capital Assets**

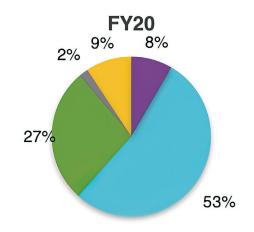
# CAPITAL ASSETS JUNE 30, 2021, JUNE 30, 2020, and JUNE 30, 2019

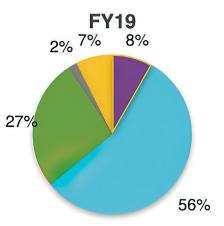
(Net of Depreciation and Amortization)

(in thousands)

	June	e 30, 2021	June	e 30, 2020	Jun	e 30, 2019
Land	\$	216,100	\$	216,100	\$	216,100
Rights and intangibles		18,333		13,406		12,926
Buildings and building improvements		1,374,518		1,452,751		1,542,612
Improvements other than buildings		678,694		742,419		739,766
Equipment		47,891		51,837		47,217
Construction work in progress		409,680		255,070		206,687
	\$	2,745,216	\$	2,731,583	\$	2,765,308







# **Capital Assets**

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.

The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to \$2.73 billion at June 30, 2020, a decrease of \$33.7 million or 1.2% compared June 30, 2019. Additions to construction work in progress, net of transfers, totaled approximately \$48.4 million. Significant additions during FY2020 included \$68.6 million for the ITRP, \$23.3 million for taxiway Ws at IAH, \$17.2 million for the Spaceport at EFD, and \$10.8 million for energy efficient equipment upgrades at IAH and HOU. Retirement of capital assets during FY2020 mainly consisted of \$17.3 million related to rehabilitation of taxiway Ws at IAH, with a loss on disposal of approximately \$10.9 million. FY2020 depreciation expense totaled approximately \$175.6 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. Due to COVID-19, major projects and estimated costs/budget in the CIP for the years ending June 30, 2022 through 2026 were continuously updated throughout FY2021. As of June 30, 2021, the CIP includes projects totaling approximately \$1.4 billion. Major projects, greater than \$100 million individually, are as follows:

- 1. IAH IAH Terminal Redevelopment Program: \$681 million
- 2. IAH Runway, taxiway, and airfield projects: \$190 million
- 3. IAH Central plant and other infrastructure improvements: \$111 million
- 4. 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

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.

# OUTSTANDING DEBT JUNE 30, 2021, JUNE 30, 2020, AND JUNE 30, 2019

(in thousands)

	Jur	ne 30, 2021	June 30, 2020		June 30, 2019		
Senior Lien Debt							
Commercial paper	\$	20,000	\$	132,973	\$	48,473	
Total senior lien debt		20,000		132,973		48,473	
Subordinate Lien Debt							
Revenue bonds		2,209,245		1,855,340		1,935,450	
Unamortized discount and premium		212,761		162,351		179,252	
Total subordinate lien debt		2,422,006		2,017,691		2,114,702	
Other Debt							
Direct placement debt		14,421		324		-	
Pension obligation bonds		2,006		2,006		2,006	
Special facility revenue bonds							
Consolidated rental car facility		68,185		74,425		80,385	
Total other debt		84,612		76,755		82,391	
Total outstanding debt	\$	2,526,618	\$	2,227,419	\$	2,245,566	
Deferred Outflows of Resources							
Deferred outflows from debt refunding	\$	(22,218)	\$	(17,263)	\$	(19,572)	
						_	

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## Debt

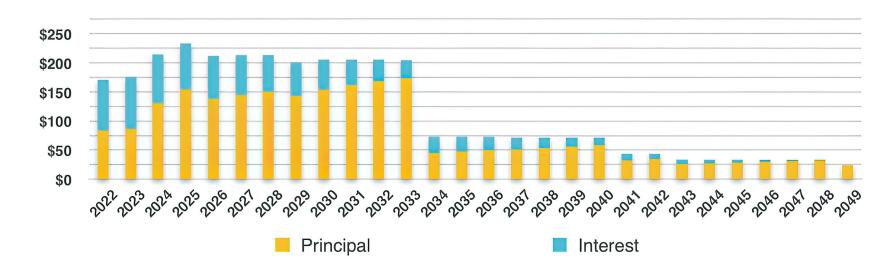
At June 30, 2021 and 2020, the Fund's outstanding senior lien and subordinate lien debt, net of unamortized discount and premium totaled \$2.44 billion and \$2.15 billion, respectively. In addition, the Fund is responsible for other debt totaling \$84.6 million and \$76.8 million as summarized in the above table at June 30, 2021 and 2020, respectively.

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.

In FY2020, HAS entered into two loan agreements with the Texas State Energy Conservation Office to build or acquire energy efficient equipment or assets. During FY2021 and FY2020, HAS borrowed approximately \$14.1 million and \$0.3 million, respectively, at a fixed interest rate of 2% per annum. Upon completion of the projects, expected during the year ending June 30, 2022, repayments will commence and be made over 10 and 15 years.

During FY2020, no bonds were issued. HAS mainly utilized the Commercial Paper Notes for short-term financing and liquidity needs. The outstanding balance of the Commercial Paper Notes was subsequently refunded through the issuance of Series 2020A bonds as described above.

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, 2021 are as follows:

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

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