



**CITY OF PHILADELPHIA  
Philadelphia Airport System**

**Municipal Securities Disclosure  
Annual Financial Information  
Fiscal Year Ended June 30, 2018**



Intentionally Left Blank

**FINANCIAL STATEMENTS  
OF THE DIVISION OF AVIATION**

For purposes of calculating Scheduled Airline rentals, fees and charges, and demonstrating compliance with the Rate Covenant, Aviation Fund accounts are maintained on the accrual basis of accounting adjusted to meet the particular requirements of the General Airport Revenue Bond Ordinance of the City. Using this basis of accounting, revenues are recorded as they are earned, and operating expenses are recorded as they are incurred. In addition, principal payments on debt are recorded as an element of expense in lieu of depreciation, and equipment purchases and other capital outlays funded from operations are charged to expense in the year of acquisition.

For purposes of budgeting, Aviation Fund accounts are maintained on the modified accrual basis of accounting also referred to as the “legally enacted basis.” Under this basis, revenues are recorded in the year received. Obligations are recognized and recorded as expenses at the time they are paid or encumbered. A reserve is maintained for encumbrances at the close of the fiscal year, intended to be sufficient to liquidate the estimated related obligations.

The accounting policies of the City of Philadelphia, as reflected in the accompanying Aviation Fund financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board. Accounting principles generally accepted in the United States of America for proprietary funds, such as the Aviation Fund, require that both earnings and expenses be recorded as they accrue, and that depreciation of fixed assets be recorded as an expense. The financial statements for fiscal year 2018 are presented in accordance with accounting principles generally accepted in the United States of America.

The financial statements contained in the Financial Section of this document are reconcilable with the Basic Financial Statements contained in the City’s Comprehensive Annual Financial Report for fiscal year 2018, which are audited by the Office of the Controller of the City of Philadelphia.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

**INTRODUCTION**

Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE) are owned by the City of Philadelphia (the City) and operated by the Division of Aviation (the Division). The following discussion and analysis of the financial performance and activity of the Division is to provide an introduction and understanding of the basic financial statements of the City's Aviation Fund (Aviation Fund) for the fiscal year ended June 30, 2018 (FY 2018) with selected comparative information for the fiscal year ended June 30, 2017 (FY 2017).

This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto that follow this section. The financial statements presented are for the Aviation Fund only and are not intended to present fairly the financial position of the City as a whole or the results of its operations and cash flows. The Comprehensive Annual Financial Report of the City provides complete financial information as to the City and its component units. Complete financial information for the City and its component units can be found at: <http://www.phila.gov/investor/CAFR.html>.

**BACKGROUND INFORMATION ON THE AVIATION FUND**

The Aviation Fund is an enterprise fund of the City. Enterprise funds are established by governmental units to account for services that are provided to the general public based on user charges, and they are operated in a manner similar to business-type activities. The Aviation Fund was created and authorized as part of the FY 1974 Operating Budget Ordinance approved by City Council on June 7, 1973 and made effective July 1, 1973.

The Aviation Fund is self-supporting, using aircraft landing fees, terminal building rentals, concession revenue and other facility charges to fund annual expenses. The Airport's capital program is funded by airport revenue bonds issued by the City, commercial paper (CP), federal and state grants, passenger facility charges (PFCs), customer facility charges (CFCs), and operating revenues.

**DESCRIPTION OF PHILADELPHIA AIRPORT SYSTEM**

PHL is classified by the Federal Aviation Administration (FAA) as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 29.6 million passengers while facilitating 370 thousand aircraft movements in calendar year 2017.

The Airport serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware and Maryland. The Airport System consists of the following:

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

***Philadelphia International Airport***

Land: Approximately 2,584 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia.

Runways: The Airport's runway system consists of parallel Runways 9L-27R and 9R-27L, crosswind Runway 17-35, commuter Runway 8-26, and interconnecting taxiways.

Terminal Buildings: Approximately 3.3 million square feet, consisting of seven terminal units (A-West, A-East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger hold rooms, baggage claim areas and approximately 175 food, retail and service establishments.

Other Buildings and Areas: Consisting of six active cargo facilities, two American Airlines aircraft maintenance hangars, and a first-class office complex located at the western end of the Airport.

Outside Terminal Area: Consisting of a 14-story, 400-room hotel, seven rental car facilities, a 150-vehicle cell-phone lot and two employee parking lots with a total of 4,200 spaces. This area also includes five parking garages and surface lots consisting of a total of 18,940 vehicle spaces, operated by the Philadelphia Parking Authority.

***Northeast Philadelphia Airport***

PNE is located on approximately 1,126 acres situated within the City limits, ten miles northeast of center city Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service. There are presently 85 T-hangars, nine corporate hangars and six open hangars for general aviation activities. There are approximately 175 general aviation aircraft based at PNE.

**AIRPORT STATISTICS AND HIGHLIGHTS**

→ **Regional Economic Impact**: A report released in the spring of 2017 conducted by Econsult Solutions, Inc. found that PHL generates \$15.4 billion annually in economic and financial impact in the surrounding eleven county Philadelphia metropolitan statistical area, supporting more than 96,000 jobs and \$4.8 billion in total earnings.

→ **Air Service Highlights**: At fiscal year-end 2018, PHL offered 127 non-stop destinations; 94 domestic and 33 international, an increase of five, four domestic and one international, over fiscal year-end 2017. Overall, seat capacity in FY2018 increased by 517 thousand or 2.8% over FY 2017, bringing the FY 2018 total to 18.7 million. Domestic seats increased 473 thousand or 3.0%, while international seats increased 44 thousand or 1.8%.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management’s Discussion and Analysis (Unaudited)  
June 30, 2018

---

Air service continued growing in FY 2018 as PHL added 29 new flights; 25 domestic and four international. Twelve of these flights were new PHL destinations. Frontier added: Fort Myers, FL (RSW), West Palm Beach, FL (PBI), Charleston, SC (CHS), Savannah, GA (SAV), Madison, WI (MSN), and Omaha, NE (OMA). American added: San Antonio, TX (SAT), Des Moines, IA (DSM), Fort Wayne, IN (FWA), and Pensacola, FL (PNS). Internationally American launched seasonal service to Budapest, Hungary (BUD) and Prague, Czech Republic (PRG) in May 2018. Aer Lingus, a new Signatory carrier, began year-round service to Dublin, Ireland (DUB) in May 2018. Among all carriers, 11 flights were discontinued; six domestic and five international. Refer to Exhibit S-18 in this report’s Statistical Section for more detail on PHL flight service in FY 2018.

Since the start of fiscal year 2019, PHL has added or announced year-round service to six destinations and seasonal service to 22 destinations. This includes: Frontier adding seasonal service to Myrtle Beach, SC (MYR), and Montego Bay, Jamaica (MBJ); Spirit Airlines announced year-round non-stop service to San Juan, Puerto Rico (SJU) beginning in May 2019; Sun Country Airlines, a low-fare carrier based in Minneapolis, announced that it will begin non-stop service between Philadelphia International Airport (PHL) and Minneapolis-St. Paul International Airport (MSP) starting April 2019. American announced adding international seasonal service in 2019 to Bologna, Italy (BLQ), Dubrovnik, Croatia (DBV), Berlin, Germany (TXL), Edinburgh, Scotland (EDI), and Halifax, Canada (YHZ). American currently offers non-stop service to 11 international destinations, eight of which are European. PHL will be the only airport in North America to offer non-stop flights to Bologna and Dubrovnik.

In January 2019, Frontier Airlines announced that it will establish a crew base of approximately 180 pilots in Philadelphia this year, the first time the airline will base pilots in the city. Once established, PHL will join other Frontier crew bases in Denver, Orlando, Las Vegas and Chicago. Denver-based Frontier Airlines has been expanding its PHL network since its first domestic flights began in 2014. The airline currently serves 31 nonstop destinations.

→ **Passenger Activity:** PHL continues to serve as a major hub for American Airlines, who, together with its regional airline affiliates, accounted for approximately 10.5 million enplaned passengers, or 70% of the Airport’s enplaned passengers, in fiscal year 2018.

**Enplanements and Operations Activity at PHL**

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
Domestic Enplanements (Outbound passengers):	13,238,844	12,775,958	462,886	3.6%
International Enplanements (Outbound passengers):	2,006,609	2,030,924	(24,315)	(1.2)%
Total Enplanements (Outbound passengers):	<u>15,245,453</u>	<u>14,806,882</u>	<u>438,571</u>	<u>3.0%</u>
Operations (Takeoffs & landings):	371,397	378,334	(6,937)	(1.8)%
Landed Weight (1,000-pound units):	20,285,942	19,758,643	527,299	2.7%

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

Enplaned passengers increased by 439 thousand or 3.0%, to 15.2 million, with domestic enplanements increasing by 463 thousand or 3.6% and international decreasing 24 thousand or (1.2%). Domestic enplanement growth was driven by American Airline's increase of 288 thousand, a 5.1% year-over-year growth, and Alaska Airline's 77 thousand or 120% growth. Low cost carriers Frontier and Spirit accounted for the majority of remaining enplanement growth. Commuter enplanements decreased by 30 thousand or (1%).

PHL experienced a (1.8%) decline in aircraft operations while landed weight increased 2.7% in FY 2018. This was due mainly to changes in aircraft fleet mix instituted by PHL's mainline carriers as they move to eliminate many of the smaller regional aircraft from their respective route networks. Philadelphia International Airport's annual aircraft operations have declined every year since FY 2006. The reduction in flights can be partially attributed to airline mergers and consolidations and increasing load factors. Airlines have been reducing the number of flights that use smaller, less fuel-efficient aircraft.

As of calendar year-end 2018, year-over-year aircraft operations increased 2.6%, landed weight increased 9.7%, and enplanements increased 7.2%.

→ **Cargo Activity:**

**Cargo Activity at PHL**  
(amounts expressed in tons)

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Increase</b>	<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Domestic Freight:	324,448	285,552	38,897	13.6%
International Freight:	162,638	138,458	24,180	17.5%
Sub-Total Freight:	487,086	424,009	63,077	14.9%
Domestic Mail:	22,554	23,967	(1,412)	(5.9)%
International Mail:	790	692	98	14.1%
Sub-Total Mail:	23,344	24,659	(1,315)	(5.3)%
Total Cargo (Freight and Mail):	510,430	448,668	61,762	13.8%

Cargo activity continued its strong growth in FY 2018 with the highest amount of reported tonnage in a 10-year period, a 13.8% increase from the previous fiscal year. This growth is being driven by United Parcel Service (UPS), which has a major operation at the Airport. UPS accounted for 58.8% of total cargo tonnage for FY 2018. Cargo being handled by PHL's passenger carriers accounted for 20.7% of total cargo tonnage in FY 2018. Passenger airline tonnage increased 20,603 tons, or 24.2%, from FY 2017 to FY 2018.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

→**Financial Position:** In FY 2018, the Aviation Fund financial position weakened by \$5.8 million after taking a \$64.3 million charge relating to other post-employment benefits (OPEB). Excluding the impact of this OPEB prior period adjustment, the Airport financial position would have strengthened by \$59.5 million, with assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$953.6 million, a 6.7% increase over the FY 2017 total of \$894.1 million. Total operating revenue increased \$38.0 million or 11.1%, to \$379.6 million. Non-operating revenue increased \$9.5 million or 9.9%, to \$106.0 million. Interest expense increased \$13.9 million or 25.7% to \$68.2 million. Operating expenses were \$374.7 million, an increase of \$9.3 million or 2.5%.

→**Airport Revenue and Refunding Bonds:** The Airport had \$1.472 billion in outstanding bonds at fiscal year-end 2018. PHL issued debt in December 2017, with its Series 2017 A and B Airport Revenue and Refunding Bonds. The \$692.5-million issue generated proceeds of \$795.5 million; \$157.5 million from Series A (Non-AMT) and \$638.0 million from Series B (AMT). Details of how the funds were employed can be found in the Debt Administration section of Management's Discussion and Analysis (pg. 23).

→**Grant Funding:** In FY 2018, PHL was awarded a \$18.2-million grant from the FAA and an \$800-thousand grant from the Pennsylvania Department of Transportation (PennDOT) Bureau of Aviation, for the phase one construction of an east airfield rehabilitation project. The Airport also received a \$100-thousand grant from the FAA for purchase of Noise Monitors and a \$32-thousand grant for the purchase and installation of six automatic dependent surveillance squitter units for airfield ground vehicles. Also, in FY 2018, PHL received \$1.7 million from the FAA and \$94 thousand from PennDOT Bureau of Aviation for the PNE runway 6-24 construction phase one project.

→**Environmental Stewardship:**

Energy Conservation: The first phase of a Strategic Energy and Emissions Reduction Plan was completed in 2017. Energy reduction initiatives included replacement of 63 rooftop HVAC units at Concourses B, C, and D with more efficient units, including new controls, drives, and pumps. In addition, PHL has retrofitted over 2,700 T12 electrical fixtures, including approximately 2,170 fixtures that were installed in 2017. The fixtures replaced in 2017 will save the airport over 770 MWh or \$54 thousand annually.

Bottle Filling Stations: More than 25 bottle filling stations have been installed throughout the terminals. At the end of 2017, it was estimated that the filling stations had eliminated over one million single use water bottles from being consumed.

Sustainability: In October 2017, the Airport hosted a Sustainability Directors Roundtable for individuals in the private and public sectors who are responsible for sustainability within their organization. In November 2017, PHL received an honorable mention award at Airports Going



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

Green conference in recognition of the LEED Gold Terminal F Baggage Claim building for outstanding leadership in pursuit of sustainability within the aviation industry. PHL also signed the Airport Sustainability Declaration at the Airports Going Green Conference.

Noise Abatement: In the first half of calendar year 2018, the Division of Aviation replaced the permanent noise monitoring terminals with new, more reliable monitors to more accurately track noise levels in surrounding communities. The Airport responded to over 90% of all noise complaints within 72 to 96 hours in calendar year 2017.

Stormwater Management: In calendar year 2017, 3.77 million gallons of deicing fluid from PHL was collected and transported to the Philadelphia Water Department's Southwest Water Pollution Control Plant, which resulted in over two million BTU biogas generation at the facility. In addition, changes were made to the deicing facility that have improved efficiency of operations and runoff management by tailoring glycol application to each aircraft's needs based on air temperature.

**→Services and Amenities:**

USO Lounge: In April 2018, the Liberty USO opened with new contemporary furnishings, a cafe area, lounges, theater, play room, gaming and computer areas, and office space with charging outlets throughout the cafe. There are two restrooms on site separated by a single shower along with men's and women's bunkrooms with a total of 6 bunks that sleep 12. The center can accommodate approximately 85 people at a time. Over 100,000 guests are expected to visit this location each year. The Liberty USO is located in Terminal E near gate E2.

Mamava Lactation Stations: The airport has three Mamava suites which are self-contained, mobile pods available at no charge, with comfortable benches, a fold-down table, an electrical outlet for plugging in a breast pump, and a door that can be locked for privacy. The 4-foot by 8-foot pods are accessible and designed for individual use, but can fit more than one person, including mothers with babies and luggage. Mamava Lactation Stations are in Terminal A-West, B/C Food Court, and Terminal F.

Animal Relief Areas: The Airport's first built-in Animal Relief Area opened near Gate D3 in 2018. Approximately 90 square feet, it has a built-in basin with plumbing for easy wash downs by the owner, a faux fire hydrant, doggie waste bags, waste receptacle, hand washing station, and exterior waiting bench with device charging receptacles. This is in addition to the multiple temporary animal relief areas located throughout the terminals.

Quiet Room: The non-denominational space is sensitive to the diversity of travelers and offers a calm respite before or after flights. The room encourages visitors to sit with their thoughts, shielded from the busy airport experience outside. The 315-square foot room contains two open areas separated by frosted glass for semi privacy. The Quiet Room is located post-security in the D-E connector and is always open.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

Story Dispenser: The five-foot tall translucent glass kiosk prints a fiction story that can be read in one, three or five minutes as selected by the user. The Short Edition Story Dispensers are made possible by a grant from the John S. and James L. Knight Foundation in partnership with the Public Library Association. The Short Story Dispenser is located in the Virtual Library in the D/E Connector.

Art: In November 2018, a new exhibit opened that celebrates citizen diplomacy featuring artwork created by young artists from throughout Philadelphia. Located in Terminal A-East Baggage Claim and accessible to the public, the artwork depicts numerous historic landmarks that include the Benjamin Franklin Bridge—a suspension bridge that connects Philadelphia, Pennsylvania, with Camden, New Jersey; and Eastern State Penitentiary—a 19th-century prison designed to create social change. The artwork also highlights points of pride like our beloved sports teams including Eagles and the Flyers, along with a variety of themes such as peace and equal rights. The exhibition is presented in partnership with Citizen Diplomacy International of Philadelphia, an organization that fosters U.S. foreign relations and works to connect the region by welcoming international guests to promote the City's economy and its contributions to the world.

PHL's acclaimed Art and Exhibitions Program celebrated its 20th anniversary in 2018, hosting the American Association of Airport Executives (AAAE) 16th annual Arts in the Airport Workshop. Earlier in the year, Philadelphia City Council recognized the Airport with a Resolution for its outstanding arts program.

## **FINANCIAL STATEMENTS OVERVIEW**

The basic financial statements of the Aviation Fund are designed to provide the reader with a broad overview of the organization's finances. The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements of the Aviation Fund are presented on an accrual basis, and accordingly, income is recorded as earned and expenses as incurred. Operating revenues are comprised of airline and non-airline revenues. Airline revenues are those paid by PHL's agreement carriers and include rents, landing fees, and passenger fees. Non-airline revenues are all other operating revenues that do not qualify as airline revenue. These consist of parking, rental car, ground transportation, concessions, advertising, utilities and other operating revenue. Operating expenses include salaries and employee benefits; purchased services, materials and supplies; and depreciation/amortization. Non-operating revenue and expense items include interest income, interest expense, rental car-related CFCs, airfare-related PFCs, and operating grants.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

Aviation Fund financial activity is presented in three financial statements:

- The *Statement of Net Position* presents information on all Aviation Fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the fiscal year-end; assets and liabilities are classified as either current or non-current. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Net Position is segregated into four components: net investment in capital assets; restricted for capital projects; restricted for debt service; and unrestricted net position.
- The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents revenue and expense activity for the current year. The difference between revenue and expense will either increase or decrease total net position. The ending balance of net position resulting from this increase or decrease is reflected on the Statement of Net Position.
- The *Statement of Cash Flows* presents the actual inflow and outflow of cash by category during the year. The difference between the inflow and outflow of cash increases or decreases the total cash balance. The resulting ending cash balance is reflected on the Statement of Net Position.

The Aviation Fund financial statements can be found later in this section. The Notes follow and provide additional information that is essential to a full understanding of the data provided in the Aviation Fund financial statements. In addition to the basic financial statements and accompanying notes, government accounting standards require presentation of *Required Supplementary Information* (RSI).

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**FINANCIAL HIGHLIGHTS**

*Net Position Summary*

The following table summarizes the Airport's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2018 and June 30, 2017:

**City of Philadelphia – Aviation Fund**  
**Statements of Net Position**  
(\$000)

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Dollar</b>	<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>Increase</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
Current assets	\$ 230,043	\$ 190,463	\$ 39,580	20.8%
Non-current assets	789,504	442,247	347,257	78.5%
Capital assets, net	<u>2,110,956</u>	<u>2,030,401</u>	<u>80,555</u>	<u>4.0%</u>
Total assets	<u>3,130,504</u>	<u>2,663,112</u>	<u>467,392</u>	<u>17.6%</u>
Deferred outflows	<u>23,597</u>	<u>31,476</u>	<u>(7,879)</u>	<u>(25.0)%</u>
Current liabilities	303,693	410,175	(106,482)	(26.0)%
Non-current liabilities	<u>1,958,147</u>	<u>1,390,498</u>	<u>567,649</u>	<u>40.8%</u>
Total liabilities	<u>2,261,840</u>	<u>1,800,673</u>	<u>461,167</u>	<u>25.6%</u>
Deferred inflows	<u>3,984</u>	<u>(170)</u>	<u>4,154</u>	<u>2449.5%</u>
Net position:				
Net investment in capital assets	714,478	788,505	(74,027)	(9.4)%
Restricted for capital projects	68,948	72,395	(3,447)	(4.8)%
Restricted for debt service	214,751	109,001	105,750	97.0%
Unrestricted	<u>(109,900)</u>	<u>(75,817)</u>	<u>(34,083)</u>	<u>(45.0)%</u>
Total net position	<u>\$ 888,277</u>	<u>\$ 894,084</u>	<u>\$ (5,807)</u>	<u>(0.6)%</u>

Total net position serves as an indicator of the Airport's financial condition. At June 30, 2018, the Aviation Fund's assets and deferred outflows exceeded liabilities and deferred inflows by \$888.3 million. Between FY 2017 and FY 2018, total net position decreased by (\$5.8) million after a \$64.3 million prior period adjustment related to other post-employment benefits (OPEB) liability, making the Airport compliant with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Changes in total net position are summarized below.

**Total assets** increased by \$467.4 million, primarily a \$347.3 million increase in the non-current category relating to increases in cash and cash equivalents driven by proceeds from the December 2017 Airport Revenue Bond proceeds, including a \$66.9 million increase in sinking fund reserves.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

Current assets increased by \$39.6 million, primarily due to a \$75.7 million increase in operating fund investments, partially offset by a (\$31.6) million decrease in accounts receivable relating to a one-time accrual in FY 2017 for parking revenue due from the Philadelphia Parking Authority. Additionally, capital assets increased \$80.6 million due to \$215.9 million of new capital expenditures, net of the \$135.4 million increase in accumulated depreciation.

**Deferred outflows of resources** decreased by a net of (\$7.9) million primarily from a \$4.6 million increase in the market value of the interest rate hedge on the 2005C Series Airport Revenue Bond issue and a (\$5.8) million decrease in the value of the pension plan driven by investment performance.

**Total liabilities** increased by \$461.2 million as compared to fiscal year-end 2017, driven by the \$692.5 million 2017 Airport Revenue Bond issue in December 2017. Proceeds from the issuance, including premium, totaled \$795.5 million, and impacted both current and long-term liabilities.

Current liabilities decreased (\$106.5) million as compared to fiscal year-end 2017, primarily from a \$125.0 million repayment of outstanding commercial paper; net of repayments and issuance, the commercial paper balance decreased (\$100.9) million. Other current liabilities decreased (\$26.5) million; unearned revenue decreased (\$9.0) million; construction contracts payable decreased (\$10.4) million; and current maturities of long-term bonded debt decreased (\$7.1) million. These decreases in current liabilities were partially offset by a \$17.8 million increase in accrued interest payable resulting from a \$410.7 million increase in borrowing.

Non-current liabilities increased \$567.6 million as compared to fiscal year-end 2017, primarily from \$334.5 million of new long-term bonds coupled with \$92.6 million of unamortized bond premiums from the 2017 issue. Additionally, the Airport adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in the recording of a \$64.3 million liability for other post-employment benefits.

**Deferred inflows of resources** increased \$4.0 million in FY 2018. This includes \$3.2 million of deferred inflows related to other post-employment benefits, \$644 thousand of deferred pension revenue and a \$145 thousand deferred gain on refunded debt.

**Net investment in capital assets** decreased by (\$74.0) million, primarily due to increased debt of (\$417.8) million, offset by a net increase of \$262.4 million in unspent capital debt proceeds less construction accounts payable and a net increase in capital assets of \$80.6 million.

**Restricted for capital projects** represents funds available but restricted for construction of capital assets, reduced by debt payable on those funds. The decrease of (\$3.4) million in FY 2018 is a result of a (\$17.3) million decrease in the PFC balance reserved for "pay as you go" construction partially offset by an increase of \$13.8 million in restricted assets used for construction purposes.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**Restricted for debt service** increased by \$105.8 million or 97%. This increase was primarily attributable to cash funding of the sinking fund reserve from the December 2017 bond issue. Previously, the sinking fund reserve had been funded with surety policies.

**Unrestricted net position** decreased by (\$34.1) million or (45%) due primarily to accounting for the OPEB liability in FY 2018. The unrestricted component of net position represents the net amount of total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets nor the restricted component of net position.

***Summary of Revenues, Expenses and Changes in Net Position***

The following table compares the changes in revenues, expenses and fund net position between June 30, 2018 and June 30, 2017:

**City of Philadelphia – Aviation Fund**  
**Statements of Revenues, Expenses and Changes in Fund Net Position**  
(\$000)

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>	<b>Dollar Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
Operating revenues	\$ 379,570	\$ 341,621	\$ 37,950	11.1%
Less: Operating expenses	(374,732)	(365,461)	(9,271)	(2.5)%
Operating gain (loss)	4,839	(23,841)	28,679	120.3%
Non-operating revenue, net	37,762	42,141	(4,380)	(10.4)%
Income before capital contributions	42,600	18,300	24,299	132.8%
Capital contributions	19,583	9,566	10,017	104.7%
Changes in net position	62,183	27,866	34,317	123.2%
Net position beginning of year	894,084	866,218	27,866	3.2%
Prior period adjustments	(67,990)	-	(67,990)	-
Net position end of year	<u>\$ 888,277</u>	<u>\$ 894,084</u>	<u>\$ (5,807)</u>	<u>(0.6)%</u>

Airport income before capital contributions is composed of operating and non-operating revenues, net of expenses. Capital contributions represent federal and state grants for approved capital projects.

The change in net position represents the results of operations and is a useful indicator of whether the overall financial condition of the Airport has improved or declined during the year. In FY 2018, net position decreased by (\$5.8) million from the prior year.

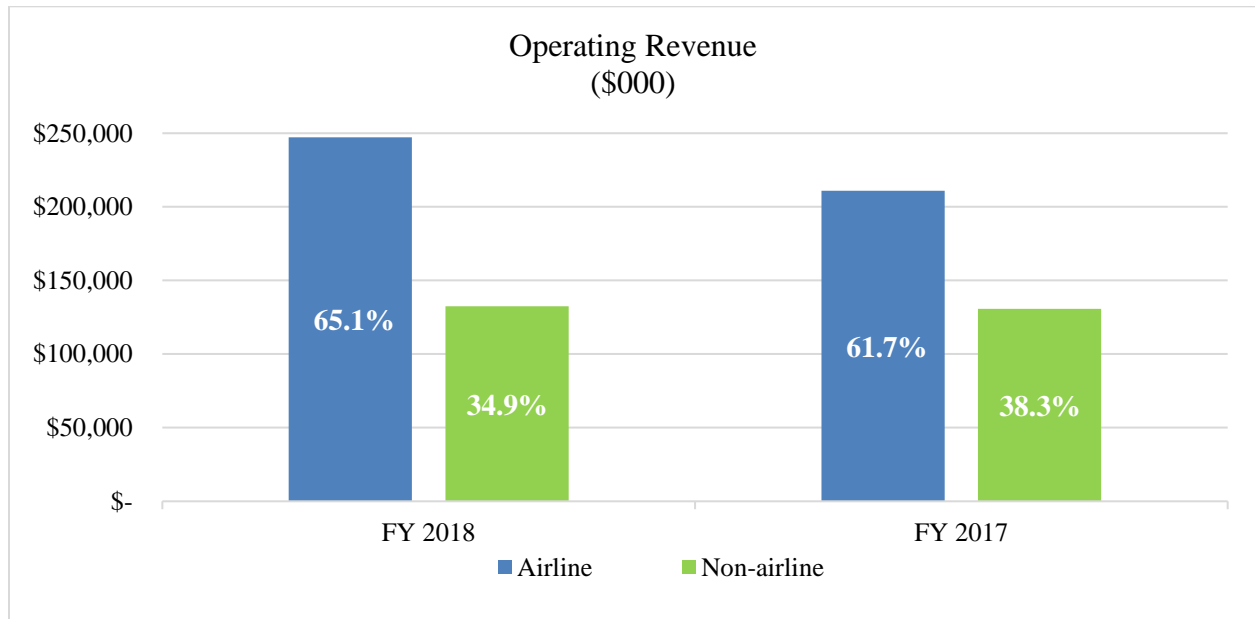
**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

**Revenues**

Approximately 78% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. CFC and PFC revenues account for another 19%, with the remainder coming from federal and state grants and interest earnings. Approximately 35% of operating revenues came from non-airline revenue such as parking, rental cars, concessions and other fees. A further breakdown of revenues can be found in the Statistical Section per Exhibits S-11 and S-12.

The table below presents the major components of revenue for FY 2018 and FY 2017, followed by explanations of changes in these categories between years.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

	<b>Revenues by Source</b>			
	(\$000)			
	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Dollar</b>	<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>Increase</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
Operating revenues				
Rents	\$ 122,196	\$ 111,100	\$ 11,096	10.0%
Landing fees	88,770	67,710	21,059	31.1%
Passenger fees	36,229	32,018	4,211	13.2%
Total airline revenues	247,194	210,828	36,367	17.2%
Parking	33,624	33,895	(271)	(0.8)%
Food/Beverage/Retail	33,082	31,458	1,624	5.2%
Rental cars	19,088	19,037	51	0.3%
Ground transportation	7,760	5,590	2,170	38.8%
Other operating	38,822	40,813	(1,991)	(4.9)%
Total non-airline revenues	132,376	130,793	1,583	1.2%
Total operating revenue	379,570	341,621	37,950	11.1%
Non-operating revenue				
Passenger facility charges	61,068	59,385	1,684	2.8%
Customer facility charges	30,440	30,875	(436)	(1.4)%
Interest Income	9,836	3,786	6,050	159.8%
Operating grants	1,672	2,488	(816)	(32.8)%
Other non-operating	4,412	-	4,412	-
Total non-operating revenue	107,428	96,534	10,895	11.3%
Total revenue	<u>\$ 486,998</u>	<u>\$ 438,155</u>	<u>\$ 48,844</u>	<u>11.1%</u>

**Operating revenues** are comprised of airline and non-airline revenues. Operating revenues increased by \$37.9 million or 11.1% in FY 2018.

- **Rents** derived from PHL's signatory airlines increased by \$11.1 million or 10.0% from FY 2017 to FY 2018 due primarily to a 2.6% increase in leased square footage.



## CITY OF PHILADELPHIA

### AVIATION FUND

Management's Discussion and Analysis (Unaudited)

June 30, 2018

---

- **Landing fees** derived from PHL's signatory airlines increased by \$21.1 million or 31.1% from FY 2017 to FY 2018 primarily as a result of higher allocable airfield costs and debt service expense, \$7.4 million, and a \$10.0 million adjustment to unearned airline revenue.
- **Passenger fees** derived from PHL's signatory airlines went up by \$4.2 million or 13.2% in FY 2018 due to increases in international common use per passenger rates.
- **Parking** revenue in FY 2018 was stable at \$33.6 million, a (.8%) decrease from FY 2017.
- **Food/Beverage/Retail** revenue increased \$1.6 million or 5.2% due to revenue attributable to the Airport's concession development program operated by MarketPlace PHL, LLC (MPPHL).
- **Rental car** revenue in FY 2018 was stable at \$19.1 million, a 0.3% increase over FY 2017.
- **Ground transportation** revenue increased \$2.2 million or 38.8% due mainly to Transportation Network Company (TNC) revenue. TNC's generated \$6.3 million of revenue in FY 2018.
- **Other** operating revenue, which consists of advertising, catering, hotel, fuel flowage, utilities and other miscellaneous revenue, decreased \$2.0 million or (4.9%).

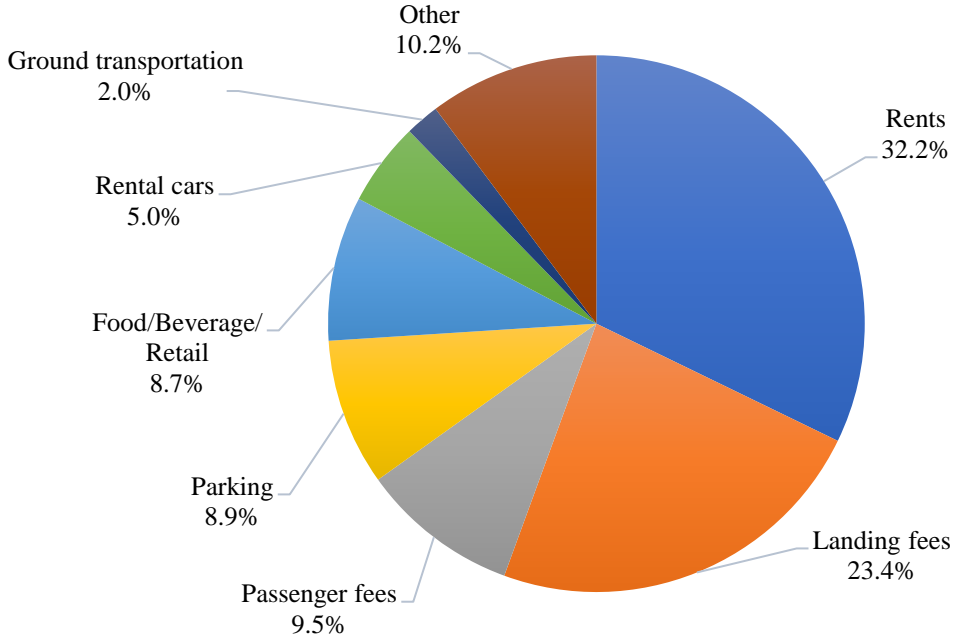
**Non-operating revenues**, which consist of PFCs, CFCs, interest income, and federal, state and local grants for non-capital purposes, increased by \$10.9 million or 11.3% in FY 2018.

- **PFCs** increased by \$1.7 million or 2.8%, due to an increase in enplanements.
- **CFCs** decreased by (\$0.4) million or (1.4%) driven by a decrease in rental car transaction days.
- **Interest income** increased by \$6.1 million or 159.8% to \$9.8 million in FY 2018 due to a \$305.3 million net increase in PHL's overall cash position which was mainly driven by proceeds from the series 2017A and 2017B Airport revenue bond issuance.
- **Grants** from other governments for non-capital purposes (operating grants) decreased by (\$0.8) million or (32.8%) in FY 2018 due to a one-time \$1.1 million Federal Emergency Management Agency (FEMA) reimbursement of Airport expenses in FY 2017 related to winter storm Jonas.

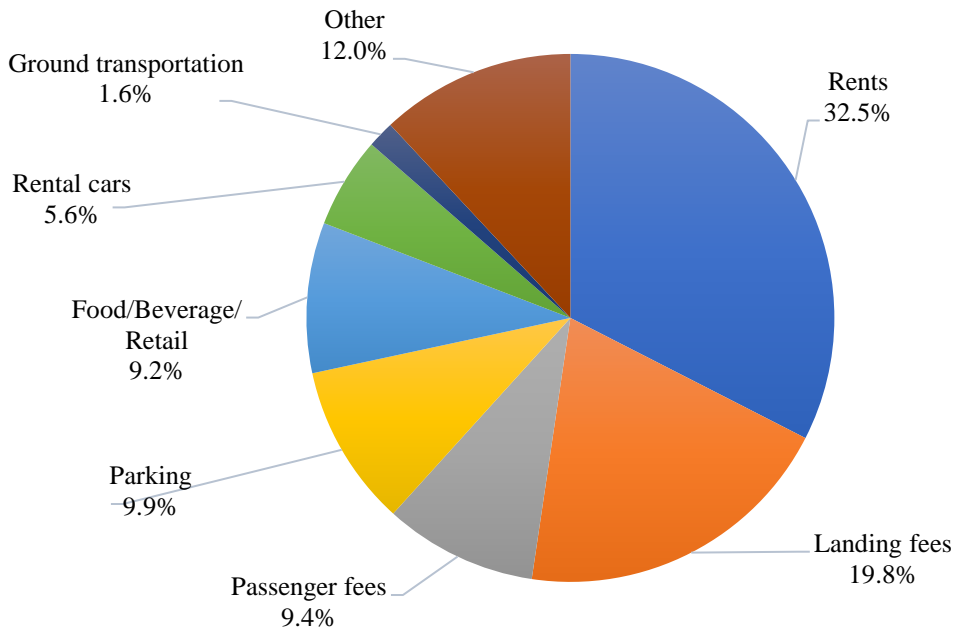
**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

**Operating Revenue FY 2018 - \$379.6M**



**Operating Revenue FY 2017 - \$341.6M**



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**Expenses**

Airport expenses result from a wide range of services. Wages, benefits and purchased services account for 55% of total expenses while depreciation and amortization account for an additional 30%. The remainder includes debt service interest and other operating and non-operating expenses.

The table below presents the major components of expense for FY 2018 and FY 2017, followed by an explanation of changes in these components.

<b>Expenses by Source</b>				
(\$000)				
	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Dollar</b>	<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>Increase</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
<b>Operating expenses</b>				
Personnel services	\$ 79,223	\$ 73,776	\$ 5,447	7.4%
Employee benefits	60,603	61,940	(1,337)	(2.2)%
Purchase of services	111,100	118,283	(7,184)	(6.1)%
Materials & supplies/equipment	9,805	5,156	4,648	90.1%
Other operating	1,967	5,197	(3,230)	(62.2)%
Depreciation	112,034	101,109	10,925	10.8%
Total operating expenses	374,732	365,461	9,270	2.5%
<b>Non-operating expenses</b>				
Debt service interest	68,196	54,271	13,925	25.7%
Other non-operating	59	123	(63)	(51.0)%
Total non-operating expenses	68,255	54,393	13,862	25.5%
Total expenses	\$ 442,987	\$ 419,855	\$ 23,132	5.5%

**Operating expenses** increased by \$23.1 million or 5.5% in FY 2018.

- **Personnel services and employee benefits** increased by a net total of \$4.1 million or 3.0% in FY 2018. Personnel services increased \$5.4 million or 7.4% in FY 2018 due to wage increases from new collective bargaining agreements. Employee benefits decreased (\$1.3) million or (2.2%) in FY 2018 primarily due to decreases in the Airport's pension costs.
  
- **Purchase of services** decreased by (\$7.2) million or (6.1%) in FY 2018 mainly due to a decrease in indirect costs of construction-in-progress (CIP).
  
- **Materials and supplies and other operating expenses**, including the purchase of equipment, increased by \$1.4 million or 13.7% in FY 2018. This is mainly attributable to vehicle acquisitions, many of which were vouchered in FY 2018. PHL, in conjunction with

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

the City's Office of Fleet Management, developed a three-year plan to replace most of PHL's aged and outdated vehicle equipment.

**Non-operating expenses**, which includes debt service interest and other non-operating expenses, increased \$13.9 million or 25.5% in FY 2018. This increase is mainly attributable to a \$12.5 million prior period adjustment to reclassify FY 2017 construction-in-progress as interest expense in FY 2018.

**Capital contributions**, which consist of federal, state and local grants for capital purposes increased by \$10.0 million or 104.7% in FY 2018.

- **Capital grant revenue** in any given year is dependent upon construction timelines for reimbursement of grant-eligible Airport capital projects. The increase for FY 2018 is due to federal grant-eligible expenditures increasing \$9.3 million in FY 2018 and State of Pennsylvania grant-eligible expenditures increasing \$756 thousand in FY 2018.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

***Summary of Cash Flows***

The following table shows the major sources and uses of cash for FY 2018 and FY 2017:

**City of Philadelphia – Aviation Fund**  
**Statements of Cash Flows**  
(\$000)

	<b>Fiscal Year</b>	<b>Restated Fiscal Year</b>	<b>Dollar Increase</b>	<b>Percentage Increase</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Cash received from operations	\$ 402,317	\$ 321,103	\$ 81,214	25.3%
Cash expended from operations	(259,090)	(258,135)	(955)	(0.4)%
Net cash provided by operations	143,227	62,968	80,259	127.5%
Net cash provided by				
non-capital financing activities	2,237	2,655	(418)	(15.7)%
Net cash provided by (used in)				
capital and related financing activities	150,667	(2,299)	152,966	6653.6%
Net cash provided by (used in)				
investing activities	9,167	3,249	5,918	182.1%
Net (decrease) in cash and cash				
equivalents	305,298	66,573	238,725	358.6%
Balance beginning of year	469,898	403,325	66,573	16.5%
Balance end of year	\$ 775,196	\$ 469,898	\$ 305,298	65.0%

The Statements of Cash Flows present how the Airport's cash and cash equivalents position changed during the course of the fiscal year. Sinking funds and reserves held by the fiscal agent are not considered cash. The Statements presented above exclude investments that exceed 90 days of maturity from date of purchase.

Net cash provided by operations increased \$80.3 million, primarily due to the \$37.9 million increase in operating revenue and the delayed receipt of \$33.9 million of FY 2017 parking revenue from the Philadelphia Parking Authority (PPA). Typically, and as is the case with FY 2018, parking revenue is received before the end of the fiscal year.

Net cash provided by capital and related financing activities increased by a net of \$153.0 million due to the Airport's series 2017A and 2017B Airport revenue bond issuance.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**CAPITAL ASSETS AND CONSTRUCTION**

The Airport's investment in capital assets, net of accumulated depreciation, amounted to more than \$2.1 billion at the end of FY 2018. The following table presents the changes in capital assets for FY 2018.

**City of Philadelphia – Aviation Fund**  
**Capital Assets**  
(\$000)

	<b>Fiscal Year 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Fiscal Year 2018</b>
<u>Non-depreciable assets</u>				
Land and intangibles	\$ 164,962	\$ 55,665	\$ -	\$ 220,627
Construction-in-progress	535,664	251,117	(279,450)	507,331
Total non-depreciable assets	<u>700,626</u>	<u>306,782</u>	<u>(279,450)</u>	<u>727,958</u>
<u>Depreciable assets</u>				
Buildings	2,070,103	182,608	-	2,252,711
Infrastructure	1,033,356	5,771	-	1,039,127
Equipment	57,217	4,604	(4,385)	57,436
Total depreciable assets	<u>3,160,676</u>	<u>192,983</u>	<u>(4,385)</u>	<u>3,349,274</u>
<u>Accumulated depreciation</u>				
Capital additions	(1,088,928)	(91,279)	-	(1,180,207)
Infrastructure	(698,260)	(44,773)	-	(743,033)
Equipment	(43,713)	(3,650)	4,327	(43,036)
Total accumulated depreciation	<u>(1,830,901)</u>	<u>(139,702)</u>	<u>4,327</u>	<u>(1,966,276)</u>
Net depreciable assets	<u>1,329,775</u>	<u>53,281</u>	<u>(58)</u>	<u>1,382,998</u>
Total capital assets	<u>\$ 2,030,401</u>	<u>\$ 360,063</u>	<u>\$ (279,508)</u>	<u>\$ 2,110,956</u>

***Capital Development***

The Division of Aviation maintains an on-going Capital Development Program (CDP) that addresses airport development needs, as well as repair and maintenance of existing facilities. The following sections describe the Division's capital plans at the Airport which address Airfield, Terminal, and Outside Terminal Area.

Under the Airline Agreement, the Airlines have approved approximately \$2.4 billion in capital development projects, of which approximately \$790 million has been spent to-date. The CDP includes approximately \$1.6 billion of airline approved projects remaining to be completed, which incorporate long-term development projects and on-going rehabilitation and repair projects that generally address the Airport's capital needs. The primary focus of the CDP is for terminal

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

development and rehabilitation, airfield improvements and pavement rehabilitation, apron improvements, land acquisition, ground transportation projects, security and information technology enhancements, support facilities, and improvements at PNE. The Airport continues to work with the airlines to evaluate operational needs and assess the timing and scope of projects. The CDP will continue to evolve as needs and priorities change.

Airfield Planning: In FY 2018, the Airport, along with the FAA, began meetings to discuss efficiency improvements and provided recommendations to reduce runway occupancy time while increasing both arrival and departure rates. This working group has recommended a list of projects that are being studied which provide relief and efficiencies on the airfield, including high speed exits and additional queuing taxiways producing better flow configuration and increased operations.

In 2018, PHL acquired a 135-acre tract of land west of the Airport. Planning efforts have begun to incorporate the property into the airfield infrastructure to support air cargo development. Conceptual plans have been completed and are under review which include new cargo buildings, hangers, taxi lanes, and support areas to optimize this land parcel.

Another area of focus has been to provide gates for wide body aircraft, such as the Boeing Dreamliner (B787), to support international growth. It is anticipated that Gates A19 and A21 will be upgraded by early summer 2019 with Gates A8 and A26 expected to be complete by the end of calendar year 2019.

Terminal Planning: PHL continues to identify opportunities to improve the terminals while refining the current airport master plan to identify near- and mid-term projects that will ensure a logical development program that can: 1) adapt the Airport to recent and anticipated trends affecting the industry and PHL specifically; 2) enable the Airport to provide facilities needed to support long term growth while meeting service level expectations; and 3) improve the Airport's competitive position to respond to new market and revenue opportunities.

While planning efforts are necessary to support the Airport's long-term development, more immediate needs are constantly evaluated and implemented to ensure existing facilities meet customer expectations. Within the overall terminal program, PHL continues to identify projects that enhance the experience of the traveler.

Outside Terminal Planning: The Airport is collaborating with its rental car partners on a solution that meets FAA and CFC funding requirements to adequately address roadway congestion while meeting the multi-modal transportation needs of PHL's customers.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

***Capital Projects Underway***

The following are some of the major capital projects currently underway and in various phases of construction.

East Airfield Rehabilitation: This \$28 million project has begun construction with an expected completion date of spring 2020. The project involves multiple pavement areas across the airfield including the north and south aprons and multiple taxiways. PHL has received FAA funding of \$18.2 million for this project.

PNE Runway 6-24 Phase One: This 7,000-foot long and primary runway rehabilitation project at PNE will consist of four phases over the next few years, including full depth reconstruction and associated electrical work. Phase one has received FAA funding totaling \$1.7 million with additional FAA funding expected to offset the estimated project cost of \$33 million.

Loading Bridge Replacement Program – Phase Two: 13 loading bridges were replaced on Terminals B and C in the first phase of this program to enhance passenger safety, security and convenience during enplanement and deplanement. Phase two of this program is in construction and consists of replacing 12 loading bridges; it is scheduled to be complete in spring 2019. Included in this phase are four additional Dreamliner-capable gates to support international market growth. Phase two has been approved for \$23 million.

Upgrade A-West Sector 3 Electronic Detection System: The Electronic Detection System (EDS) and Checked Baggage Reconciliation Area (CBRA) will receive technology upgrades. The new units comply with Transportation Security Administration's Planning Guideline Design Standards (PGDS) and have improved 3D imaging technology enhancing the analysis of details and specific structures of suspected threats allowing for more efficient security decision-making on checked baggage. This project is scheduled to be complete in the spring of 2020 with an approved project cost of \$36.3 million.

Terminal A-West Curtainwall & Vestibule Upgrades: This project replaces entrance door portals along the Departures Road. The revolving doors are being eliminated and replaced with breakaway sliding doors with supplemental heating for cold weather. This \$6.5 million project is expected to be completed in early 2019.

Other Infrastructure Rehabilitation Projects: Numerous other repair and rehabilitation projects are in the planning, design and pre-construction phases, such as mechanical and electrical systems, elevator and escalator rehabilitation, roof repairs, IT and security enhancements, and roadway improvements.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

***Recently Completed Capital Projects and Acquisitions***

Significant acquisitions, design and construction projects completed during FY 2018 include the following:

Roof Replacement: This \$5.5 million project was completed in the spring of 2018 at Terminal C Hammerhead, Terminal C Concourse and Terminal D Concourse.

Restroom Renovation: Four sets of restrooms in Terminal D, including one service animal relief area, and one set of restrooms in Terminal E were upgraded with new partitions, plumbing fixtures, accessories, and finishes. The ADA compliant design captured water and electrical consumption efficiencies. The project was completed in the fall of 2017 at a cost of \$10.0 million.

Rooftop Unit (RTU) HVAC Renovation and Replacement Program: This program included the replacement of existing roof-top air handling units on Terminals B, C and D and the replacement of control systems on 129 rooftop units and in 21 mechanical rooms at a cost of \$15 million.

USO Center: This brand-new facility for military and their families opened spring 2018. The USO Center renovations include a café, lounge, gaming area, play room, new restrooms, and theater with new furnishings which accommodates 85 people. It was completed at a cost of \$1.2 million.

Departures Road Security Bollards: This project involved the installation of security bollards along the departures road to meet the established vehicle protection standards for passenger terminals. The project was completed fall 2017 for \$4.3 million.

Philadelphia Northeast Airfield Signage: The project included the removal and installation of the airfield guidance signage, lighting cables, Precision Approach Path Indicator (PAPI), and the runway wind cones, beacon, and lighting. The new signage meets FAA criteria and includes LED components resulting in significant energy savings. PHL received federal and state grants for this \$1.5 million project.

Land Acquisition: As mentioned above in Airfield Planning, in January 2018, the City of Philadelphia acquired a 135-acre tract of land west of the Airport. Please refer to Section 20 of the Notes to the Financial Statements for more detail.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management’s Discussion and Analysis (Unaudited)  
June 30, 2018

**DEBT ADMINISTRATION**

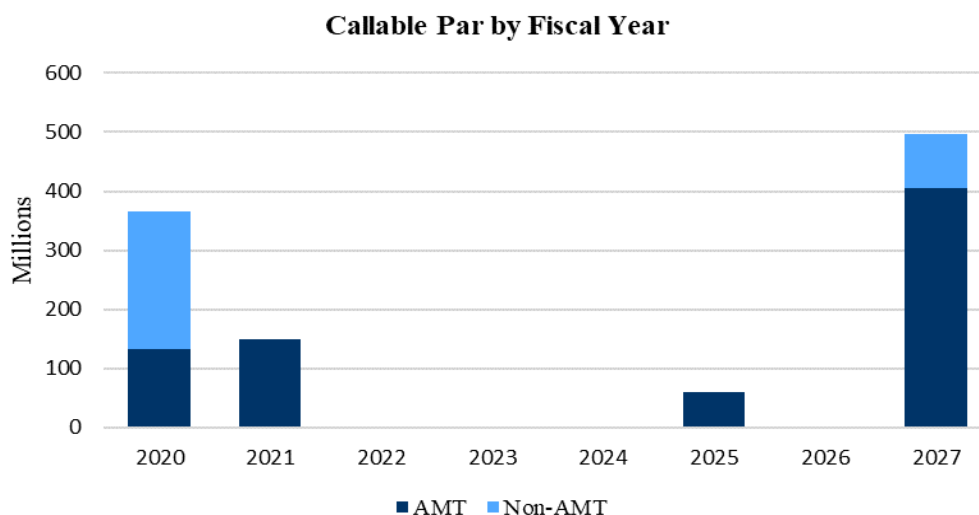
As of June 30, 2018, the Airport’s total outstanding debt was \$1.738 billion, a \$309.8 million or 22% increase over the prior fiscal year-end. The increase was driven by the 2017A and 2017B series issued in December 2017, a \$692.5 million par value transaction whose proceeds were used to take out \$125.9 million of outstanding commercial paper and refund the 2007A, 2007B and 2009A series. A further breakdown of Aviation Fund borrowing can be found in the Footnote Section 9.

**City of Philadelphia – Aviation Fund**  
**Changes in Borrowing**  
(\$000)

	Fiscal Year 2017	Additions	Retirements/ Repayments	Fiscal Year 2018	Increase(Decrease)	
					\$	%
Commercial Paper	\$ 242,100	\$ 25,000	\$ (125,938)	\$ 141,162	\$ (100,938)	(42%)
Taxable Airport Revenue Note	125,000	-	-	125,000	-	0%
Airport Revenue Bonds	1,061,465	466,035	(55,330)	1,472,170	410,705	39%
<b>Total Borrowing</b>	<b>\$ 1,428,565</b>	<b>\$ 491,035</b>	<b>\$ (181,268)</b>	<b>\$ 1,738,332</b>	<b>\$ 309,767</b>	<b>22%</b>

The Airport’s long-term debt is fixed rate or synthetic fixed rate (the \$99.3 million 2005C issue of the outstanding revenue bonds is coupled with an interest rate swap).

With the exception of the 2005C issue, all series include a 10-year call provision. The chart below presents the timing of the Airport’s callable outstanding bonds for the 2010 series forward.

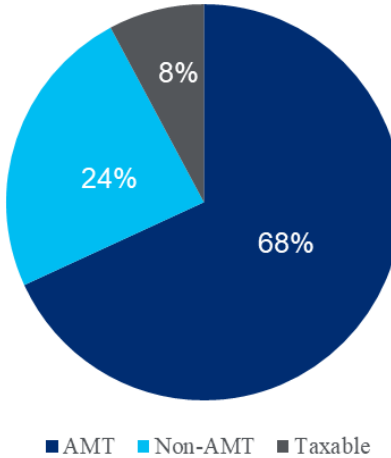


**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
 Management's Discussion and Analysis (Unaudited)  
 June 30, 2018

---

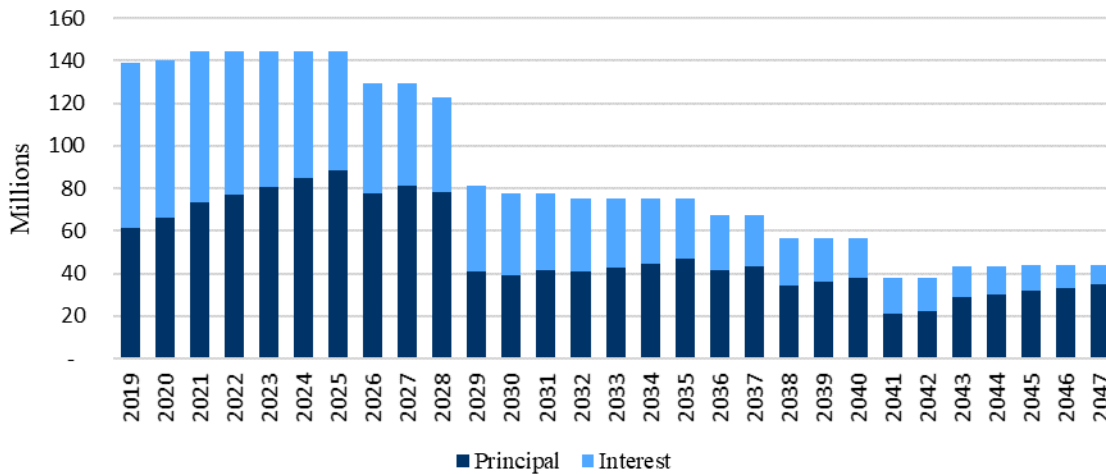
At fiscal year-end 2018, 68% of the Airport Revenue Bonds were classified with an AMT tax status.

**Tax Status**



As a matter of practice, the Airport employs level debt service. The table below presents the principle and interest components of the debt service on the Airport's Revenue Bonds through the longest maturity.

**Debt Service**



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

Bond Issuance: The Airport last issued debt with its Series 2017 A and B Airport Revenue and Refunding Bonds in December 2017. The \$692.5 million issue generated proceeds of \$795.5 million; \$157.5 million from Series A (Non-AMT) and \$638.0 million from Series B (AMT). The financing accomplished several objectives for the Airport:

- Generated \$334.1 million in new money proceeds
- Repaid \$125.9 million in existing commercial paper
- Refunded \$226.7 million in existing debt, generating \$34.3 million in present value savings
- Eliminated PHL's Sinking Fund Reserve Account (SFRA) surety policies and related Letters of Credit (LOCs) by fully cash funding the SFRA requirement

The Project Fund Deposit will fund a portion of the Airports 2019-2023 \$2.375 billion Capital Development Program. The issue also paid down 52% of previously outstanding commercial paper. Two outstanding bond issues were refunded, generating \$34.3 million in present value interest savings; 15% of the par value refunded. The newly issued bonds have maturities similar to the refunded bonds. The issue also enabled the Airport to fully cash fund the \$68.5 million SFRA. Previously, the Airport had used letters of credit to do so.

Credit Ratings: Fitch reaffirmed their "A" rating and "Outlook Stable" for the Airport's outstanding revenue bonds in September 2018. Previously, in November 2017 as part of the Airport's 2017 bond issuance, Standard & Poor's, Fitch, and Moody's maintained their ratings of "A", "A" and "A2", respectively, for the Series 2017 A and B issues along with PHL's outstanding airport revenue bonds while affirming a stable outlook.

Commercial Paper (CP) Program: PHL established a \$350 million CP program in early 2013 to provide funding for capital projects approved by PHL's signatory airlines. CP is a short-term financing tool with a maximum maturity of 270 days. PHL's CP program enables capital projects to be financed on an as-needed basis, which lowers the Airport's cost of borrowing and limits negative arbitrage during project construction periods. CP notes will continue to be "rolled over" until long-term bonds are issued to refund outstanding CP. As of June 30, 2018, PHL had drawn \$265.6 million of CP, which was used to fund ongoing capital projects, program management efforts and the purchase of land parcels.

Direct Loan: In April 2017, the City issued a long-term Federally Taxable Airport Revenue Bond in an aggregate principal amount of \$125.0 million. The Taxable Bond was purchased by PNC Bank, NA for the purpose of providing funds which, together with other available moneys, will be used for some or all of the following: (i) to refund a portion of commercial paper notes issued by the City; (ii) the acquisition of land for the Airport System; (iii) other capital financing needs of the Airport System; and (iv) paying the costs of issuing the Taxable Bond.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**Rate Covenant:** The table below - "Summary of Project Revenues and Expenses," presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test 1) and total debt service coverage (Rate Covenant Test 2) in accordance with Section 5.01 of the Amended and Restated General Revenue Bond Ordinance (GARBO). Rate Coverage Test 1 requires PHL to maintain debt service coverage of not less than 1.50x and Rate Covenant Test 2 requires debt service coverage of not less than 1.0x. Debt service coverage is calculated based on a formula in GARBO. Historically, PHL has maintained a coverage ratio significantly higher than its requirement. During FY 2018, PHL's debt service coverage for Test 1 was 2.89x and Test 2 was 1.98x.

**City of Philadelphia - Aviation Fund**  
**Summary of Project Revenues and Expenses of the Airport System**  
(amounts expressed in thousands)

<b><u>Amounts Available for Debt Service</u></b>	<b><u>Fiscal Year</u></b>	<b><u>Fiscal Year</u></b>
	<b><u>2017</u></b>	<b><u>2018</u></b>
1. Space rentals	\$ 113,400	\$ 123,705
2. Landing fees	80,457	90,438
3. Ramp Area rentals	572	427
4. International Terminal revenues	33,747	34,141
5. Subtotal, Airline Rentals, Fees and Charges	228,175	248,712
6. Non-airline Revenues	133,658	132,183
7. Interest income and Contribution for carrier incentive program	232	773
8. Total Project Revenues	362,065	381,668
9. Passenger Facility Charges (PFCs) Available for Debt Service	33,693	31,201
10. Portion of Fund Balance Attributable to Amounts Available for Debt Service	87,875	107,820
11. Total Amounts Available for Debt Service	483,633	520,689
<b><u>Expenses</u></b>		
12. Net Operating Expenses	136,498	150,972
13. Required Renewal Fund Deposit	250	0
14. Revenue Bond Debt Service	122,596	127,790
15. Interdepartmental Charges	116,753	116,749
16. Total Expenses	376,097	395,511
17. Net Revenue	\$ 107,536	\$ 125,178
<b><u>Rate Covenant Tests of the Original General Airport Revenue Bond Ordinance</u></b>		
18. Test 1 (Line 11- Line 12- Line 13) / (Line 14)	2.83	2.89
19. Test 2 (Line 11- Line 12- Line 13- Line 15) / (Line 14)	1.88	1.98

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

---

**BUDGETARY HIGHLIGHTS**

Actual expenditures for FY 2018 were 0.7% higher than budgeted expenditures. The following factors contributed to this difference:

Direct expenses were \$3.2 million or 2.2% higher than budgeted in FY 2018. This was primarily attributable to higher than expected costs for materials, supplies, and equipment.

Net interdepartmental charges were (\$4.5) million or (3.7%) lower than projected in FY 2018. These results are a function of several expense categories but are mainly due to lower than expected costs of (\$1.9) million from the Airport's utilities, (\$1.4) million in indemnities and (\$1.0) million in vehicle purchases. Conversely, PHL experienced increases above the budgeted amounts of \$0.8 million in police and fire costs related to wage increases from labor settlements.

Net debt service was \$3.9 million or 4.3% higher than budgeted in FY 2018 due to a December 2017 bond issuance and prevailing market conditions for our commercial paper program.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Philadelphia International Airport's finances and to demonstrate the City's accountability for the funds it receives and disburses. For additional information concerning this report, please contact: Chief Financial Officer, Philadelphia International Airport, Executive Offices, Terminal D, 3rd Floor, Philadelphia, PA 19153.

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Statements of Net Position*

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percentage Increase <u>(Decrease)</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,059,955	\$ 6,064,682	(66.0)%
Investments	196,106,172	120,445,300	62.8%
Accounts receivable	28,893,061	60,518,269	(52.3)%
Allowance for doubtful accounts	(1,093,176)	(1,099,925)	(0.6)%
Inventories	3,483,522	3,376,490	3.2%
Due from other governmental units	593,764	1,158,513	(48.7)%
<b>Total current assets</b>	<u>230,043,298</u>	<u>190,463,329</u>	<u>20.8%</u>
<b>Non-current assets</b>			
<b>Restricted:</b>			
Cash and cash equivalents	365,688,767	157,625,199	132.0%
Cash held by fiscal agent	-	449	(100.0)%
Investments	211,339,836	185,761,757	13.8%
Sinking funds and reserves held by fiscal agents	186,098,232	79,527,606	134.0%
Grants from other governments for capital purposes	12,188,223	6,460,396	88.7%
Receivables	14,189,217	12,871,957	10.2%
<b>Total restricted assets</b>	<u>789,504,275</u>	<u>442,247,364</u>	<u>78.5%</u>
<b>Capital assets:</b>			
Land and other non-depreciable assets	220,626,925	164,962,272	33.7%
Infrastructure	1,039,127,389	1,033,356,274	0.6%
Construction in progress	507,330,668	535,663,163	(5.3)%
Buildings and equipment	2,310,146,957	2,127,320,880	8.6%
Less: accumulated depreciation and amortization	<u>(1,966,275,817)</u>	<u>(1,830,901,351)</u>	<u>7.4%</u>
Property, plant and equipment, net	<u>2,110,956,122</u>	<u>2,030,401,238</u>	<u>4.0%</u>
<b>Total non-current assets</b>	<u>2,900,460,397</u>	<u>2,472,648,602</u>	<u>17.3%</u>
<b>Total assets</b>	<u>3,130,503,695</u>	<u>2,663,111,931</u>	<u>17.6%</u>
<b>Deferred outflows of resources</b>			
Accumulated decrease in fair value of hedging derivatives	3,771,849	8,341,971	(54.8)%
Deferred outflows related to other post-employment benefits	3,403,000	-	-
Deferred outflows related to pensions	12,788,811	18,585,174	(31.2)%
Refunding in defeasance of debt	3,633,572	4,548,480	(20.1)%
<b>Total deferred outflows of resources</b>	<u>\$ 23,597,232</u>	<u>\$ 31,475,625</u>	<u>(25.0)%</u>

See notes to the financial statements.

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Statements of Net Position*

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percentage Increase <u>(Decrease)</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts and vouchers payable	\$ 20,068,551	\$ 18,276,678	9.8%
Salaries and wages payable	4,033,606	2,556,006	57.8%
Construction contracts payable	29,656,844	40,109,201	(26.1)%
Accrued expenses	1,288,966	1,311,086	(1.7)%
Accrued interest payable	20,275,936	2,510,949	707.5%
Unearned revenue	26,426,875	35,476,146	(25.5)%
Commercial paper notes	141,162,000	242,100,000	(41.7)%
Current maturities of long-term bonded debt	58,550,000	65,605,000	(10.8)%
Current portion of taxable airport revenue note	2,230,000	2,230,000	-
<b>Total current liabilities</b>	<u>303,692,778</u>	<u>410,175,066</u>	<u>(26.0)%</u>
<b>Non-current liabilities</b>			
Taxable airport revenue note, long-term	122,770,000	122,770,000	-
Revenue bonds, net of current maturities	1,413,620,000	995,860,000	41.9%
Unamortized bond premiums	124,694,911	32,069,740	288.8%
Derivative instrument liability	3,771,849	8,341,971	(54.8)%
Net pension liability	213,542,596	217,477,916	(1.8)%
Other post-employment benefits liability	65,714,000	-	-
Other long-term liabilities	14,033,855	13,978,463	0.4%
<b>Total non-current liabilities</b>	<u>1,958,147,211</u>	<u>1,390,498,090</u>	<u>40.8%</u>
<b>Total liabilities</b>	<u>2,261,839,989</u>	<u>1,800,673,156</u>	<u>25.6%</u>
<b>Deferred inflows of resources</b>			
Deferred gain on refunding debt	144,860	157,982	-
Deferred inflows related to other post-employment benefits	3,195,000	-	-
Deferred inflows related to pensions	643,796	(327,578)	-
<b>Total deferred inflows of resources</b>	<u>3,983,656</u>	<u>(169,596)</u>	<u>-</u>
<b>Net position</b>			
Net investment in capital assets	727,062,868	788,504,638	(7.8)%
Prior period adjustments	(12,584,750)	-	-
Restricted for:			
Capital projects	68,948,561	72,395,321	(4.8)%
Debt service	202,250,623	109,000,961	85.5%
Prior period adjustments	12,500,000	-	-
Unrestricted	(41,994,634)	(75,816,924)	(44.6)%
Prior period adjustments	(67,905,386)	-	-
<b>Total net position</b>	<u>\$ 888,277,282</u>	<u>\$ 894,083,996</u>	<u>(0.6)%</u>

See notes to the financial statements.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**

*Statements of Revenues, Expenses and Changes in Fund Net Position*

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percentage Increase <u>(Decrease)</u>
Operating revenues			
Airline revenues			
Rents	\$ 122,195,881	\$ 111,099,652	10.0%
Landing fees	88,769,632	67,710,165	31.1%
International arrival fees	36,228,901	32,017,978	13.2%
Total airline revenues	<u>247,194,414</u>	<u>210,827,795</u>	<u>17.2%</u>
Nonairline revenues			
Concessions	105,758,206	101,405,474	4.3%
Other rents	17,927,595	20,382,548	(12.0)%
Utilities and other fees	3,322,379	4,803,778	(30.8)%
Other operating revenues	5,367,810	4,200,936	27.8%
Total nonairline revenues	<u>132,375,990</u>	<u>130,792,736</u>	<u>1.2%</u>
Total operating revenues	<u>379,570,404</u>	<u>341,620,531</u>	<u>11.1%</u>
Operating expenses			
Personal services	79,223,366	73,776,022	7.4%
Purchase of services	111,100,076	118,283,429	(6.1)%
Materials and supplies	9,805,303	5,156,099	90.2%
Employee benefits	60,602,579	61,939,679	(2.2)%
Indemnities and taxes	1,966,973	5,196,986	(62.2)%
Depreciation and amortization	112,033,607	101,109,005	10.8%
Total operating expenses	<u>374,731,904</u>	<u>365,461,220</u>	<u>2.5%</u>
Operating gain (loss)	<u>4,838,500</u>	<u>(23,840,689)</u>	<u>(120.3)%</u>
Non-operating revenues (expenses)			
Federal, state and local grants	1,672,222	2,488,459	(32.8)%
Interest income	9,836,271	3,786,077	159.8%
Interest expense	(68,195,690)	(54,271,038)	25.7%
Passenger facility charges	61,067,558	59,384,648	2.8%
Customer facility charges	30,440,208	30,875,320	(1.4)%
Loss on disposal of fixed assets	(59,048)	(122,785)	(51.9)%
Other revenue (expense)	3,000,000	-	-
Total nonoperating revenues, net	<u>37,761,521</u>	<u>42,140,681</u>	<u>(10.4)%</u>
Income before capital contributions	<u>42,600,021</u>	<u>18,299,992</u>	<u>132.8%</u>
Capital contributions			
Federal, state and local grants	19,583,401	9,566,140	104.7%
Total capital contributions	<u>19,583,401</u>	<u>9,566,140</u>	<u>104.7%</u>
Change in net position	62,183,422	27,866,132	123.2%
Net position beginning of period	894,083,996	866,217,864	3.2%
Prior period adjustments	(67,990,136)	-	-
Adjusted net position beginning of period	<u>826,093,860</u>	<u>-</u>	<u>-</u>
Net position end of period	<u>\$ 888,277,282</u>	<u>\$ 894,083,996</u>	<u>(0.6)%</u>

See notes to the financial statements.

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Statements of Cash Flows*

	Fiscal Year <u>2018</u>	Restated Fiscal Year <u>2017</u>	Percentage Increase <u>(Decrease)</u>
Cash flows from operating activities			
Receipts from customers	\$ 401,034,523	\$ 319,970,720	25.3%
Receipts from interfund services	1,282,524	1,131,961	13.3%
Payments to suppliers	(116,318,817)	(124,844,839)	(6.8)%
Payments to employees	(135,091,988)	(126,383,509)	6.9%
Internal activity-payments to other funds	(7,679,206)	(6,906,485)	11.2%
Net cash provided by operating activities	<u>143,227,036</u>	<u>62,967,848</u>	<u>127.5%</u>
Cash flows from non-capital financing activities			
Grant proceeds not specifically restricted for capital purposes	<u>2,236,971</u>	<u>2,655,246</u>	<u>(15.8)%</u>
Cash flows from capital and related financing activities			
Proceeds from issuance of debt	1,533,958,675	1,053,900,000	45.6%
Grant proceeds for capital purposes	13,855,574	24,912,546	(44.4)%
Purchase of capital assets	(306,653,785)	(170,940,972)	79.4%
Principal paid on debt instruments	(1,121,249,000)	(939,940,000)	19.3%
Interest paid on capital debt	(59,846,421)	(57,388,170)	4.3%
Passenger & customer facility charges	90,601,586	87,157,313	4.0%
Net cash provided by (used) in capital and related financing activities	<u>150,666,629</u>	<u>(2,299,283)</u>	<u>(6652.8)%</u>
Cash flows from investing activities			
Interest and dividends	9,166,707	3,248,765	182.2%
Net cash provided (used) in investing activities	<u>9,166,707</u>	<u>3,248,765</u>	<u>182.2%</u>
Net increase in cash	<u>305,297,343</u>	<u>66,572,576</u>	<u>358.6%</u>
Balance beginning of year	<u>469,897,387</u>	<u>403,324,811</u>	<u>16.5%</u>
Balance end of year	<u>\$ 775,194,730</u>	<u>\$ 469,897,387</u>	<u>65.0%</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating gain (loss)	\$ 4,838,500	\$ (23,840,689)	(120.3)%
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	112,033,607	101,109,005	10.8%
Bad Debts, net of recoveries	-	-	-
Changes in assets and liabilities:			
Receivables, net	31,775,456	(34,280,680)	(192.7)%
Inventories	(107,032)	18,816	(668.8)%
Accounts and other payables	3,735,776	6,172,208	(39.5)%
Unearned revenue	(9,049,271)	13,789,188	(165.6)%
Net cash provided by operating activities	<u>\$ 143,227,036</u>	<u>\$ 62,967,848</u>	<u>127.5%</u>

See notes to the financial statements.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operations

The Aviation Fund is a proprietary fund of the City of Philadelphia (the City). It was created and authorized as part of the Fiscal 1974 Operating Budget Ordinance approved by City Council on June 7, 1973, with an effective date of July 1, 1973. This fund was established to facilitate administrative and financial operations necessary to maintain, improve, repair and operate Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE). The financial statements presented are for the Aviation Fund only and are not intended to present fairly the financial position of the City of Philadelphia as a whole or the results of its operations and cash flows. The comprehensive annual financial report of the City of Philadelphia provides complete financial information as to the City and its component units.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time obligations are incurred.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and the proprietary fund financial statements to the extent that they do not conflict or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidelines.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenue of the Aviation Fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Recently Issued GASB Statements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City's adoption of Statement No. 75 resulted in a prior period adjustment and effects the reporting of net OPEB liabilities, deferred inflows of resources, deferred outflows of resources, and the recognition of OPEB expense in accordance with the provisions of the Statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The adoption of this Statement did not result in any significant changes to the City's financial statements. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt arrangements related to significant events of default with finance-related consequence, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. This Statement establishes accounting requirements for interest costs incurred before the end of a construction period. Such interest costs include all interest that previously was accounted for in accordance with the requirements of paragraph 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the expense is incurred for financial statements prepared using the economic resources management focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources management focus, interest costs incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

Cash and Investments

The Aviation Fund’s cash and investments are held in segregated operating and capital accounts and by an outside fiscal agent. Sinking funds and reserves are maintained in segregated investment accounts to comply with reserve and other requirements of the bond covenants. No Aviation Fund accounts are comingled with other City funds.

Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price. Investments which do not have an established market are reported at estimated fair value.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

For purposes of the Statement of Cash Flows, all cash and investments held by the City Treasurer are considered to be cash equivalents because those funds are available on demand.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. Management is not aware of any violations of statutory authority or contractual provisions for investments for the years ended June 30, 2018 and 2017.

Accounts Receivable

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2018 and 2017. Credit balance receivables have been included in unearned revenue in the Statements of Net Position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written-off when recommended by the Law Department.

In fiscal year 2015, the Division of Aviation and the Philadelphia Airport Affairs Committee (PAAC) entered into an agreement that would reduce the fiscal year 2015 base rate to the airlines in exchange for a \$10 million contribution from the Airport's Operation and Maintenance (O&M) reserve account that would be replenished by the signatory airlines, through the rates and charges process, over a three-year period from fiscal years 2016 to 2018. The Airport included this \$10 million as part of the \$32.5 million Accounts Receivable reported for the Aviation Fund in the FY 2015 Statement of Net Position. Since the agreement states that repayment of the contribution is to take place over the next three years, the Division of Aviation recorded a \$3.3 million offset to airline revenue in fiscal years 2016 and 2017, specifically landing fees and rents, in recognition of the recovery of one-third of the prior year accrued revenue of \$10 million from FY 2015. The remaining \$3.4 million was collected during fiscal year 2018.

Inventories

Inventories consist of materials and supplies and are carried at amounts determined on a moving-average cost basis.

Restricted Assets

Restricted assets represent amounts that have been legally restricted by contracts or outside parties and are not available for payment of operating fund expenditures. The following represent restricted assets of the Aviation Fund:



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

- Funds available for construction, including grants due from other governments for capital purposes.
- Sinking funds and reserves held by the Airport’s fiscal agent are reserved for debt service and construction, pursuant to revenue bond indentures.
- Passenger Facility Charges (PFCs) represent fees remitted by airlines based on passenger ticket sales for flights boarding at Philadelphia International Airport. The fees are reserved for funding certain Federal Aviation Administration (FAA) approved capital projects and debt service payments. Collection of PFCs began in the fall of 1992. All unexpended PFC funds, including accumulated interest, are classified as restricted assets.
- Customer Facility Charges (CFCs) represent fees collected by rental car operators from customers renting motor vehicles at Philadelphia International Airport. CFCs are not to exceed \$8 per rental day. The proceeds are to be used for the planning, development, financing, construction and operation of a consolidated rental car facility. Collections of CFCs began in May 2014. All unexpended CFC funds, including accumulated interest, are classified as restricted assets.

Capital Assets

Capital assets are defined by the GASB as including “land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations that have initial useful lives extending beyond a single reporting period.”

- Land is always treated separately from any related capital asset associated with it (i.e.: a building on the land, a runway on the land, etc.). The cost of the land includes its acquisition price and the cost of preparing the land for its intended use. Included in preparation costs are commissions, professional fees, permanent landscaping, demolition of existing buildings, and other costs incurred in acquiring the land.
- Intangible capital assets lack physical substance and can be expected in many cases to provide benefit indefinitely. An example of an intangible capital asset is software that was developed in-house.
- Buildings and Building Improvements are permanent structures included in the category of buildings. Building improvements increase the value of the building and/or materially extends the useful life of the building. If the improvement does not meet these conditions, those costs are expensed in the period incurred. Repairs and maintenance are examples of items expensed because they help to retain value and do not increase the value of the asset.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Costs to be included in the capitalized cost of buildings include purchase price, expenses related to making the building ready for use, environmental compliance costs, professional fees, taxes paid at the time of purchase, and other costs required to place the asset into operation.

Constructed buildings include, but are not limited to, project costs for interest accrued during construction; cost of excavation, grading or filling; expenses incurred for the plan preparation; specification; blueprints; permits and professional fees; and costs of temporary buildings used during construction. Costs are expensed if a decision is made to not proceed with the construction of a building.

Building improvements may include conversion of unused space into usable space, original installation or upgrading of heating and cooling systems, wall or flooring coverings, windows and doors, closets, restrooms, phone and closed circuit television systems, security systems, wiring required for building equipment (that will remain in the building), renovations of outside building surfaces (including roofs, installation or replacement of plumbing and electrical wiring), permanently attached fixtures, machinery, building additions, and costs associated with the above improvements.

Building repairs and maintenance that do not increase the value of the building or extend its useful life are to be expensed. Examples of such costs may include plumbing or electrical repairs, maintenance such as pest control and cleaning, interior and exterior decorations, repainting and repairing of interior and exterior portions of buildings, and any other repairs and maintenance costs that do not increase the value or extend the useful life of the asset.

- Vehicles and equipment are defined as movable tangible assets used in operations. This includes general-use, firefighting, and snow removal vehicles and related equipment, computer equipment, furniture and fixtures, and other moveable equipment.
- Infrastructure assets are long-lived capital assets that are normally stationary and can be preserved for a significantly greater number of years than most capital assets. Infrastructure includes, but is not limited to: runways, taxiways, aprons, ramps, roads, sidewalks, signage, drainage systems, water and sewer systems, and lighting systems.
- Construction-in-progress includes costs incurred to construct a capital asset before it is substantially ready to be placed in service. At the time of being placed in service, the asset will be reclassified into the appropriate asset category and be subject to depreciation.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

- The following Depreciation Guidelines were used in the Aviation Fund’s FY 2018 financial statements:

Capital assets that are not depreciated because they have indefinite useful lives are land, works of art, historical treasures, and intangibles.

If a capital asset has a determinable and significant salvage value, that value is not included in the depreciable value to be depreciated over the useful life of the asset.

All depreciable capital assets are expensed using the straight-line method over the following useful lives of the assets and if these thresholds are met.

<u>Asset Category</u>	<u>Life of Asset</u>	<u>Threshold</u>
Land	Not Depreciated	None
Intangibles	Not Depreciated	None
Buildings	20 - 50 Years	\$100,000
Building Improvements	10 - 25 Years	\$100,000
Equipment	5 - 15 Years	\$10,000
Vehicles	5 - 10 Years	\$10,000
Infrastructure	20 - 50 Years	\$100,000

It is the policy of PHL that a half year of depreciation is recorded in the year that the asset is acquired or placed in service.

Unearned Revenue

Unearned revenue relates primarily to excess billings to signatory airlines and advance payments received from air carriers. Such deferrals are ultimately included in income when earned, usually during the following fiscal year.

Revenues

*Operating revenues* consist of the following:

- Airline revenue – airline revenues are those paid by PHL’s signatory carriers and include rents, landing fees, and per passenger fees.
- Non-airline revenue – non-airline revenues are all other operating revenues that do not qualify as airline revenue. These consist of concession fees, other rents, utilities and other operating revenue.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

*Non-operating revenues* consist primarily of the following:

- Grants from other governments for non-capital purposes.
- Interest income.
- PFCs – revenue from PFCs is reserved for the funding of certain capital expenditures and debt service payments, as approved by the FAA.
- CFCs – revenue from CFCs is reserved for the funding of certain capital expenditures and will be used to plan, design, and construct a facility to be used by vehicle rental companies on Airport property.

*Capital contributions* consist of the following:

- Grants from other governments for capital purposes.

Operating Expenses

Operating expenses consist primarily of personnel and administrative services, purchase of goods and services and depreciation and amortization expense.

Bonds and Related Premiums, Discounts, Issuance Costs and Loss on Refunding

Bond premiums and discounts are deferred and amortized on the straight-line method over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount. Bond issuance costs are expensed as incurred. The loss on refunding of bonds is amortized on the straight-line method over the lesser of the life of the old debt or the new debt issued.

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued as earned. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

Claims and Judgments

Pending claims and judgments are recorded as expenses when the City Solicitor has deemed that a probable loss to the City has occurred.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications of a General Nature

Certain prior period amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on previously reported changes in net position.

The Aviation Fund's Net Position decreased by (\$68.0) million as a result of:

- establishing the Airport's share of the City's net OPEB liability of (\$68.4) million and deferred outflows of resources of nearly \$4.1 million; the net of these two entries is (\$64.3) million,
- prior year deferred inflows related to pensions being erroneously reported as a credit on the balance sheet; the adjusting journal entry was nearly (\$1.0) million,
- prior year offset to construction-in-progress understating the asset by \$13.7 million,
- recalculating the Airport's depreciation expense for prior periods, thereby increasing accumulated depreciation by nearly (\$27.7) million,
- reclassification of prior year construction-in-progress to interest expense of \$12.5 million,
- correcting entry charged to operating expense from prior year construction-in-progress asset of (\$2.6) million,
- correcting entry to other revenues for prior year accounting error of \$1.4 million.

The effect of the adjustment is reflected as a decrease to the Aviation Fund's Net Position as of July 1, 2017 in the June 30, 2018 Statement of Revenues, Expenses, and Changes in Net Position.

**2. DEPOSITS AND INVESTMENTS**

For the fiscal years ended June 30, 2018 and 2017, cash and cash equivalents, and investments (deposits) are included in the financial statements in current and restricted cash and cash equivalents, and investments (deposits), in sinking funds and reserves held by fiscal agents, and in cash held by fiscal agent.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. All collateralized securities were held in the City's name.

Investments

The City has established a comprehensive investment policy to minimize custodial credit risk for its investments. In so doing, the City has selected custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2018, the fair value of the Aviation Fund's holdings consisted of the following:

	<u>Fair Value</u>	<u>% of Total</u>
Short-Term Investment Pools	\$ 402,767,631	46.02%
U.S. Government Securities	199,795,514	22.83%
U.S. Government Agency Securities	95,455,918	10.91%
Commercial Paper	90,307,190	10.32%
Corporate Bonds	86,796,678	9.92%
	<u>\$ 875,122,931</u>	<u>100.0%</u>

As of June 30, 2017, the fair value of the Aviation Fund's holdings consisted of the following:

	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government Securities	\$ 172,019,963	34.80%
Short-Term Investment Pools	146,019,855	29.54%
Corporate Bonds	72,617,942	14.69%
Commercial Paper	59,628,524	12.06%
U.S. Government Agency Securities	44,079,752	8.92%
	<u>\$ 494,366,036</u>	<u>100.0%</u>

*Interest Rate Risk:* The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity, and to maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the City's investment policy limits fixed income investments to maturities of no longer than two years, except in Sinking Fund Reserve Portfolios.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

As of June 30, 2018, the maturities of holdings were as follows:

	Less Than 1 Year	1 - 3 Years
Short-Term Investment Pools	\$ 402,767,631	\$ -
U.S. Government Securities	18,439,247	181,356,267
U.S. Government Agency Securities	4,260,182	91,195,736
Commercial Paper	90,307,190	-
Corporate Bonds	-	86,796,678
	<u>\$ 515,774,250</u>	<u>\$ 359,348,681</u>

As of June 30, 2017, the maturities of holdings were as follows:

	Less Than 1 Year	1 - 3 Years
U.S. Government Securities	\$ 15,872,233	\$ 156,147,730
Short-Term Investment Pools	146,019,855	-
Corporate Bonds	-	72,617,942
Commercial Paper	59,628,524	-
U.S. Government Agency Securities	6,195,284	37,884,468
	<u>\$ 227,715,896</u>	<u>\$ 266,650,140</u>

*Credit Risk:* The City's policy is to limit credit risk by limiting the type of allowable investment, as well as the maximum percent of the portfolio for each type of investment.

The City's investment in U.S. Government securities (54.48%) or U.S. Government Agency obligations (12.76%) are allowable investments up to 100% of the portfolio. The U.S. Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services (Moody's). All U.S. Government Securities meet the criteria.

The City's investment in Commercial Paper (11.55%) is limited to 25% of the portfolio and must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (6.96%) is limited to 25% of the portfolio and had an S&P rating of AAA to AA or Moody's rating of Aa2 or better.

Short-term investment pools are rated AAA by S&P and Aaa by Moody's. The short-term investment pools' amortized cost-based net asset value per share/unit is the same as the value of the pool shares. Cash accounts are swept nightly and idle cash invested in money market funds (short-term investment pools).

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The City limits its foreign currency risk by investing in certificates of deposit and banker's acceptances issued or endorsed by non-domestic banks that are denominated in U.S. dollars providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year, the City did not have any investments of that nature.

*Fair Value Measurement:* The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability
- Level 3: Unobservable inputs for assets or liabilities

The Airport has the following recurring fair value measurements as of June 30, 2018:

- U.S. Treasury securities of \$199.8 million are valued using quoted prices from active markets (Level 1).
- U.S. Agency securities of \$95.5 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- Commercial Paper securities of \$90.3 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- Corporate bond securities of \$86.8 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2).
- Short-term investment pools of \$402.8 million are valued at the published amortized cost-based net asset value per share/unit. There are no limitations or restrictions on withdrawals.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**3. CASH HELD BY FISCAL AGENT**

The amounts held by the fiscal agent consist of cash and investment balances related to the net proceeds of Philadelphia Authority for Industrial Development's (PAID) Airport Revenue Bonds, Series 1998A and 2001A. In accordance with GASB Interpretation #2, these bonds are considered by PAID to be conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on PAID's financial statements.

The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for Airport related capital improvements. Both the assets and liabilities related to the PAID bonds are included in the financial statements of the Aviation Fund.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

**4. CAPITAL ASSET ACTIVITY**

The following tables present the changes in capital assets for FY 2018 and FY 2017.

	Balance FYE 06/30/2017	Additions	Deletions	Balance FYE 06/30/2018
<b>Non-depreciable assets</b>				
Land and intangibles	\$ 164,962,272	\$ 55,664,653	\$ -	\$ 220,626,925
Construction-in-progress	535,663,163	215,710,829	(244,043,328)	507,330,664
<b>Total non-depreciable assets</b>	<b>700,625,435</b>	<b>271,375,482</b>	<b>(244,043,328)</b>	<b>727,957,589</b>
<b>Depreciable assets</b>				
Buildings & improvements	1,716,753,013	160,083,141	-	1,876,836,154
Infrastructure	1,033,356,274	5,771,115	-	1,039,127,389
Other improvements	353,350,740	22,524,418	-	375,875,158
Equipment	57,217,128	4,604,071	(4,385,553)	57,435,646
<b>Total depreciable assets</b>	<b>3,160,677,155</b>	<b>192,982,745</b>	<b>(4,385,553)</b>	<b>3,349,274,347</b>
<b>Accumulated depreciation</b>				
Buildings & improvements	(910,951,813)	(57,492,252)	-	(968,444,065)
Infrastructure	(709,594,528)	(33,438,124)	-	(743,032,652)
Other improvements	(194,309,026)	(17,453,539)	-	(211,762,565)
Equipment	(43,713,348)	(3,649,693)	4,326,505	(43,036,536)
<b>Total accumulated depreciation</b>	<b>(1,858,568,715)</b>	<b>(112,033,608)</b>	<b>4,326,505</b>	<b>(1,966,275,818)</b>
<b>Net depreciable assets</b>	<b>1,302,108,440</b>	<b>80,949,137</b>	<b>(59,048)</b>	<b>1,382,998,529</b>
<b>Total capital assets</b>	<b>\$ 2,002,733,875</b>	<b>\$ 352,324,619</b>	<b>\$ (244,102,376)</b>	<b>\$ 2,110,956,118</b>

	Balance FYE 06/30/2016	Additions	Deletions	Balance FYE 06/30/2017
<b>Non-depreciable assets</b>				
Land and intangibles	\$ 150,123,537	\$ 14,838,735	\$ -	\$ 164,962,272
Construction-in-progress	432,126,149	137,395,214	(33,858,200)	535,663,163
<b>Total non-depreciable assets</b>	<b>582,249,686</b>	<b>152,233,949</b>	<b>(33,858,200)</b>	<b>700,625,435</b>
<b>Depreciable assets</b>				
Buildings & improvements	1,708,844,670	7,908,343	-	1,716,753,013
Infrastructure	1,028,187,767	5,168,507	-	1,033,356,274
Other improvements	349,876,780	3,473,960	-	353,350,740
Equipment	53,555,218	6,073,576	(2,411,666)	57,217,128
<b>Total depreciable assets</b>	<b>3,140,464,435</b>	<b>22,624,386</b>	<b>(2,411,666)</b>	<b>3,160,677,155</b>
<b>Accumulated depreciation</b>				
Buildings & improvements	(847,517,274)	(50,242,809)	-	(897,760,083)
Infrastructure	(664,492,198)	(33,767,819)	-	(698,260,017)
Other improvements	(177,063,910)	(14,103,992)	-	(191,167,902)
Equipment	(43,007,845)	(2,994,385)	2,288,881	(43,713,348)
<b>Total accumulated depreciation</b>	<b>(1,732,081,227)</b>	<b>(101,109,005)</b>	<b>2,288,881</b>	<b>(1,830,901,350)</b>
<b>Net depreciable assets</b>	<b>1,408,383,208</b>	<b>(78,484,619)</b>	<b>(122,785)</b>	<b>1,329,775,805</b>
<b>Total capital assets</b>	<b>\$ 1,990,632,894</b>	<b>\$ 73,749,330</b>	<b>\$ (33,980,985)</b>	<b>\$ 2,030,401,240</b>

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

A portion of bond interest expense net of related interest income on unexpended funds is capitalized during the construction phase of the projects funded by the bonds. Net interest capitalized to construction-in-progress was \$1,609,614 and \$3,642,447 for the fiscal years ending June 30, 2018 and 2017, respectively. For the fiscal year ending June 30, 2018, this represents \$1,621,197 of interest expense net of \$11,583 of interest income. For the fiscal year ending June 30, 2017, this represents \$3,686,463 of interest expense net of \$44,016 of interest income.

Depreciation and amortization expense was \$112,033,608 and \$101,109,005 for the fiscal years ending June 30, 2018 and 2017, respectively. A prior period adjustment of \$27,667,364 was made to correct the FY 2017 ending balance of accumulated depreciation.

**5. UNEARNED REVENUE**

Unearned revenue was \$26,426,875 and \$35,476,146 for the fiscal years ending June 30, 2018 and 2017, respectively and includes revenues received in advance, excess billing to the scheduled airlines, and credit balance receivables.

**6. ARBITRAGE REBATE**

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. The Airport's arbitrage rebate liability was \$0 as of June 30, 2018 and 2017.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**7. DERIVATIVE INSTRUMENTS AND INTEREST RATE SWAP**

Beginning in fiscal year 2010, the City adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding for the Aviation Fund as of June 29, 2018 and June 30, 2017 are as follows:

Type	Cash Flow Hedge - pay fixed interest rate swap
Change in Fair Value of Deferred	
Outflow at June 29, 2018	\$4,570,122
Outflow at June 30, 2017	\$7,697,012
Fair value at June 29, 2018	(\$3,771,849)
Fair value at June 30, 2017	(\$8,341,971)
Objective	Hedge changes in cash flow on the 2005 Series C bonds
Notional amount at June 29, 2018	\$99,300,000
Notional amount at June 30, 2017	\$110,700,000
Effective date	06/15/2005
Maturity date	06/15/2025
Terms	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index
Counterparty credit rating	
at June 29, 2018	Aa3/A+
at June 30, 2017	Aa3/A+

*Objective:* In April 2002, the City entered into a swaption that provided the City's Aviation Division with an up-front payment of \$6.5 million. As a synthetic refunding of its 1995 Bonds, this payment approximated the present-value savings as of April 2002 of refunding on June 15, 2005, based upon interest rates in effect at the time. The swaption gave JP Morgan Chase Bank, N.A. the option to enter into an interest rate swap with the Airport whereby JP Morgan would receive fixed amounts and pay variable amounts.

*Terms:* JP Morgan exercised its option to enter into a swap on June 15, 2005, and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The payments are based on an amortizing notional schedule (with an initial notional amount of \$189.5 million) and when added to an assumption for remarketing, liquidity costs and cost of issuance were expected to approximate the debt service of the refunded bonds at the time the swaption was entered into. The swap's variable payments are based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JP

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Morgan Chase has the option to terminate the swap.

As of June 29, 2018, and June 30, 2017, the swap had a notional amount of \$99.3 million and \$110.7 million, respectively, and the associated variable-rate bonds had a \$99.3 million and \$110.7 million principal amount, respectively. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

*Fair Value:* As of June 29, 2018, and June 30, 2017, the swap had a negative fair value of (\$3.8) million and (\$8.3) million, respectively. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

*Risk:* As of June 29, 2018, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2.

As of June 29, 2018, and June 30, 2017, the rates were:

<u>Interest Rate Swap</u>	<u>Terms</u>	<u>June 29, 2018</u>	<u>June 30, 2017</u>
Fixed payment to JPMorgan Chase	Fixed	3.59720%	3.91079%
Variable rate from JPMorgan Chase	SIFMA	<u>(1.51000)%</u>	<u>(0.91000)%</u>
Net interest rate swap payments		2.08720%	3.00079%
Variable rate bond coupon payments	Weekly resets	<u>1.53000%</u>	<u>0.92500%</u>
Synthetic interest rate on bonds		<u><u>3.61720%</u></u>	<u><u>3.92579%</u></u>

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

*Swap payments and associated debt:* As of June 30, 2018, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Years Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2019	12,200,000	1,519,290	2,072,586	3,591,876
2020	13,000,000	1,332,630	1,499,856	2,832,486
2021	13,700,000	1,133,730	1,042,356	2,176,086
2022	14,300,000	924,120	695,786	1,619,906
2023	14,900,000	705,330	360,846	1,066,176
2024-2025	31,200,000	719,100	162,500	881,600
Totals	<u>\$ 99,300,000</u>	<u>\$ 6,334,200</u>	<u>\$ 5,833,930</u>	<u>\$ 12,168,130</u>

**8. COMMERCIAL PAPER NOTES**

The Aviation Fund established a \$350 million commercial paper (CP) program in January 2013 to provide funding for capital projects approved by Philadelphia International Airport’s signatory airlines. CP is a short-term financing tool with a maximum maturity of 270 days. PHL’s CP Program enables capital projects to be financed on an as-needed basis, which lowers the Airport’s cost of borrowing and limits negative arbitrage during project construction periods. CP Notes will continue to be “rolled over” until long-term bonds are issued to refund the outstanding commercial paper.

As of June 30, 2018, the total outstanding balance of CP notes was \$144,162,000.

Balance as of July 1, 2017	\$ 242,100,000
Commercial Paper Notes Issued	738,486,000
Commercial Paper Notes Refunded	<u>(836,424,000)</u>
Balance as of July 1, 2018	\$ 144,162,000

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**9. BONDS PAYABLE**

General obligation (G.O.) bonds, payable out of Aviation Fund revenues, consist of bonds declared by statute to be self-sustaining from airport revenues. There are no G.O. bonds outstanding as of June 30, 2018.

In June 2005, Airport Revenue Refunding Bonds, Series 2005C in the amount of \$189.5 million were issued. The proceeds of Series 2005C were used to refund \$183.9 million of the 1995A Series Airport Revenue Bonds, maturing from 2006 through 2025, and to pay issuance and insurance costs on the bonds. The cash flow required by the new bonds was the same as the cash flow required by the refunded bonds at the time of the sale. JPMorgan entered into a swaption agreement with the Airport on the 1995A bonds in 2002, which was exercised June 15, 2005. In December 2008, the outstanding balance of \$178.6 million of Airport Revenue Refunding Bonds, Series 2005C was remarketed under an irrevocable direct pay letter of credit (“LOC”) from TD Bank (“the Bank”). The LOC replaces a bond insurance policy from MBIA Insurance Corporation and a liquidity facility for the 2005C bonds provided by JP Morgan Chase Bank, N.A., pursuant to a standby bond purchase agreement, issued simultaneously with the issuance of the 2005C bonds in June 2005, and the surety policy for the sinking fund reserve account for the 2005C bonds. The LOC constitutes both a credit facility and liquidity facility under the Ordinance and the Variable Rate Securities Agreement, and the TD Bank will be the credit provider and liquidity provider under the Ordinance and the Variable Rate Securities Agreement for the 2005C bonds. The bonds will have a weekly interest rate and maturity date in 2025.

In November 2010, Airport Revenue Bonds, Series 2010 were issued in the amount of \$624.7 million:

- Airport Revenue Bonds, Series 2010A (non-AMT) were issued as serial and term bonds in the amount of \$273.1 million. Insured serial bonds were issued in the amount of \$16.5 million with interest rates ranging from 3% to 4.5% and a maturity in 2035 and uninsured serial bonds in the amount of \$113.0 million with a maturity of 2030. Insured term bonds were issued in the amount of \$25 million and \$48 million with an interest rate of 5% and maturities in 2035 and 2040. Uninsured term bonds were issued in the amounts of \$37.8 million and \$32.8 million with an interest rate of 5% and maturities in 2035 and 2040. The proceeds of Series 2010A were used to finance certain capital improvements to the airport system; fund the deposits into the sinking funds; finance capitalized interest; and pay costs of issuance relating to the bonds.

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Notes to Financial Statements*

---

- Airport Revenue Refunding Bonds, Series 2010B (non-AMT) were issued as uninsured serial bonds in the amount of \$24.4 million with interest ranging from 2.0% to 5% and maturing in 2015. The proceeds of these bonds were used to refund the City's Airport Revenue Bonds, Series 1997A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.
- Airport Revenue Refunding Bonds, Series 2010C were issued as uninsured serial bonds in the amount of \$54.7 million with interest ranging from 2.0% to 5% and maturing in 2018. The proceeds of these bonds were used to partially refund the City's Airport Revenue Bonds, Series 1998A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.
- Airport Revenue Refunding Bonds, Series 2010D were issued in the amount of \$272.5 million. Insured serial bonds were issued in the amount of \$1.9 million with interest ranging from 4.0% to 4.5% and maturing in 2024. Uninsured serial bonds were issued in the amount of \$270.7 million with interest ranging from 2.0% to 5.25% and maturing in 2028. The proceeds of these bonds were used to partially refund the City's Airport Revenue Bonds, Series 1998B; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the PAID Airport Revenue Series 1998A also known as the International Terminal Bonds.

In December 2011, Airport Revenue Refunding Bonds, Series 2011 were issued in the amount of \$233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of \$199.0 million with interest rates ranging from 2% to 5% and maturing in 2028. The Series 2011B bonds were issued as serial bonds in the amount of \$34.8 million, with interest rates ranging from 2% to 5% and maturing in 2031. The proceeds of these bonds were used to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds were used to refund the entire principal amount of \$149.3 million for the Airport Revenue Bonds, Series 2001A. In addition, the 2011B bonds were used to refund a portion of the Airport Revenue Bond Series 1998B (outstanding aggregate principal amount of \$57.1 million).

In August 2015, Airport Revenue Refunding Bonds, Series 2015A were issued in the amount of \$97.8 million. The proceeds of Series 2015A were used to refund Revenue Bonds, Series 2005A and pay the costs of issuance of the Bonds. The refunding structure of the 2015A bonds realized a net present value savings of approximately \$9.3 million or 8.75% of the principal amount of the refunded bonds.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

In December 2017, Airport Revenue and Refunding Bonds, Series 2017 were issued in the amount of \$692.5 million. The Series 2017A bonds (Non-AMT), totaling \$138.6 million, were issued as serial bonds in the amount of \$97.6 million with interest rates ranging from 3.125% to 5%, maturing in 2037, and term bonds in the amounts of \$16.0 million and \$25.1 million with interest rates of 5% and maturing in 2042 and 2047, respectively. The Series 2017B bonds, totaling \$553.9 million, were issued as serial bonds in the amount of \$334.9 million, with interest rates of 5% and maturing in 2037, and term bonds in the amounts of \$85.2 million and \$133.8 million with interest rates of 5% and maturing in 2042 and 2047, respectively. The proceeds of these bonds were used to: (i) currently refund certain outstanding commercial paper notes, (ii) pay for a portion of the costs of the 2017 Capital Project, (iii) currently refund all of the City’s outstanding Airport Revenue Bonds, Series 2007A, and all of the City’s outstanding Airport Revenue Refunding Bonds, Series 2007B, and a portion of the 2017B Bonds proceeds will be used to currently refund all of the City’s outstanding Airport Revenue Refunding Bonds, Series 2009A, (iv) provide for capitalized interest on a portion of the 2017 Bonds, (v) fund a deposit to the Parity Sinking Fund Reserve Account, and (vi) pay the costs of issuance of the 2017 Bonds.

The amount of debt service payable for revenue bonds to maturity is as follows:

Fiscal Years Ending June 30	Principal	Interest	Total Debt Service
2019	\$58,550,000	\$72,579,328	\$ 131,129,328
2020	64,285,000	68,390,573	132,675,573
2021	68,690,000	65,166,155	133,856,155
2022	76,170,000	61,775,235	137,945,235
2023	79,885,000	58,090,660	137,975,660
2024-2028	410,755,000	232,966,542	643,721,542
2029-2033	202,835,000	153,150,481	355,985,481
2034-2038	216,290,000	101,511,691	317,801,691
2039-2043	135,840,000	55,475,625	191,315,625
2044-2048	158,870,000	20,633,500	179,503,500
Totals	<u>\$ 1,472,170,000</u>	<u>\$ 889,739,790</u>	<u>\$ 2,361,909,790</u>

The early extinguishment of debt can result in a loss on refunding, representing the difference between the reacquisition price, plus or minus unamortized premium or discount, and the amount of debt extinguished. The resulting loss is amortized annually over the life of the refunded bonds and reflected in the Deferred Outflows section on the Statements of Net Position.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Total interest costs for FY 2018 were \$57.3 million, of which \$1.6 million was capitalized and \$55.7 million was recorded as non-operating expense. Total interest costs for FY 2017 were nearly \$57.9 million, of which \$3.6 million was capitalized and \$54.3 million was recorded as non-operating expense.

Details of the various revenue bonds included in the financial statements are reflected on the following page. Airport Revenue Bonds Series 1998B reflect the PAID outstanding balances, which are treated as conduit debt under GASB Interpretation 2. Payments on the conduit debt are guaranteed by General Airport Revenue Bonds Series 1998B.

**10. DIRECT LOAN**

In April 2017, Airport Revenue Federally Taxable Bond was issued in an aggregate principal amount of \$125.0 million. The Taxable Bond was purchased by PNC Bank, NA for the purpose of providing funds which, together with other available moneys, will be used for some or all of the following: (i) to refund a portion of Commercial Paper Notes issued by the Airport; (ii) the acquisition of land for the Airport System; (iii) other capital financing needs of the Airport System; and (iv) paying the costs of issuing the Taxable Bond.

Fiscal Years Ending June 30	Principal	Interest	Total Debt Service
2019	\$2,230,000	\$3,439,075	\$ 5,669,075
2020	2,320,000	3,374,394	5,694,394
2021	2,410,000	3,307,196	5,717,196
2022	118,040,000	2,932,154	120,972,154
Totals	<u>\$ 125,000,000</u>	<u>\$ 13,052,819</u>	<u>\$ 138,052,819</u>

**CITY OF PHILADELPHIA  
AVIATION FUND**

*Notes to Financial Statements*

Type of Debt	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2018	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 2005C	\$ 189,500,000	12,200,000	87,100,000	99,300,000	2025	Variable Rate
Airport Revenue Bonds - Series 2010A	\$ 273,065,000	6,355,000	238,905,000	245,260,000	2040	2.00-5.25%
Airport Revenue Bonds - Series 2010D	\$ 272,475,000	17,670,000	151,255,000	168,925,000	2028	2.00-5.25%
Airport Revenue Bonds - Series 2011A	\$ 199,040,000	7,705,000	146,185,000	153,890,000	2028	2.00-5.00%
Airport Revenue Bonds - Series 2011B	\$ 34,790,000	1,515,000	23,480,000	24,995,000	2031	2.00-5.05%
Airport Revenue Bonds - Series 2015A	\$ 97,780,000	3,390,000	83,880,000	87,270,000	2035	4.00 - 5.00%
Airport Revenue Bonds - Series 2017A	\$ 138,630,000	2,670,000	135,960,000	138,630,000	2047	3.000 - 5.00%
Airport Revenue Bonds - Series 2017B	\$ 553,900,000	7,045,000	546,855,000	553,900,000	2047	5.00%
		<u>\$ 58,550,000</u>	<u>\$ 1,413,620,000</u>	<u>\$ 1,472,170,000</u>		

Authorized and Unissued	
Airport general obligation bonds	\$ 62,500,000

**Changes in Long-Term Debt**

	Beginning Balance	Additions/ (Deletions)	Retirements/ Repayments	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 1,061,465,000	\$ 466,035,000	\$ (55,330,000)	\$ 1,472,170,000	\$ 58,550,000
Taxable airport revenue note	125,000,000	-	-	125,000,000	2,230,000
Unamortized premium / (discount)	32,069,740	102,942,675	(10,317,504)	124,694,911	-
Total revenue bonds payable	<u>\$ 1,218,534,740</u>	<u>\$ 568,977,675</u>	<u>\$ (65,647,504)</u>	<u>\$ 1,721,864,911</u>	<u>\$ 60,780,000</u>

See notes to the financial statements.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**11. FUND BALANCES**

The following is a description of the restrictions for all net position categories of the Airport:

- *Net Investment in Capital Assets* reflects the investment in fixed assets net of accumulated depreciation and reduced by outstanding debt related to expended bond proceeds.
- *Restricted for Capital Projects* reflects the unexpended funds from bond and CP proceeds, CFCs and PFCs, which are reserved for construction of capital projects, offset by outstanding debt related to unexpended bond proceeds.
- *Restricted for Debt Service* reflects the unexpended funds from bond proceeds and PFCs, which are reserved for repayment of debt.
- *Unrestricted* reflects net position available for current and future operations.

**12. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Airport does not include the assets or activity of the plan in its financial statements.

**13. OPERATING LEASES**

The Airport as a Lessor

In June 2015, the City Council of Philadelphia approved a five-year Airport-Airline Use and Lease Agreement (Airline Agreement) between PHL and the airlines. The Airline Agreement began July 1, 2015 and includes options for two one-year extensions.

The Airport's other operating leases consist primarily of leases of airport facilities for retail or other aviation related matters. Most assets constructed by lessees revert to the City at the end of the lease term as per the lease. Those assets are recorded at fair value, as determined by an appraisal of the property.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The Airport's most significant non-airline lease is with MarketPlace PHL, LLC, an entity responsible for the development and management of the food and retail program throughout Philadelphia International Airport. This award-winning food and retail program consists of approximately 175 shops, restaurants, retail carts and passenger services throughout Terminals A-East, A-West through F. The lease agreement provides for MarketPlace PHL, LLC to remit rents to the City in the form of total gross concession revenues, net of the concession management fee of nine and seventy-five hundredths percent (9.75%). The monthly MAG rental payment is due before the fifth (5<sup>th</sup>) day of each month and the remaining rental payment, the excess rents collected during the month greater than the MAG, is due on or before the last day of each month.

Cash basis rental income from operating leases for FY 2018 was as follows:

Minimum rentals	\$ 45,642,574
Additional rentals	<u>236,725,064</u>
Total rental income	<u><u>\$ 282,367,638</u></u>

Cash basis rental income from operating leases for FY 2017 was as follows:

Minimum rentals	\$ 45,740,720
Additional rentals	<u>171,270,355</u>
Total rental income	<u><u>\$ 217,011,075</u></u>

As of the end of FY 2018, future minimum rentals receivable under non-cancelable operating leases are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
<u>Ending June 30</u>	
2019	\$ 32,759,533
2020	32,736,455
2021	30,735,685
2022	18,187,069
2023	6,034,545
2024-2028	27,268,370
2029-2033	22,874,954
2034-2038	17,723,754
2039-2043	<u>17,704,560</u>
Total	<u><u>\$ 206,024,925</u></u>

The separate cost and carrying amount of property held for leasing is not available.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The Airport as a Lessee

The Airport leases office space, land, and both office and operations equipment on a short-term and long-term basis. Rental expense for operating leases for FY 2018 was as follows:

Minimum rentals	\$ 990,864
Additional rentals	<u>13,545,336</u>
Total rental expense	<u><u>\$ 14,536,200</u></u>

Rental expense for operating leases for FY 2017 was as follows:

Minimum rentals	\$ 940,944
Additional rentals	<u>12,490,297</u>
Total rental expense	<u><u>\$ 13,431,241</u></u>

As of year-end, future minimum rental commitments for operating leases having initial or remaining non-cancelable lease terms of more than one year are as follows:

Fiscal Years <u>Ending June 30</u>	<u>Amount</u>
2019	\$ 1,049,073
2020	556,934
2021	392,888
2022	392,888
2023	392,888
2024-2028	1,964,440
2029-2033	1,964,440
2034-2038	1,964,440
2039-2043	<u>1,964,440</u>
Total	<u><u>\$ 10,642,431</u></u>

**14. CONCENTRATION OF CREDIT RISK**

American Airlines is the principal airline serving Philadelphia International Airport. The airline, together with its American Eagle affiliates, accounted for approximately 69.7% and 70.0% of passengers enplaned at the airport in fiscal years 2018 and 2017, respectively. Operating revenues from American Airlines and its affiliates totaled approximately \$182.0 million and \$184.5 million in fiscal years 2018 and 2017, respectively, which represented approximately 44.6% and 54.2% of total Airport operating revenues in fiscal years 2018 and 2017, respectively.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**15. PENSION PLANS**

The Airport contributes to the Municipal Pension Plan (City Plan) of the City of Philadelphia. The City maintains two single-employer defined benefit plans for its employees and several of its component units. The two plans maintained by the City are the City Plan and the Philadelphia Gas Works (PGW) Plan. In addition to the City, the three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC). Information for the City Plan as a whole is available in the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for the year ended June 30, 2018.

Effective with fiscal year 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement revised existing standards for measuring and reporting pension liabilities for pension plans. GASB Statement No. 68 defines a single employer as the primary government and its component units. All three quasi-governmental agencies that participate in the City Plan were determined to be component units of the City. Therefore, the City Plan meets the definition of a single-employer plan.

The note disclosures and Required Supplementary Information required by GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, are presented in the separately issued audited financial statements of the City Plan and PGW Plan. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

**Pension Fund Description**

**Plan Administration**

The Philadelphia Board of Pensions (the Pension Board) administers the City of Philadelphia Municipal Pension Fund (the Fund), a single-employer defined benefit pension plan with a small but increasing defined contribution component, which provides pensions for all officers and employees of the City of Philadelphia (the City), as well as those of three quasi-governmental agencies (per applicable enabling legislation and contractual agreements). The Pension Board was established by section 2-308 of the 1952 Philadelphia Home Rule Charter. Its actions in administering the Retirement System are governed by Title 22 of the Philadelphia Code.

The Board consists of nine voting members – four elected by the active members within the civil service, and the City’s Controller, Solicitor, Managing Director, Personnel Director, and Director of Finance, who serves as the Chair.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Plan Membership

At July 1, 2017, the date of the most recent actuarial valuation, pension plan membership for the City as a whole consisted of the following:

Active Members	28,615
Retirees	22,288
Beneficiaries	8,552
Disabled	3,942
DROP Members	1,767
Terminated Vested	<u>1,157</u>
Total City Members	<u><u>66,321</u></u>
Annual Salaries	\$1,744,728,288
Average Salary per Active Member	\$60,973
Annual Retirement Allowances	\$750,204,529
Average Retirement Allowance	\$21,569



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

Contributions

Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2017, members contributed at one of the following rates:

<b>Employee Contribution Rates</b>				
<b>For the Period of July 1, 2017 to June 30, 2018</b>				
	<b>Municipal (1)</b>	<b>Elected (2)</b>	<b>Police</b>	<b>Fire</b>
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (3)	6.11%	N/A	N/A	N/A
Plan 87	3.14%	9.46%	5.92%	5.92%
Plan 87 - 50% of Aggregate Normal Cost (4)	3.46%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (5)	4.60%	12.38%	N/A	N/A
Plan 87 Prime (6), (7)	4.14%	10.46%	6.92%/8.50%	6.92%/8.50%
Plan 87 Prime - Accelerated Vesting	5.60%	13.38%	N/A	N/A
Plan '10	3.10%	N/A	9.00%	5.50%
Plan '10 - Accelerated Vesting	3.28%	N/A	N/A	N/A
Plan '16	4.14%	N/A	N/A	N/A

1 - For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 4.75% of compensation up to the social security wage base and 6% above it.

2 - The employee contribution rate is based upon the normal cost of \$483,475 under Plan 87 Elected, normal cost or \$261,961 under Plan 87 Municipal and current annual payroll of \$3,548,609.

3 - Effective November 2014, guards represented by DC 33 contribute 50% of the aggregate Normal Cost of all members in Plan J.

4 - This represents 50% of aggregate Normal Cost for all members in Plan Y.

5 - Member rates for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials (L8) eligible to be vested in 8 years instead of 10.

6 - Plan 87 Prime refers to new hires who have the option to elect Plan 10 but who have elected to stay in Plan 87.

7 - Police & Fire members hired after 07/01/2017 will pay at the higher rate of 8.50%.

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Within the AVR, three contribution amounts are determined based upon three different sets of rules for determining the way the unfunded actuarial liability is funded.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The first method is defined in accordance with Act 205 and defines the Minimum Municipal Obligation (MMO), which is the City's minimum required contribution under Pennsylvania state law.

The second method is in accordance with the City's Funding Policy, which predates the Act 205 rules and calls for contributions that are greater than the MMO until the initial unfunded liability determined in 1984 is fully funded.

The third method currently followed by the City, the Revenue Recognition Policy (RRP), calls for additional revenue to be contributed each year to the fund in excess of the MMO. There are three sources of additional revenue that will be received by the Fund: 1) a portion of the sales tax according to the State Legislation, 2) additional tiered member contributions based on salary level for all municipal employees, and 3) additional member contributions from the current and future uniform members in Plan 87.

Under all funding methods, there are two components: the normal cost and the amortized unfunded actuarial liability. The actuarial unfunded liability is the amount of the unfunded actuarial liability that is paid each year based upon the given or defined amortization periods. The amortization periods are the same under the MMO and RRP, but different under the City's Funding Policy.

City's Funding Policy

The initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019 with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

- \* Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.
- \* Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.
- \* Plan changes for active members – 10 years.
- \* Plan changes for inactive members – 1 year.
- \* Plan changes mandated by the State – 20 years.

In fiscal year 2018, the City and other employers' contributions of \$782.0 million was less than the actuarially determined employer contribution (ADEC) of \$871.8 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over a closed 20-year period.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The Schedule of Employer Contributions (based on the City's Funding Policy) is included as Required Supplemental Information (in the City's CAFR) and provides a 10-year presentation of the employer contributions.

Minimum Municipal Obligation (MMO)

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above.

In fiscal year 2018, the City and other employers' contributions of \$782.0 million exceeded the MMO of \$661.3 million.

The Schedule of Employer Contributions (based on the MMO Funding Policy) is included as Required Supplemental Information (in the City's CAFR) and provides a 10-year presentation of employer contributions.

Revenue Recognition Policy (RRP)

Revenue Recognition Policy is similar to the MMO except that assets used to determine the unfunded liability do not include a portion of sales tax revenue, tiered member contributions from the municipal employees, and additional uniform members' contributions. These sources of income are contributed over and above the City's contribution of the MMO and will be in addition to the MMO. Therefore, under this funding method the additional revenue amounts are separately tracked and accumulated in a notional account which is then subtracted from the assets before calculating the contribution amounts due under the Minimum Municipal Obligation methodology. The fund accumulates these amounts in a notional account and deducts them from the Actuarial Asset Value return rates to preserve the new funding methodology objective.

In fiscal year 2018, the City and other employers' contributions of \$782.0 million exceeded the contribution under the Revenue Recognition Policy of \$662.1 million.

The Schedule of Employer Contributions (based on the RRP Funding Policy) is included as Required Supplemental Information (in the City's CAFR) and provides a 10-year presentation of employer contributions.

**Benefits**

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Non-uniform employees may retire at either age 55 with up to 80% of average final compensation (AFC) or age 60 with up to 100% or 25% of AFC, depending on entry date into the Fund. Uniform employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the Fund. Survivorship selections may result in an actuarial reduction to the calculated benefit.

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board. Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

- 1) surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);
- 2) if no surviving spouse/life partner, up to 3 children under age 18 at 25% each of final rate of pay (maximum payout 75%); or
- 3) if no surviving spouse/life partner or children under age 18, up to 2 surviving parents at 15% each of final rate of pay (maximum payout 30%).

Non-service-connected deaths are payable as a lump sum payment, unless the deceased was either vested or had reached minimum retirement age for their plan, in which case the beneficiary(ies) may instead select a lifetime monthly benefit, payable immediately with an actuarial reduction.

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year, within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries, and their survivors. As of July 1, 2017, the date of the most recent actuarial valuation, there was \$1,097,499 in the PAF and the Board voted to make PAF distributions of \$34,604 during the fiscal year ended June 30, 2018.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2018 is \$138.9 million.

**Investments**

The Pension Board's Investment Policy Statement provides, in part:

The overall investment objectives and goals should be achieved by use of a diversified portfolio, with safety of principal a primary emphasis. The portfolio policy should employ flexibility by prudent diversification into various asset classes based upon the relative expected risk-reward relationship of the asset classes and the expected correlation of their returns.

The Fund seeks an annual total rate of return of not less than 7.60% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.60%) over a market cycle. The investment return assumption was reduced by the Board from 7.70% to 7.60%. The Fund's investment program will pursue its aforesaid total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

All investments are made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement is maintained. The Investment Policy Statement is updated (and reaffirmed) each year at the January Board meeting.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

The following was the Board’s approved asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
U.S. Large-Cap Core	22.0%
ACWI ex-U.S.	15.0%
Real Estate Core	11.0%
Broad Fixed Income	10.0%
Private Equity	10.0%
Non-U.S. Small-Cap	6.0%
Infrastructure	5.0%
U.S. Small-Cap Core	5.0%
Emerging Markets	4.0%
U.S. Mid-Cap Core	3.0%
Emerging Market Debt	2.0%
Global Fixed Income	2.0%
Private Debt	2.0%
Public REITs	1.0%
Real Estate - Mezzanine	1.0%
Real Estate - Opportunistic	1.0%
Total	100.0%

**Money-Weighted Rate of Return**

For the fiscal year ended June 30, 2018, the annual money-weighted rate of rate of return on pension plan investments, net of pension plan investment expense, was 8.83%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**Summary of Significant Accounting Policies**

**Basis of Presentation**

Financial statements of the Fund are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Fund.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Methods Used to Value Investments

The Fund's investments are reported at fair value. Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Some of the investment values provided in the report are estimates due to a lag in reporting for private market investments.

Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Investment expenses consist of investment manager fees and investment consultant fees related to the traditional investments only, and not those fees related to the alternative investments. Unsettled investment sales are reported as Accrued Interest and Other Receivables, and unsettled investment purchases are included in Accrued Expenses and Other Liabilities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Income Taxes

The Fund qualifies under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from income taxation as allowed by Section 501(a) of the IRC.

Related Parties

The City's Department of Finance provides cash receipt and cash disbursement services to the Fund. The City Solicitor's Office provides legal services to the Fund. Other administrative services are also provided by the City.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near term would be material to the financial statements.

Administrative Expenses

Administrative expenses of the Fund are paid for by the Fund.

**Cash Deposits, Investments and Securities Lending**

Legal Provisions

The Fund is authorized to invest in “prudent investments,” including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, private market, etc. City ordinances contain provisions which preclude the Fund from investing in organizations that conduct business in certain countries and also impose limitations on the amounts invested in certain types of securities.

Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes.

Duration is a measure of the approximate sensitivity of a bond’s value to interest rate changes. The higher the duration, the greater the changes in fair value when interest rates change. The Fund measures interest rate risk using option-adjusted duration, which recognizes the fact that yield changes may change the expected cash flows due to embedded options.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Custodial Credit Risk

In the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or the counterparty's trust department, are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2018, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund is subject to credit risk on \$824.8 million of directly owned fixed income. The Fund's directly owned rated debt investments as of Jun 30, 2018 were rated by Standard & Poor's, a nationally recognized statistical rating agency.

Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 41% of the total investment in equities.

Derivatives

The Fund may invest in derivatives as permitted by guidelines established by the Pension Board. Pursuant to such authority, the Fund may invest in foreign currency forward contracts, options, futures (S&P Fund) and swaps. No derivatives were purchased with borrowed funds.

Derivatives are generally used to provide market exposure in the equity portfolio and to hedge against foreign currency risk and changes in interest rates, improve yield and adjust the duration of the Fund's fixed income portfolio. These securities are subject to changes in value due to changes in interest rates or currency valuations. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the Fund, which is the risk that the counterparty might be unable to meet its obligations.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. However, derivative instruments can also expose governments to significant risks and liabilities.

The Fund enters into a variety of financial contracts, which include options, futures, forwards and swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts, and U.S. treasury strips. The contracts are used primarily to enhance performance and reduce the volatility of the portfolio. The Fund is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The Fund generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The Fund is exposed to market risk, the risk that future changes in market conditions may make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Fund's involvement in the various types and uses of derivative financial instruments and do not measure the Fund's exposure to credit or market risks and do not necessarily represent amounts exchanged by the parties. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

Derivative Instruments

The following table summarizes the aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2018 in addition to the fair value and the change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

<u>Classification</u>	<u>Change in Fair Value</u>	<u>Fair Value at June 30, 2018</u>	<u>Notional</u>
Forward Currency Contracts	Net appreciation / (depreciation) in investments \$ (2,649,840)	Accrued interest and other receivables \$ (1,795,360)	\$ 220,322,282
Futures	Net appreciation / (depreciation) in investments \$ (82,352)	Accrued expenses and other liabilities \$ (158,317)	\$ 158
Grand Totals	<u>\$ (2,732,192)</u>	<u>\$ (1,953,677)</u>	<u>\$ 220,322,440</u>

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

A Derivatives Policy Statement identifies and allows common derivative investments and strategies which are consistent with the Investment Policy Statement of the City of Philadelphia Municipal Pension Fund. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have credit ratings available from nationally recognized rating institutions such as Fitch, Moody's and S&P. The details of other risks and financial instruments in which the Fund is involved are described below.

Credit Risk

The Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The City has never failed to access collateral when required.

It is the Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Swap Agreements

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest swaps during 2018. On its pay-variable, receive-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Futures Contracts

These derivative instruments are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized gain from futures contracts was \$373,351.

Forward Contracts

The Fund is exposed to basis risk on its forward contracts because the expected funds purchase being hedged is priced based on a pricing point different than the pricing point at which the forward contract is expected to settle. The realized gain from forward contracts was \$2,919,043.

Termination Risk

The Fund or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, the Fund is exposed to termination risk on its receive-fixed interest rate swap. The Fund is exposed to termination risk on its rate cap because the counterparty has the option to terminate the contract if the SIFMA swap index exceeds 12 percent. If at the time of termination, a hedging derivative instrument is in a liability position, the City would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

Rollover Risk

The Fund is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

Fair Value Measurement

See the City's CAFR to view the Municipal Pension Fund's recurring fair value measurement as of June 30, 2018.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Corporate bonds and equities in Level 3 are valued using discounted cash flow techniques.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark for foreign exchange rates.

1. Credit distressed hedge funds: These Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the net asset value (NAV) per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice.
2. Equity long/short hedge funds: These Fund will typically hold 0-50 long positions and 10-15 short positions in U.S. common stocks. Management has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments can be redeemed with a 90 days' notice.
3. Real estate funds: This type includes funds that invest in U.S. and non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to ten years.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

4. Private equity funds: The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments that these funds may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, private investments in public equity (PIPES) and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to ten years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.
5. Fixed-income funds: The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement (SLAA), has authorized J.P. Morgan Bank and Trust Company (J.P. Morgan) to act as the Fund's agent in lending the Fund's securities to approved borrowers. J.P. Morgan, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, J.P. Morgan lent, on behalf of the Fund, certain securities of the Fund held by J.P. Morgan Chase Bank, N.A. as custodian and received cash or other collateral including securities issued or guaranteed by the United States, U.K., and Eurozone governments. J.P. Morgan does not have the ability to pledge or sell collateral securities delivered, absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102% or 105% of the market value of the loaned securities.

Pursuant to the SLAA, J.P. Morgan had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2018, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2018, the Fund had no credit risk exposure to borrowers.

As of June 30, 2018, the fair value of securities on loan was \$401.0 million. Associated collateral totaling \$411.3 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2018, the invested cash collateral was \$411.3 million and is valued at amortized cost.

**Investments Advisors**

The Fund utilizes investment advisors to manage long-term debt, real estate, private market, and equity portfolios. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

**Net Pension Liability**

The components of the net pension liability as of June 30, 2018 were as follows:

Total Pension Liability	\$ (11,510,667,823)
Plan Fiduciary Net Position	<u>5,341,285,527</u>
Net Pension Liability	\$ (6,169,382,296)

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 46.4%

**Actuarial Assumptions**

The total pension liability (TPL) was determined by an actuarial valuation as of June 30, 2017 and was rolled forward to June 30, 2018. The June 30, 2017 valuation used the following actuarial assumptions, applied to all periods, including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.60% compounded annually, net of expenses
Salary Increases:	Age-based table

\* The investment return assumption was changed from 7.70% from the prior year valuation to 7.60% for the current year valuation.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

\* To recognize the expense of the benefits payable under the Pension Adjustment Fund, the actuarial liabilities have been increased 0.54%. This estimate is based on the statistical average expected value of benefits.

\* The mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five-year set-back for Municipal males and females and a two-year set-back for Police and Fire males and females.

The measurement date for the net pension liability (NPL) is June 30, 2018. Measurements are based on the fair value of assets as of June 30, 2018 and the TPL as of the valuation date, July 1, 2017, updated to June 30, 2018. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately \$149 million. The service cost and interest cost increased the collective NPL by approximately \$1,007 million while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$1,295 million.

There was a benefit change to provide a minimum benefit of \$1,000 per month for Police and Fire retirees which increased the TPL by approximately \$4 million. There were actuarial experience losses during the year of approximately \$29 million which includes the loss due to the Pension Adjustment Fund payment of \$7 million for the previous year.

In addition, the Board adopted proposed assumption changes following the Experience Study completed March 2018, including:

1. Decrease the expected long-term return on assets from 7.70% to 7.60%;
2. Demographic assumption changes, including updates to the mortality rates, retirement rates, termination rates, disability rates, salary scale for Municipal, service-connected disability rates, and percent married for non-active members.

The combined effect of these assumption changes increased the TPL by approximately \$106 million.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

**Sensitivity of the Net Pension Liability**

The following table presents the NPL of the Fund, calculated using the discount rate of 7.60%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.60%	Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	(\$12,692,479,606)	(\$11,510,667,823)	(\$10,504,052,174)
Plan Fiduciary Net Position	\$5,341,285,527	\$5,341,285,527	\$5,341,285,527
Collective Net Position Liability	(\$7,351,194,079)	(\$6,169,382,296)	(\$5,162,766,647)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.1%	46.4%	50.8%

**Guarantee of Benefits**

Benefits under the Fund are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

**Participation in the Pension Fund**

The trustees for the Fund are also members of the Fund and as such, are subject to the provisions of the Fund as described in the notes to these financial statements.

**Subsequent Events**

Management evaluated subsequent events through December 27, 2018, the date the financial statements were available to be issued. Management noted no items which would require disclosure in the financial statements.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

**Reporting Information for Participating Employers**

Changes in Collective Net Pension Liability

The following table shows the changes in TPL, the plan fiduciary net position (FNP, or fair value of the System assets), and the NPL during the measurement period ending on June 30, 2018.

	Change in Collective Net Pension Liability		
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 11,192,601,311	\$ 4,874,074,826	\$ 6,318,526,485
Changes for the year:			
Service cost	164,137,303	-	164,137,303
Interest	843,171,926	-	843,171,926
Changes in benefits	4,064,886	-	4,064,886
Differences between expected and actual experience	28,937,167	-	28,937,167
Changes of assumptions	106,021,273	-	106,021,273
Contributions - employer	-	781,984,326	(781,984,326)
Contributions - member	-	83,288,635	(83,288,635)
Net investment income	-	440,326,787	(440,326,787)
Benefit payments	(828,266,043)	(828,266,043)	-
Administrative expense	-	(10,123,004)	10,123,004
Net Changes	318,066,512	467,210,701	(149,144,189)
Balances at June 30, 2018	<u>\$ 11,510,667,823</u>	<u>\$ 5,341,285,527</u>	<u>\$ 6,169,382,296</u>

Employer's Proportionate Share

GASB Statement No. 68 requires that the proportionate share for each employer be determined based upon the "employer's projected long-term contribution effort to the pension ... as compared to the total long-term contribution effort to all employers." In addition to the City, three governmental agencies currently participate in the System, PHDC, PMA, and PPA. The method of allocation is based on the ratio of quasi-agency contributions in proportion to total contributions by plan.

See the City's CAFR for further details on the Plan's financials.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**16. ACCUMULATED UNPAID SICK LEAVE**

The Airport follows City policies regarding the accumulation of sick leave. City employees may accumulate unused sick leave to predetermined balances. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 50% of unused sick time, not to exceed predetermined amounts. Employees who separate for any reason other than indicated above forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

**17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The following information is provided for the City as a whole because discrete information is not available for the Airport. Please see the CAFR of the City of Philadelphia for required supplemental information.

Plan Description

The City of Philadelphia self-administers a single-employer, defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The City of Philadelphia subsidizes health care for five years from the time of coverage election for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy

The City's funding policy is to pay the net expected benefits for the current retirees. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. For fiscal years 2018 and 2017, the City's contributions were estimated to be \$96.4 million and \$114.8 million, respectively.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Employees Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Medical Coverage

Active employees	28,308
Inactive employees or beneficiaries currently receiving medical coverage	3,929
DROPs with medical coverage	1,614
Inactive employees entitled to, but not yet receiving medical coverage	639
Total	<u>34,490</u>

---

Life Insurance Coverage

Active employees	28,308
Inactive employees or beneficiaries currently receiving life insurance coverage	27,736
Total	<u>56,044</u>

Total OPEB Liability

The City's total OPEB liability of \$1.86 billion was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Dates

The measurement dates were June 30, 2016 and June 30, 2017 for reporting dates June 30, 2017 and June 30, 2018, respectively.

Discount Rates

The discount rate as of June 30, 2017 was 3.58%, which was the 20-year bond buyer index rate as of June 29, 2017. The discount rate that was used for June 30, 2016 liability calculation was 2.85%, which was the 20-year bond buyer index rate as of June 30, 2016.

Per Person Cost Trends

The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

See the City's CAFR for further details on these trends.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

Retirees Share of Benefit-related Costs

Participation rates for medical coverage:

- \* 85% of future retirees from non-represented groups are assumed to elect post-retirement medical coverage.
- \* 100% of future retirees from represented groups (DC 33, 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- \* 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rates for life insurance coverage:

- \* 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- \* 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

Mortality Rates

It is assumed that deaths of active municipal and elected members would follow the RP-2000 Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a five-year setback for males and females.

It is assumed that deaths of active uniformed members would follow the RP-2000 Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a two-year setback for males and females.

It is assumed that mortality for healthy inactive lives will follow the RP-2000 Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a one-year set forward for males and females.

For Police and Fire, it is assumed that mortality for disabled retirees follows the RP-2000 Healthy Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a 1% upward adjustment and a five-year setback for males and females.

For municipal and elected officials, it is assumed that mortality for disabled retirees follows RP-2000 Healthy Mortality Table with Blue Collar adjustment, projected 17 years using Scale AA with a 1% upwards adjustment and a one-year setback for males and females.

Change in the Total OPEB Liability

The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e. the fair value of Plan assets; FNP), and the Net OPEB Liability (NOL) during the measurement period ending on July 30, 2017.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016	\$ 1,936,600,000	\$ -	\$ 1,936,600,000
Changes for the year:			
Service cost	89,300,000	-	89,300,000
Interest	56,100,000	-	56,100,000
Changes in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(105,600,000)	-	(105,600,000)
Contributions - employer	-	114,800,000	(114,800,000)
Contributions - non-employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments	(114,800,000)	(114,800,000)	-
Administrative expense	-	-	-
Net Changes	(75,000,000)	-	(75,000,000)
Balances at June 30, 2017	\$ 1,861,600,000	\$ -	\$ 1,861,600,000

During the measurement year, the NOL decreased by approximately \$75.0 million. The service cost and interest cost increased the NOL by approximately \$145.4 million while contributions plus investment gains offset by administrative expenses decreased the NOL by approximately \$114.8 million. The employer contribution of \$114.8 million is based on a blend of actual contributions and estimated contributions based on the prior report.

There were no changes in benefits during the year. Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, there were no liability gains or losses during the year due to experience.

There was an assumption change due to the change in the 20-year bond buyer index rate. The discount rate changed from 2.85% to 3.58% as of June 30, 2017, reducing the liability by \$105.6 million.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following represents the Total OPEB Liability of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Total OPEB Liability	\$2,007,100,000	\$1,861,600,000	\$1,730,000,000
Plan Fiduciary Net Position	\$0	\$0	\$0
Collective Net OPEB Liability	\$2,007,100,000	\$1,861,600,000	\$1,730,000,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent increase in the discount rate decreases the TOL and NOL by approximately 7%.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the Total OPEB Liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$1,692,700,000	\$1,861,600,000	\$2,058,600,000
Plan Fiduciary Net Position	\$0	\$0	\$0
Collective Net OPEB Liability	\$1,692,700,000	\$1,861,600,000	\$2,058,600,000
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher discount rates produce a higher TOL. The table below shows the sensitivity of the NOL to healthcare trends.

A one percent decrease in the healthcare trends rate decreases the TOL and NOL by approximately 9%. A one percent increase in the healthcare trends rate increases the TOL and NOL by approximately 11%.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$130.3 million. The table below shows the development of OPEB expense.

Calculation of OPEB Expense

Fiscal Year Ending	June 30, 2018
Measurement Year Ending	June 30, 2017
Change in Net OPEB Liability	\$ (75,000,000)
Change in Deferred Outflows	-
Change in Deferred Inflows	90,500,000
Non-Employer Contributions	-
Employer Contributions	114,800,000
	114,800,000
OPEB Expense	\$ 130,300,000
OPEB Expense as % of Payroll	7.47%
<hr/>	
<u>Operating Expenses</u>	
Service Costs	\$ 89,300,000
Employee Contributions	-
Administrative Expenses	-
Total	\$ 89,300,000
<u>Financing Expenses</u>	
Interest Costs	\$ 56,100,000
Expected Return on Assets	-
Total	\$ 56,100,000
<u>Changes</u>	
Benefit Changes	\$ -
Recognition of Assumption Changes	(15,100,000)
Recognition of Liability Gains and Losses	-
Recognition of Investment Gains and Losses	-
Total	\$ (15,100,000)
OPEB Expense	\$ 130,300,000



**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Schedule of Deferred Inflows and Outflows of Resources as of  
June 30, 2018 Projected Fiscal Year End  
June 30, 2017 Measurement Date

	<u>Deferred</u> Outflows of <u>Resources</u>	<u>Deferred</u> Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	90,500,000
Net differences between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to measurement date	96,400,000	-
Totals	\$ 96,400,000	\$ 90,500,000

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

June 30, 2019	(15,100,000)
June 30, 2020	(15,100,000)
June 30, 2021	(15,100,000)
June 30, 2022	(15,100,000)
June 30, 2023	(15,100,000)
Thereafter	(15,100,000)

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the fiscal year ending June 30, 2019.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

**Required Supplementary Information**

The schedule below shows the changes in the NOL and related ratios required by GASB.

**Schedule of Changes in Net OPEB Liability and Related Ratios**

Measurement Year Ending	06/30/2017
<b><u>Total OPEB Liability</u></b>	
Service cost (beginning of year)	\$ 89,300,000
Interest (includes interest on service cost)	56,100,000
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(105,600,000)
Benefit payments, including refunds of member contributions	(114,800,000)
Net change in total OPEB liability	\$ (75,000,000)
Total OPEB liability - beginning	1,936,600,000
Total OPEB liability - ending	\$ 1,861,600,000
<b><u>Plan fiduciary net position</u></b>	
Contributions - employer	\$ 114,800,000
Contributions - non-employer	-
Contributions - member	-
Net investment income	-
Benefit payments, including refunds of member contributions	(114,800,000)
Administrative expense	-
Net change in fiduciary net position	\$ -
Plan fiduciary net position - beginning	\$ -
Plan fiduciary net position - ending	-
NET OPEB liability - ending	\$ 1,861,600,000
Plan fiduciary net position as a percentage of total OPEB liability	0.0%
Covered payroll	\$ 1,744,700,000
Recognition of Liability Gains and Losses	106.7%

The Plan is not currently being pre-funded and so there is no actuarially determined contribution. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards or Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Actuarial Required Contribution (ARC) determined under GASB Statement No. 45 is not a recommended contribution under Actuarial Standards of Practice. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

**18. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority, and PICA) is self-insured for fire damage, casualty losses, public liability, workers' compensation and unemployment compensation. The Aviation Fund is self-insured for workers' compensation and unemployment compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$353.0 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2016 resulted from the following:

(Amounts in Millions of USD)

Fiscal Years Ending June 30	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2016	\$ 353.6	\$ 216.2	\$ (219.5)	\$ 350.3
2017	\$ 350.3	\$ 243.9	\$ (229.1)	\$ 365.1
2018	\$ 365.1	\$ 199.3	\$ (211.4)	\$ 353.0

The City's unemployment compensation and workers' compensation coverages are provided through its General Fund. Unemployment compensation and workers' compensation coverages are funded by a pro-rata charge to the various funds. Payments for fiscal years 2018 and 2017 were \$3.1 million and \$19.9 million for unemployment compensation claims and \$63.0 million and \$61.9 million for workers' compensation claims, respectively.

The City's estimated outstanding workers' compensation liabilities are \$263.8 million, discounted at 3.5%. On an undiscounted basis, these liabilities total \$343.9 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Notes to Financial Statements*

---

payments relating to workers' compensation total \$240.0 million (discounted) and \$314.8 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

**19. COMMITMENTS**

The Airport had commitments, which are open encumbrance balances, of approximately \$37.3 million and \$39.7 million for operating expenses and \$134.5 million and \$121.5 million for capital assets and improvements for fiscal years 2018 and 2017, respectively. The Airport expects to fund these commitments through operating revenue and through bond proceeds, capital grants, customer facility charges, and passenger facility charges.

**20. CONTINGENCIES**

**Claims Litigation**

*Henderson Condemnation Proceedings:* In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desires to acquire the Property for Airport purposes and had numerous discussions with representatives for the Sellers. The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed.

The Fair Market Value ("FMV") of the Property remains disputed and will be determined by a Board of View, which was appointed by the Court of Common Pleas in Delaware County on November 27, 2018. The hearing before the Board of View was to be scheduled within 120 days of November 27, 2018, or as the parties may agree. It has not yet been set. Based upon pending discovery, it is unlikely that the Board of View will hold its hearing on this matter before the summer of 2019. What the Board of View will determine to be FMV is unknown. Both the City and the Hendersons will have the opportunity to advocate for the value that they believe is the appropriate FMV. The City is represented by outside counsel.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Reconciliation of Fund Balance (Legally Enacted Basis) to Net Position (GAAP Basis)*

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>	Percentage Increase <u>(Decrease)</u>
Fund balance, legal basis	\$ 143,068,950	\$ 69,922,273	104.6%
Add assets not included in legal basis:			
Current assets	30,084,662	62,710,018	(52.0)%
Fixed assets, net of depreciation	2,110,956,122	2,030,401,238	4.0%
Restricted assets	809,467,935	469,174,509	72.5%
	<u>2,950,508,719</u>	<u>2,562,285,765</u>	<u>15.2%</u>
Deduct liabilities not included in legal basis:			
Construction accounts payable	(29,656,844)	(40,109,201)	(26.1)%
Current liabilities	(180,529,956)	(270,626,514)	(33.3)%
Bonds payable	(1,718,231,339)	(1,213,986,260)	41.5%
Other long-term liabilities	(301,045,956)	(239,628,754)	25.6%
	<u>(2,229,464,095)</u>	<u>(1,764,350,729)</u>	<u>26.4%</u>
Add (deduct) fund balance accounts included in legal basis:			
Reserve for encumbrance, current	36,319,251	38,508,429	(5.7)%
Reserve for encumbrance, prior	(13,083,921)	(13,210,020)	(1.0)%
Reserve for collectible accounts	928,278	928,278	0.0%
	<u>24,163,608</u>	<u>26,226,687</u>	<u>(7.9)%</u>
Net position - GAAP basis	<u>\$ 888,277,182</u>	<u>\$ 894,083,996</u>	<u>(0.6)%</u>

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Budgetary Comparison Schedule*  
*For the Fiscal Year Ended June 30, 2018*  
*(Amounts in thousands)*

	<u>Budgeted Amounts</u>			Final Budget to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	\$437,045	\$437,300	\$435,145	(\$2,155)
Revenue from Other Governments	4,500	2,567	2,220	(347)
Revenue from Other Funds	1,600	1,257	1,442	185
Total Revenues	443,145	441,124	438,807	(2,317)
<u>Expenditures and Encumbrances</u>				
Personal Services	76,901	77,391	75,963	1,428
Pension Contributions	36,190	36,185	35,103	1,082
Other Employee Benefits	25,940	25,945	22,403	3,542
Sub-Total Employee Compensation	139,031	139,521	133,469	6,052
Purchase of Services	142,156	142,156	113,765	28,391
Materials and Supplies	10,084	10,084	7,754	2,330
Equipment	8,987	8,987	6,517	2,470
Contributions, Indemnities and Taxes	8,515	8,514	2,288	6,226
Debt Service	159,426	159,426	109,055	50,371
Payments to Other Funds	14,648	14,648	7,679	6,969
Total Expenditures and Encumbrances	482,847	483,336	380,527	102,809
Operating Surplus (Deficit) for the Year	(39,702)	(42,212)	58,280	100,492
Fund Balance Available for Appropriation, July 1, 2017	36,675	69,922	69,922	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	15,000	14,867	(133)
Adjusted Fund Balance, July 1, 2017	51,675	84,922	84,789	(133)
Fund Balance Available for Appropriation, June 30, 2018	\$11,973	\$42,710	\$143,069	\$100,359



## **STATISTICAL SECTION**



## II. Statistical Section

### **Demographic and Economic Information**

These schedules show the airport service area environment over the past ten years.

Exhibit S-1	Airport Information
Exhibit S-2	Population Trends
Exhibit S-3	Employment by Industry
Exhibit S-4	City of Philadelphia Airport Employees

### **Business Drivers**

These schedules show the different factors that produce revenue for the airport over the past ten years.

Exhibit S-5	Commercial Flights and Available Seats
Exhibit S-6	Passenger Load Factors
Exhibit S-7	Commercial Passenger Enplanements
Exhibit S-8	Airline Market Share by Passenger Enplanements
Exhibit S-9	Aircraft Operations by Airport
Exhibit S-10	Cargo Tonnage and Market Share

### **Financial Trends and Revenue Capacity**

These schedules show changes in Aviation's financial performance, major revenue sources, and rates and charges over the past ten years.

Exhibit S-11	Annual Revenues, Expenses and Changes in Fund Net Position
Exhibit S-12	Operating Revenues by Source
Exhibit S-13	Scheduled Rates and Charges

### **Debt Capacity**

These schedules show current levels of outstanding debt and how Aviation has fulfilled debt obligations over the past ten years.

Exhibit S-14	Ratios of Outstanding Debt
Exhibit S-15	Pledged Debt Service Coverage
Exhibit S-16	Airport Debt Service by Year

### **Markets Served and Other Information**

These schedules show domestic and international markets served, as well as other airport-related information over the past ten years..

Exhibit S-17	Current Top 30 Passenger Origin and Destination Markets
Exhibit S-18	PHL Route Changes - FY 2018
Exhibit S-19	Historical Domestic Top 10 Passenger Origin and Destination Markets
Exhibit S-20	Historical International Top 10 Passenger Destination Markets
Exhibit S-21	Airline Market Share by Landed Weight
Exhibit S-22	Passenger Facility Charges

## Exhibit S-1: Philadelphia International Airport Information

Location	Located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia		
Acres	2,584 +/- acres		
Airport Code	PHL		
Runways		<u>Length</u>	<u>Width</u>
	9R-27L	10,506'	200'
	9L-27R	9,500'	150'
	17-35	6,501'	150'
	8-26	5,000'	150'
Aircraft Capability	Group VI - Airbus 380 (Limited)		
Terminals	Terminal A-East	433,001	square feet
	Terminal A-West	818,100	square feet
	Terminals B & C	951,721	square feet
	Terminals D & E	808,095	square feet
	Terminal F	243,437	square feet
	<b>Total Terminal Space</b>	<b>3,254,354</b>	<b>square feet</b>
	Number of Passenger Gates	126	gates
Parking	<u>Public</u>		
	Garage Parking	10,984	spaces
	Short-Term	839	spaces
	Surface Parking	7,117	spaces
	<b>Total Public Parking</b>	<b>18,940</b>	<b>spaces</b>
	Cell Phone Waiting Area	150	spaces
	Tenant Employee Parking	4,200	spaces
Cargo	Number of Cargo Buildings	6	buildings
	Cargo Space	449,761	square feet
International	Customs/Immigration Federal Inspection Facility		
Tower	TRACON - Philadelphia, PA - Operating 24 Hours/Day 7 Days/Week		
Intermodal Access	Interstate 95 (I-95) Regional Rail & Buses operated by the Southeastern Pennsylvania Transportation Authority (SEPTA)		
Northeast Philadelphia Airport	Located on a 1,126-acre site situated within the City limits about 10 miles by road northeast of center city Philadelphia and provides for general aviation, air taxi and corporate, as well as occasional military use		

Data as of December 31, 2018  
Source: City of Philadelphia

**Exhibit S-2: Population Trends**  
**Metropolitan Statistical Area (MSA)**  
**(By Calendar Year)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	10-Year Annual Growth
Delaware & Maryland											
Cecil County, MD	102,746	102,701	102,452	102,249	101,931	101,767	101,585	101,172	100,796	99,949	0.28%
New Castle County, DE	559,793	557,851	555,587	552,465	549,486	546,120	542,282	538,831	534,634	531,057	0.53%
<b>Total - Delaware &amp; Maryland</b>	<b>662,539</b>	<b>660,552</b>	<b>658,039</b>	<b>654,714</b>	<b>651,417</b>	<b>647,887</b>	<b>643,867</b>	<b>640,003</b>	<b>635,430</b>	<b>631,006</b>	<b>0.49%</b>
New Jersey											
Burlington County	448,596	448,342	448,844	450,318	449,858	451,256	450,486	449,200	446,108	445,492	0.07%
Camden County	510,719	510,741	510,809	510,913	511,798	512,827	513,180	513,506	517,879	517,739	(0.14%)
Gloucester County	292,206	291,703	291,651	291,151	290,151	289,912	289,605	288,994	289,920	288,168	0.14%
Salem County	62,792	63,158	63,730	64,360	64,840	65,446	65,883	65,982	66,342	66,194	(0.53%)
<b>Total - New Jersey</b>	<b>1,314,313</b>	<b>1,313,944</b>	<b>1,315,034</b>	<b>1,316,742</b>	<b>1,316,647</b>	<b>1,319,441</b>	<b>1,319,154</b>	<b>1,317,682</b>	<b>1,320,249</b>	<b>1,317,593</b>	<b>(0.02%)</b>
Pennsylvania											
Bucks County	628,341	626,751	626,209	625,806	625,321	625,572	626,067	625,431	626,015	623,562	0.08%
Chester County	519,293	516,489	515,226	512,864	509,388	506,283	503,404	499,920	498,894	493,281	0.52%
Delaware County	564,696	563,995	563,705	562,913	561,609	560,782	559,079	558,901	558,028	556,251	0.15%
Montgomery County	826,075	820,656	817,869	815,947	812,838	808,912	805,186	800,981	782,339	778,452	0.60%
Philadelphia County	1,580,863	1,574,765	1,570,507	1,564,042	1,558,109	1,551,944	1,539,649	1,528,271	1,547,297	1,540,351	0.26%
<b>Total - Pennsylvania</b>	<b>4,119,268</b>	<b>4,102,656</b>	<b>4,093,516</b>	<b>4,081,572</b>	<b>4,067,265</b>	<b>4,053,493</b>	<b>4,033,385</b>	<b>4,013,504</b>	<b>4,012,573</b>	<b>3,991,897</b>	<b>0.31%</b>
<b>Philadelphia MSA</b>	<b>6,096,120</b>	<b>6,077,152</b>	<b>6,066,589</b>	<b>6,053,028</b>	<b>6,035,329</b>	<b>6,020,821</b>	<b>5,996,406</b>	<b>5,971,189</b>	<b>5,968,252</b>	<b>5,940,496</b>	<b>0.26%</b>

Note: Population estimates for 2010 to 2016 modified by U.S. Census Bureau, Population Division.

Population estimates as of July 1st

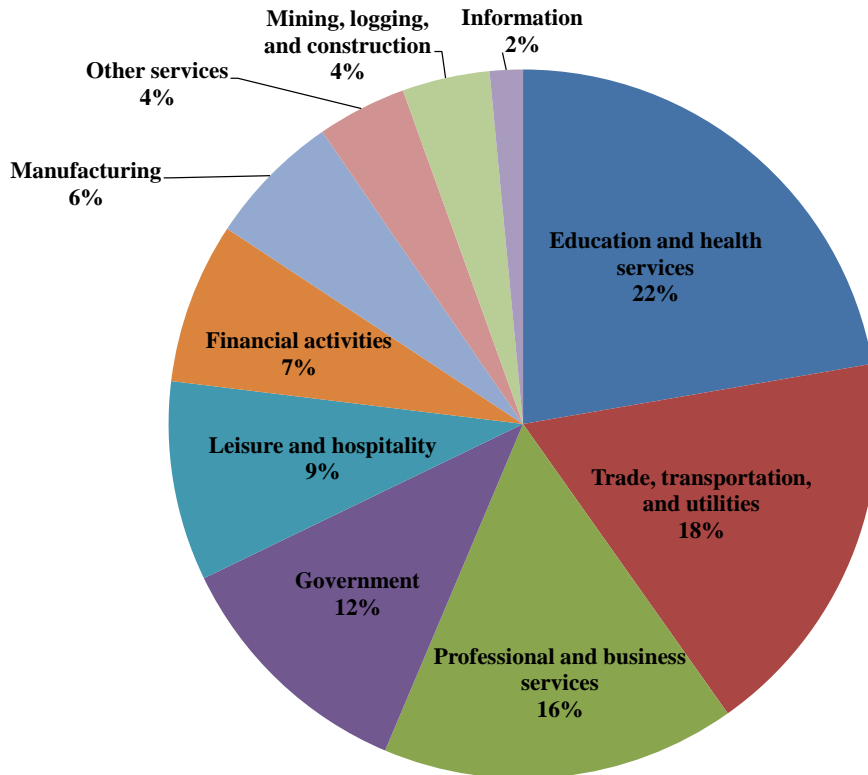
2018 data is not available until March, 2019

Source: U.S. Census Bureau, Population Division

### Exhibit S-3: Employment by Industry Metropolitan Statistical Area (By Calendar Year)

Industry	Annual Average Number of Employees (in thousands)										10-Year Annual Growth
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	
Education and health services	658.0	641.3	621.7	603.6	589.3	574.5	566.2	556.9	549.7	544.3	1.92%
Trade, transportation, and utilities	529.2	523.2	522.0	518.5	514.9	509.3	505.8	501.9	500.2	502.8	0.51%
Professional and business services	477.2	466.7	461.0	450.7	439.9	431.5	423.8	417.3	408.6	409.1	1.55%
Government	338.7	335.6	333.8	334.3	335.5	337.4	340.0	347.5	357.9	358.8	(0.57%)
Leisure and hospitality	268.7	265.9	259.0	252.3	247.0	241.4	236.8	230.1	224.0	220.2	2.01%
Financial activities	217.1	214.6	211.8	208.4	204.1	203.2	200.3	199.3	200.5	206.5	0.50%
Manufacturing	181.1	180.3	179.0	179.6	179.7	180.2	182.4	185.6	187.3	194.8	(0.73%)
Other services	120.5	120.3	119.8	117.6	116.8	118.9	120.0	119.4	118.3	118.0	0.21%
Mining, logging, and construction	117.9	116.5	114.0	110.1	104.8	101.9	99.4	100.3	99.7	103.8	1.28%
Information	44.6	45.9	46.4	46.4	46.5	48.1	49.7	50.2	51.7	54.0	(1.89%)
<b>Philadelphia PA-NJ-DE-MD Metropolitan statistical area</b>	<b>2,953.0</b>	<b>2,910.3</b>	<b>2,868.5</b>	<b>2,821.5</b>	<b>2,778.5</b>	<b>2,746.4</b>	<b>2,724.4</b>	<b>2,708.5</b>	<b>2,697.9</b>	<b>2,712.3</b>	<b>1.25%</b>

### Area Employment by Industry - 2018



\* Number of employees (in thousands) for 2009-2017 modified by U.S. Department of Labor, Bureau of Labor Statistics for all industries  
 2018 data includes preliminary estimate for December, 2018  
 Source: U.S. Department of Labor, Bureau of Labor Statistics

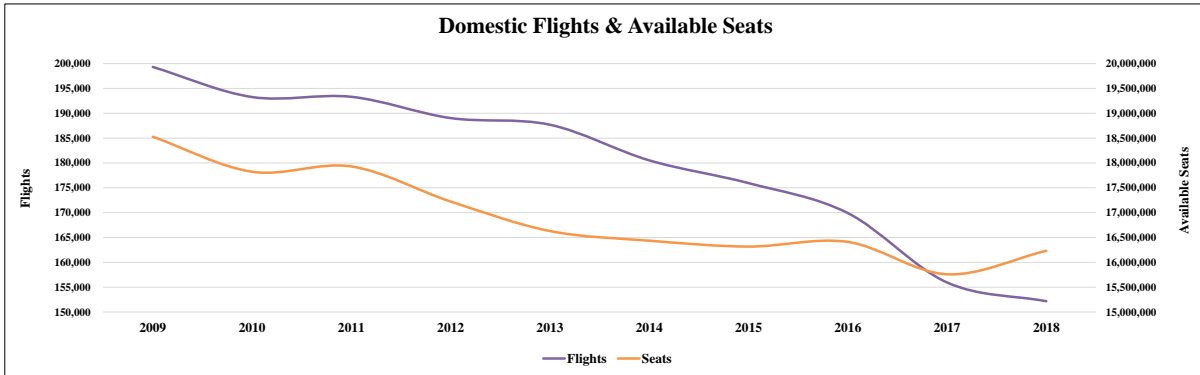
**Exhibit S-4: City of Philadelphia Airport Employees  
(By Fiscal Year)**



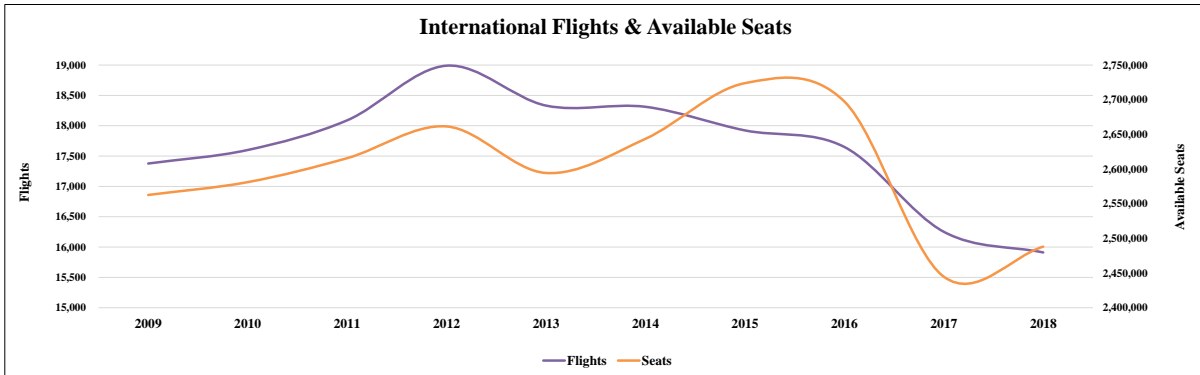
Filled positions at the end of the fiscal year.  
 Division of Aviation for 2011 - 2018 includes Division of Technology  
 Source: City of Philadelphia, Quarterly City Manager's Report

## Exhibit S-5: Commercial Flights and Available Seats (By Fiscal Year)

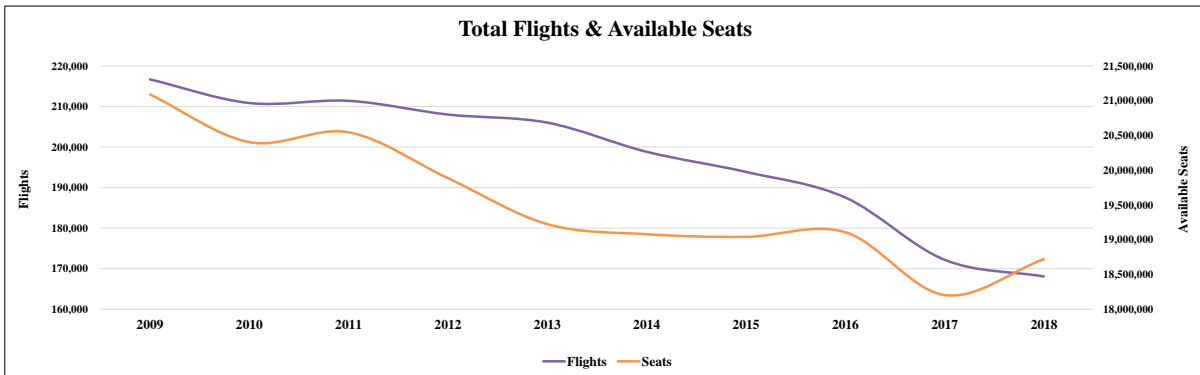
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
	Domestic Flights	199,324	193,267	193,315	189,034	187,696	180,527	175,947	169,921	155,947	152,169
Domestic Seats	18,527,265	17,823,198	17,929,812	17,223,904	16,629,825	16,435,626	16,317,090	16,411,017	15,759,155	16,232,474	(1.31%)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
	International Flights	17,377	17,600	18,089	18,990	18,332	18,312	17,923	17,650	16,252	15,911
International Seats	2,562,656	2,581,136	2,615,698	2,661,499	2,594,329	2,643,622	2,723,892	2,697,451	2,444,766	2,488,116	(0.29%)



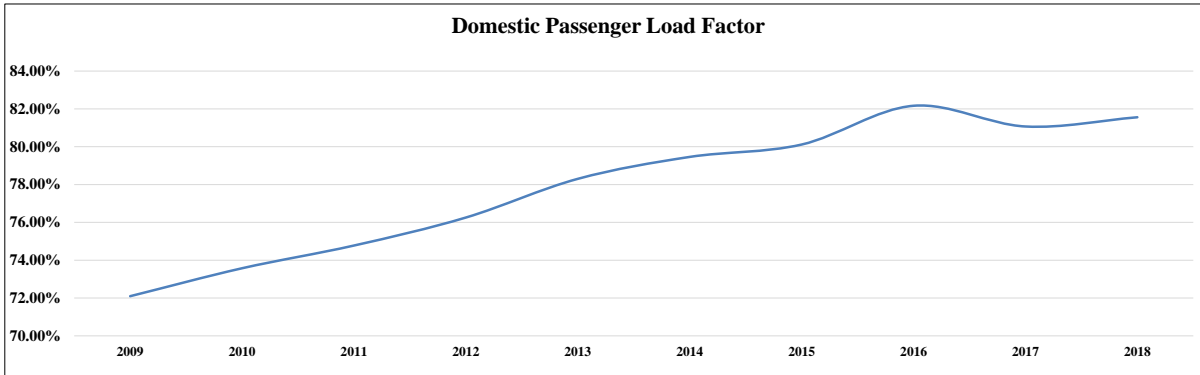
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
	Total Flights	216,701	210,867	211,404	208,024	206,028	198,839	193,870	187,571	172,199	168,080
Total Seats	21,089,921	20,404,334	20,545,510	19,885,403	19,224,154	19,079,248	19,040,982	19,108,468	18,203,921	18,720,590	(1.18%)



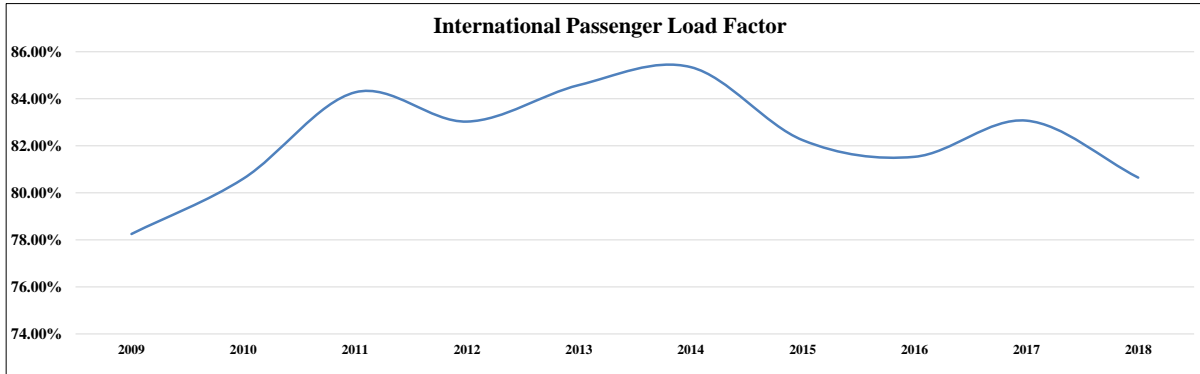
Source: Campbell-Hill Aviation Group, LLC

## Exhibit S-6: Passenger Load Factors (By Fiscal Year)

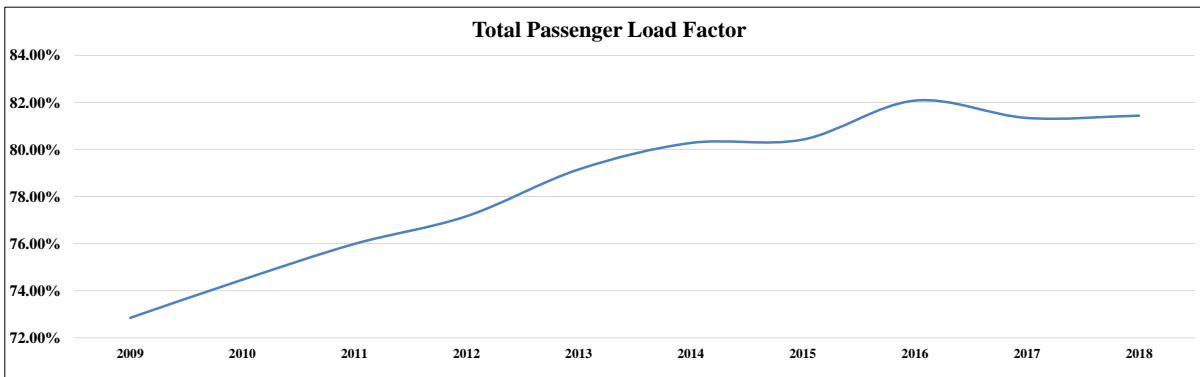
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
Domestic Passenger Load Factor	72.10%	73.57%	74.78%	76.26%	78.30%	79.46%	80.12%	82.17%	81.07%	81.56%	1.24%



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
International Passenger Load Factor	78.25%	80.60%	84.28%	83.03%	84.58%	85.35%	82.24%	81.53%	83.07%	80.65%	0.30%



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
Total Passenger Load Factor	72.84%	74.46%	75.99%	77.16%	79.15%	80.28%	80.42%	82.08%	81.34%	81.44%	1.12%



Sources: Campbell-Hill Aviation Group, LLC  
City of Philadelphia

**Exhibit S-7: Commercial Passenger Enplanements**  
(By Fiscal Year)

**Domestic enplanements**

<b>Fiscal Year</b>	<b>PHL Domestic Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier Domestic Enplanements *</b>	<b>U.S. Annual Growth</b>
<b>2018</b>	<b>13,238,844</b>	<b>3.6%</b>	<b>761,971,000</b>	<b>4.1%</b>
<b>2017</b>	12,775,958	(5.3%)	732,289,000	2.6%
<b>2016</b>	13,484,253	3.1%	713,652,000	5.3%
<b>2015</b>	13,072,574	0.1%	677,973,000	3.7%
<b>2014</b>	13,059,804	0.3%	654,061,000	1.3%
<b>2013</b>	13,021,515	(0.9%)	645,821,000	(0.1%)
<b>2012</b>	13,134,251	(2.0%)	646,199,000	1.0%
<b>2011</b>	13,407,158	2.2%	639,606,000	2.6%
<b>2010</b>	13,113,239	(1.8%)	623,200,000	(0.2%)
<b>2009</b>	13,357,446	(4.4%)	624,720,000	(8.1%)

**International enplanements**

<b>Fiscal Year</b>	<b>PHL International Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier International Enplanements *</b>	<b>U.S. Annual Growth</b>
<b>2018</b>	<b>2,006,609</b>	<b>(1.2%)</b>	<b>111,580,000</b>	<b>3.2%</b>
<b>2017</b>	2,030,924	(7.7%)	108,069,000	1.6%
<b>2016</b>	2,199,305	(1.8%)	106,402,000	3.2%
<b>2015</b>	2,240,164	(0.7%)	103,114,000	1.1%
<b>2014</b>	2,256,249	2.8%	101,991,000	3.4%
<b>2013</b>	2,194,370	(0.7%)	98,593,000	1.7%
<b>2012</b>	2,209,875	0.2%	96,911,000	1.4%
<b>2011</b>	2,204,425	6.0%	95,526,000	5.5%
<b>2010</b>	2,080,502	3.8%	90,543,000	0.8%
<b>2009</b>	2,005,297	(3.7%)	89,814,000	(6.9%)

**Total enplanements**

<b>Fiscal Year</b>	<b>PHL Total Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier Total Enplanements</b>	<b>U.S. Annual Growth</b>
<b>2018</b>	<b>15,245,453</b>	<b>3.0%</b>	<b>873,551,000</b>	<b>3.9%</b>
<b>2017</b>	14,806,882	(5.6%)	840,358,000	2.5%
<b>2016</b>	15,683,558	2.4%	820,054,000	5.0%
<b>2015</b>	15,312,738	(0.0%)	781,087,000	3.3%
<b>2014</b>	15,316,053	0.7%	756,052,000	1.6%
<b>2013</b>	15,215,885	(0.8%)	744,414,000	0.2%
<b>2012</b>	15,344,126	(1.7%)	743,110,000	1.1%
<b>2011</b>	15,611,583	2.8%	735,132,000	3.0%
<b>2010</b>	15,193,741	(1.1%)	713,743,000	(0.1%)
<b>2009</b>	15,362,743	(4.3%)	714,534,000	(7.9%)

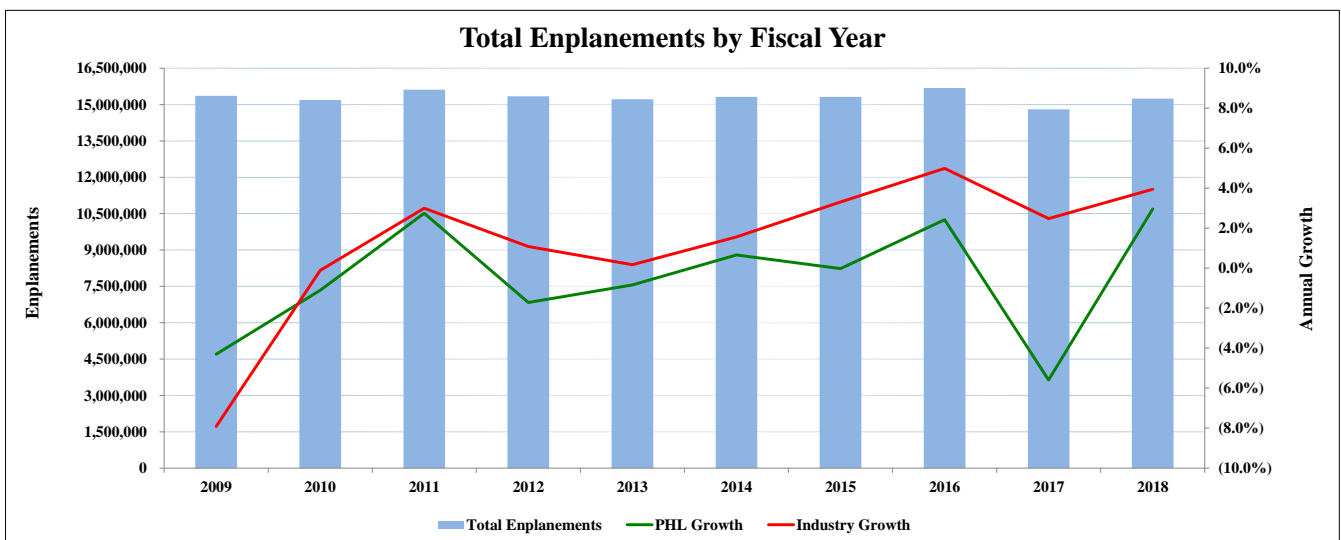
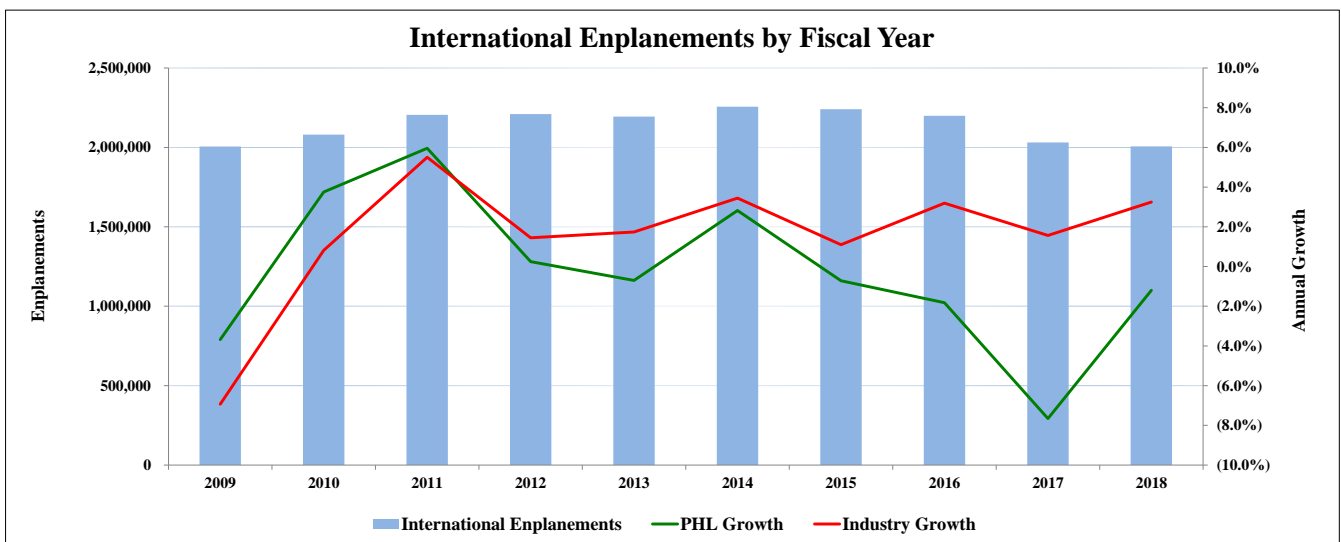
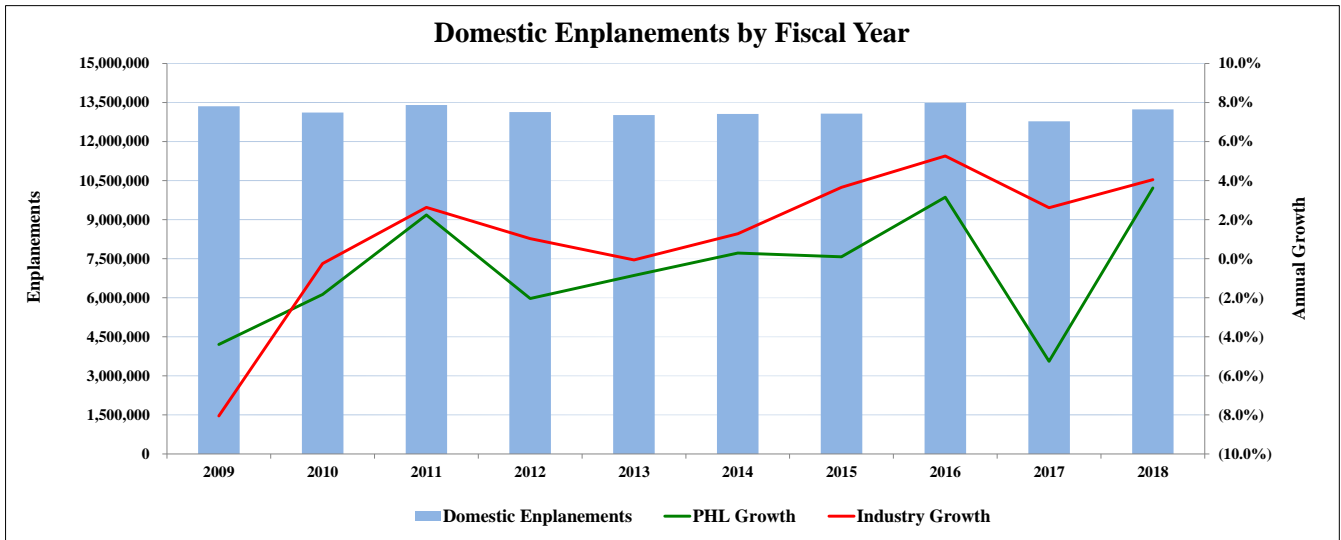
\* 2017 U.S. Air Carrier Domestic and International Enplanements modified by Bureau of Transportation Statistics

PHL Passenger Enplanements and Annual Growth from City of Philadelphia

U.S. Air Carrier Enplanements and Annual Growth from Bureau of Transportation Statistics



## Exhibit S-7: Commercial Passenger Enplanements (Continued, By Fiscal Year)



Source: City of Philadelphia  
Source: Bureau of Transportation Statistics

**Exhibit S-8: Airline Market Share by Passenger Enplanements**  
(By Fiscal Year)

Airlines	2018		2017		2016		2015		2014	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
<b>Domestic</b>										
Scheduled major/national										
American	5,965,115	39.1%	5,677,406	38.3%	5,890,212	37.6%	5,712,631	37.3%	5,865,921	38.3%
Southwest	1,123,008	7.4%	1,152,350	7.8%	1,133,501	7.2%	1,017,105	6.6%	927,172	6.1%
Delta	834,666	5.5%	853,135	5.8%	973,307	6.2%	924,773	6.0%	908,882	5.9%
Frontier	657,572	4.3%	580,452	3.9%	473,972	3.0%	154,956	1.0%	1,783	0.0%
United	554,152	3.6%	529,057	3.6%	549,849	3.5%	520,995	3.4%	492,899	3.2%
Spirit	421,325	2.8%	361,782	2.4%	245,438	1.6%	142,411	0.9%	129,417	0.8%
JetBlue	218,290	1.4%	205,817	1.4%	183,285	1.2%	123,511	0.8%	116,655	0.8%
Alaska	141,157	0.9%	64,154	0.4%	59,076	0.4%	56,514	0.4%	54,569	0.4%
AirTran	-	-	-	-	-	-	42,858	0.3%	189,037	1.2%
Virgin America	-	-	-	-	-	-	26,566	0.2%	97,932	0.6%
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest	-	-	-	-	-	-	-	-	-	-
Subtotal - scheduled major/national	9,915,285	65.0%	9,424,153	63.6%	9,508,640	60.6%	8,722,320	57.0%	8,784,267	57.4%
Scheduled regional/commuter										
American Eagle										
Piedmont	1,172,067	7.7%	918,638	6.2%	694,448	4.4%	708,011	4.6%	792,688	5.2%
Republic	1,063,517	7.0%	864,036	5.8%	1,326,308	8.5%	1,529,350	10.0%	1,462,890	9.6%
Air Wisconsin	453,101	3.0%	1,002,131	6.8%	1,419,663	9.1%	1,508,945	9.9%	1,302,475	8.5%
PSA	394,252	2.6%	309,469	2.1%	307,357	2.0%	239,146	1.6%	231,547	1.5%
Envoy	16,635	0.1%	-	-	-	-	-	-	-	-
Mesa	-	-	-	-	-	-	49,094	0.3%	50,508	0.3%
Chautauqua	-	-	-	-	-	-	-	-	-	-
Subtotal - American Eagle	3,099,572	20.3%	3,094,274	20.9%	3,747,776	23.9%	4,034,546	26.3%	3,840,108	25.1%
Other	222,087	1.5%	257,068	1.7%	227,752	1.5%	315,442	2.1%	434,826	2.8%
Subtotal - scheduled regional/commuter	3,321,659	21.8%	3,351,342	22.6%	3,975,528	25.3%	4,349,988	28.4%	4,274,934	27.9%
Charter	1,900	0.0%	463	0.0%	85	0.0%	266	0.0%	603	0.0%
<b>Total - domestic</b>	<b>13,238,844</b>	<b>86.8%</b>	<b>12,775,958</b>	<b>86.3%</b>	<b>13,484,253</b>	<b>86.0%</b>	<b>13,072,574</b>	<b>85.4%</b>	<b>13,059,804</b>	<b>85.3%</b>
<b>International</b>										
Scheduled										
American	1,362,648	8.9%	1,378,328	9.3%	1,536,251	9.8%	1,625,083	10.6%	1,697,885	11.1%
Air Canada - Sky Regional / Jazz Aviation	93,978	0.6%	77,018	0.5%	61,797	0.4%	56,038	0.4%	56,524	0.4%
British	88,688	0.6%	118,177	0.8%	128,290	0.8%	120,461	0.8%	112,422	0.7%
Piedmont	73,803	0.5%	-	-	-	-	-	-	-	-
Lufthansa	71,971	0.5%	73,251	0.5%	69,405	0.4%	70,438	0.5%	63,334	0.4%
Frontier	67,467	0.4%	68,053	0.5%	80,497	0.5%	35,937	0.2%	23,108	0.2%
Air Wisconsin	67,128	0.4%	175,336	1.2%	160,730	1.0%	195,937	1.3%	219,574	1.4%
Qatar	66,047	0.4%	52,728	0.4%	61,745	0.4%	57,650	0.4%	18,299	0.1%
Republic	64,517	0.4%	36,300	0.2%	62,725	0.4%	59,107	0.4%	45,726	0.3%
Delta	29,362	0.2%	45,046	0.3%	35,045	0.2%	18,784	0.1%	15,473	0.1%
Aer Lingus	10,951	0.1%	-	-	-	-	-	-	-	-
Icelandair	9,690	0.1%	2,806	0.0%	-	-	-	-	-	-
PSA	217	0.0%	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Subtotal - scheduled	2,006,467	13.2%	2,027,043	13.7%	2,196,485	14.0%	2,239,435	14.6%	2,252,345	14.7%
Charter	142	0.0%	3,881	0.0%	2,820	0.0%	729	0.0%	3,904	0.0%
<b>Total - international</b>	<b>2,006,609</b>	<b>13.2%</b>	<b>2,030,924</b>	<b>13.7%</b>	<b>2,199,305</b>	<b>14.0%</b>	<b>2,240,164</b>	<b>14.6%</b>	<b>2,256,249</b>	<b>14.7%</b>
<b>Grand total</b>	<b>15,245,453</b>	<b>100.0%</b>	<b>14,806,882</b>	<b>100.0%</b>	<b>15,683,558</b>	<b>100.0%</b>	<b>15,312,738</b>	<b>100.0%</b>	<b>15,316,053</b>	<b>100.0%</b>

Source: City of Philadelphia

**Exhibit S-8: Airline Market Share by Passenger Enplanements**  
(Continued, By Fiscal Year)

Airlines	2013		2012		2011		2010		2009	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
<b>Domestic</b>										
Scheduled major/national										
American	5,693,434	37.4%	5,618,451	36.6%	5,559,824	35.6%	5,354,194	35.2%	5,193,295	33.8%
Southwest	1,054,353	6.9%	1,494,613	9.7%	1,707,286	10.9%	1,710,602	11.3%	1,895,701	12.3%
Delta	804,404	5.3%	813,547	5.3%	805,797	5.2%	820,880	5.4%	571,723	3.7%
Frontier	28,307	0.2%	78,442	0.5%	89,554	0.6%	45,514	0.3%	52,366	0.3%
United	540,335	3.6%	427,458	2.8%	405,836	2.6%	455,193	3.0%	538,269	3.5%
Spirit	30,747	0.2%	-	-	-	-	-	-	-	-
JetBlue	15,502	0.1%	-	-	-	-	-	-	-	-
Alaska	47,617	0.3%	2,790	0.0%	-	-	-	-	-	-
AirTran	296,466	1.9%	258,203	1.7%	300,480	1.9%	298,280	2.0%	370,833	2.4%
Virgin America	155,152	1.0%	38,878	0.3%	-	-	-	-	-	-
Continental	-	-	164,217	1.1%	233,502	1.5%	233,656	1.5%	234,198	1.5%
USA 3000	-	-	1,052	0.0%	5,286	0.0%	13,435	0.1%	34,745	0.2%
Midwest Airlines	-	-	-	-	-	-	50,962	0.3%	50,384	0.3%
Northwest	-	-	-	-	-	-	-	-	337,432	2.2%
Subtotal - scheduled major/national	8,666,317	57.0%	8,897,651	58.0%	9,107,565	58.3%	8,982,716	59.1%	9,278,946	60.4%
Scheduled regional/commuter										
American Eagle										
Piedmont	854,595	5.6%	762,204	5.0%	766,538	4.9%	699,379	4.6%	675,918	4.4%
Republic	1,307,524	8.6%	1,318,546	8.6%	1,424,740	9.1%	1,386,820	9.1%	1,396,362	9.1%
Air Wisconsin	1,333,837	8.8%	1,287,022	8.4%	1,360,164	8.7%	1,386,681	9.1%	1,320,560	8.6%
PSA	264,630	1.7%	264,325	1.7%	181,411	1.2%	151,274	1.0%	176,692	1.2%
Envoy	-	-	-	-	-	-	-	-	-	-
Mesa	-	-	-	-	-	-	86	0.0%	-	-
Chautauqua	75,628	0.5%	84,918	0.6%	58,684	0.4%	54,338	0.4%	62,312	0.4%
Subtotal - American Eagle	3,836,214	25.2%	3,717,015	24.2%	3,791,537	24.3%	3,678,578	24.2%	3,631,844	23.6%
Other	518,639	3.4%	518,655	3.4%	507,479	3.3%	450,367	3.0%	445,371	2.9%
Subtotal - scheduled regional/commuter	4,354,853	28.6%	4,235,670	27.6%	4,299,016	27.5%	4,128,945	27.2%	4,077,215	26.5%
Charter	345	0.0%	930	0.0%	577	0.0%	1,578	0.0%	1,285	0.0%
<b>Total - domestic</b>	<b>13,021,515</b>	<b>85.6%</b>	<b>13,134,251</b>	<b>85.6%</b>	<b>13,407,158</b>	<b>85.9%</b>	<b>13,113,239</b>	<b>86.3%</b>	<b>13,357,446</b>	<b>86.9%</b>
<b>International</b>										
Scheduled										
American	1,683,363	11.1%	1,662,124	10.8%	1,638,110	10.5%	1,621,853	10.7%	1,558,766	10.1%
Air Canada - Sky Regional / Jazz Aviation	53,728	0.4%	52,515	0.3%	49,839	0.3%	47,045	0.3%	47,871	0.3%
British	110,271	0.7%	114,085	0.7%	107,276	0.7%	103,258	0.7%	103,473	0.7%
Piedmont	-	-	-	-	-	-	-	-	-	-
Lufthansa	54,906	0.4%	51,403	0.3%	60,185	0.4%	69,030	0.5%	69,804	0.5%
Frontier	22,949	0.2%	14,539	0.1%	-	-	-	-	-	-
Air Wisconsin	182,534	1.2%	151,941	1.0%	162,515	1.0%	137,464	0.9%	104,297	0.7%
Qatar	-	-	-	-	-	-	-	-	-	-
Republic	70,712	0.5%	105,734	0.7%	86,009	0.6%	-	-	-	-
Delta	15,672	0.1%	20,304	0.1%	40,212	0.3%	25,340	0.2%	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
PSA	-	-	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	66	0.0%	30,032	0.2%	35,200	0.2%	36,217	0.2%	42,537	0.3%
USA 3000	-	-	6,528	0.0%	24,492	0.2%	24,452	0.2%	26,144	0.2%
Air France	-	-	-	-	-	-	15,784	0.1%	50,549	0.3%
Subtotal - scheduled	2,194,201	14.4%	2,209,205	14.4%	2,203,838	14.1%	2,080,443	13.7%	2,003,441	13.0%
Charter	169	0.0%	670	0.0%	587	0.0%	59	0.0%	1,856	0.0%
<b>Total - international</b>	<b>2,194,370</b>	<b>14.4%</b>	<b>2,209,875</b>	<b>14.4%</b>	<b>2,204,425</b>	<b>14.1%</b>	<b>2,080,502</b>	<b>13.7%</b>	<b>2,005,297</b>	<b>13.1%</b>
<b>Grand total</b>	<b>15,215,885</b>	<b>100.0%</b>	<b>15,344,126</b>	<b>100.0%</b>	<b>15,611,583</b>	<b>100.0%</b>	<b>15,193,741</b>	<b>100.0%</b>	<b>15,362,743</b>	<b>100.0%</b>

Note: American and US Airways numbers combined for all previous years.

Source: City of Philadelphia

**Exhibit S-9: Aircraft Operations by Airport**  
(By Fiscal Year)

**PHL Takeoffs and landings**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Commuter</b>	<b>General Aviation</b>	<b>Military</b>	<b>Total</b>
<b>2018</b>	<b>240,676</b>	<b>115,986</b>	<b>14,323</b>	<b>412</b>	<b>371,397</b>
<b>2017</b>	222,618	141,120	14,184	412	378,334
<b>2016</b>	226,056	153,590	13,971	405	394,022
<b>2015</b>	237,788	161,386	14,548	399	414,121
<b>2014</b>	241,252	166,014	13,883	400	421,549
<b>2013</b>	240,165	183,828	13,848	423	438,264
<b>2012</b>	255,629	177,194	14,129	436	447,388
<b>2011</b>	266,138	173,255	18,325	1,114	458,832
<b>2010</b>	256,614	182,408	21,728	1,698	462,448
<b>2009</b>	273,206	183,160	20,648	1,559	478,573

Note: Philadelphia International Airport's annual aircraft operations have declined since FY 2006. The reduction in flights can be partially attributed to airline mergers and consolidations, and increasing load factors. Airlines have been reducing the number of flights that use smaller, less fuel-efficient aircraft.

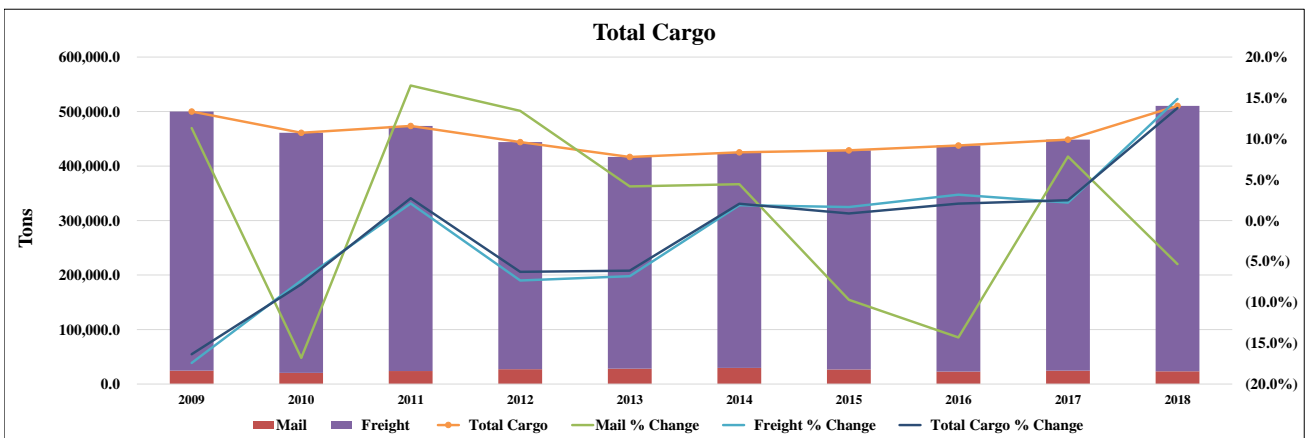
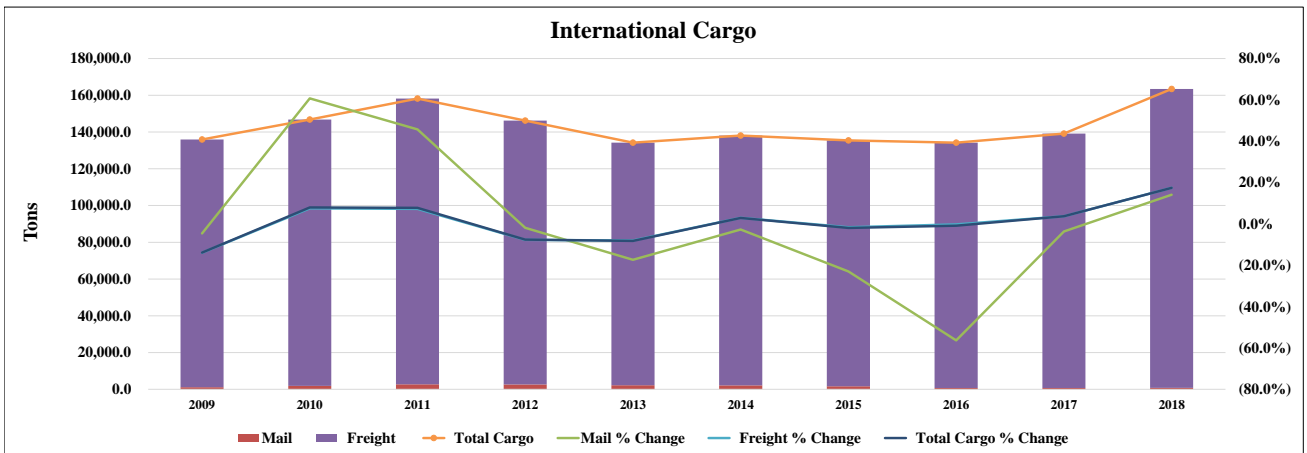
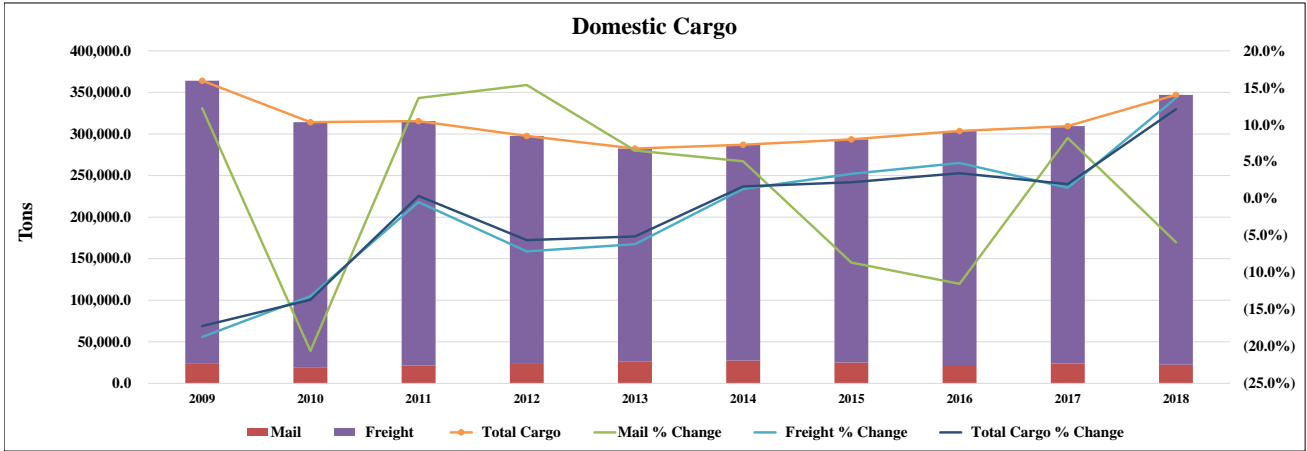
**PNE Takeoffs and landings**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Commuter</b>	<b>General Aviation</b>	<b>Military</b>	<b>Total</b>
<b>2018</b>	<b>0</b>	<b>0</b>	<b>55,817</b>	<b>0</b>	<b>55,817</b>
<b>2017</b>	0	0	56,373	0	56,373
<b>2016</b>	0	0	54,222	0	54,222
<b>2015</b>	0	0	72,975	0	72,975
<b>2014</b>	0	0	71,723	0	71,723
<b>2013</b>	0	0	67,997	0	67,997
<b>2012</b>	0	0	70,454	0	70,454
<b>2011</b>	0	0	66,507	0	66,507
<b>2010</b>	0	0	81,014	0	81,014
<b>2009</b>	0	0	72,618	0	72,618

Note: Northeast Philadelphia Airport's annual aircraft operations have generally declined since FY 2005 to their current level of 55,817 for FY 2018. The reduction in flights can be partially attributed to a change in procedures for recording training flights ("touch and go" operations) from FY 2005, as well as the closing of Hortman Aviation Flight School in 2015.

Source: City of Philadelphia

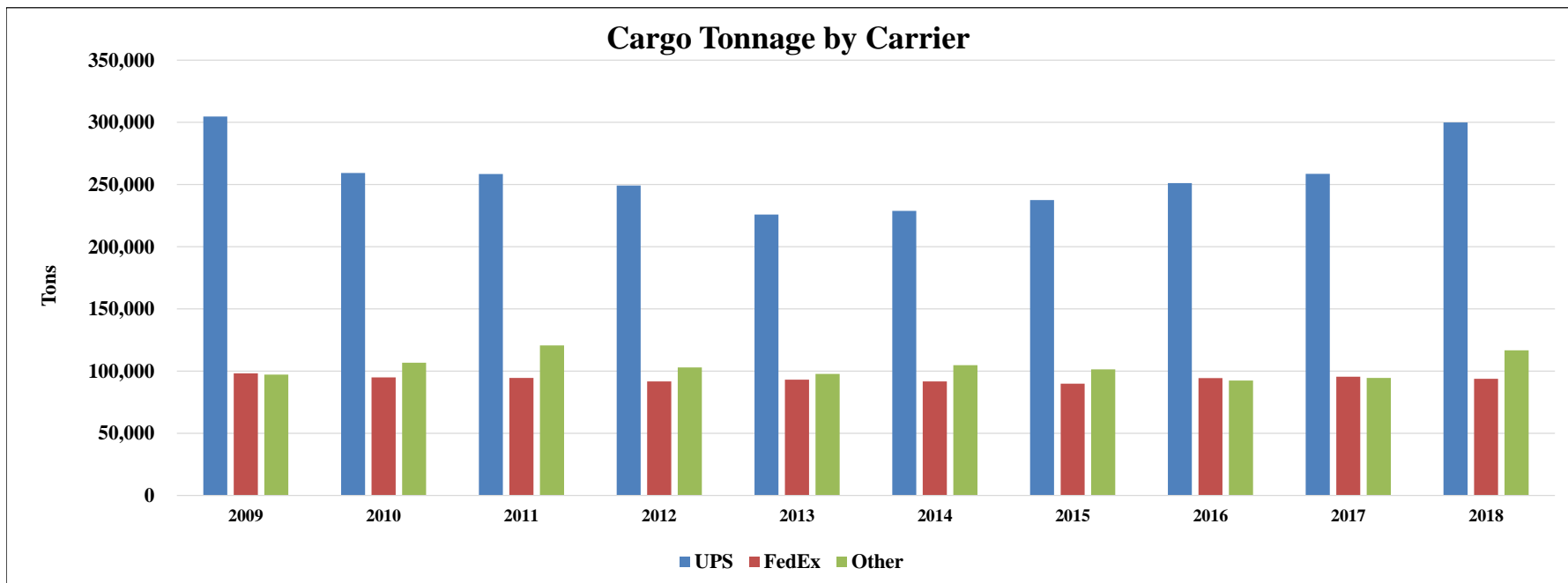
## Exhibit S-10: Cargo Tonnage (By Fiscal Year)



Source: City of Philadelphia

**Exhibit S-10: Cargo Tonnage by Carrier**  
(Continued, By Fiscal Year)

Carrier	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-Year Annual Growth
UPS	304,737	259,340	258,382	249,200	225,839	228,810	237,529	251,080	258,615	299,905	(0.16%)
FedEx	98,121	94,909	94,547	91,748	93,041	91,628	89,925	94,341	95,518	93,789	(0.45%)
Other	97,199	106,791	120,691	102,934	97,791	104,768	101,421	92,337	94,535	116,736	1.85%
Total	500,057	461,040	473,620	443,882	416,671	425,206	428,875	437,758	448,668	510,430	0.21%



Source: City of Philadelphia

\* Other Airlines include commercial airlines and itinerant passenger & cargo airlines.

**Exhibit S-11: Annual Revenues, Expenses And Changes In Fund Net Position**  
(By Fiscal Year)

	2018	2017	2016	2015	2014	2013	Restated * 2012	2011	2010	2009
Operating revenues										
Charges for goods and services (1)	\$ 128,320,912	\$ 104,531,921	\$ 110,787,260	\$ 100,619,746	\$ 110,782,462	\$ 88,823,551	\$ 78,331,485	\$ 81,161,226	\$ 74,669,812	\$ 73,950,707
Rentals and concessions (2)	245,881,682	232,887,674	224,999,976	216,190,420	200,192,045	197,912,708	179,202,590	170,667,208	161,375,950	173,574,129
Miscellaneous operating revenues	5,367,810	4,200,936	5,009,010	5,554,490	4,439,768	4,630,590	5,631,463	6,226,427	3,917,583	4,178,104
Total operating revenues	379,570,404	341,620,531	340,796,246	322,364,656	315,414,275	291,366,849	263,165,538	258,054,861	239,963,345	251,702,940
Operating expenses										
Personal services	79,223,366	73,776,022	69,283,424	70,424,997	65,636,270	63,190,699	60,503,430	59,258,555	59,674,324	63,732,083
Purchase of services	111,100,076	118,283,429	108,418,709	101,642,118	94,403,544	88,684,536	81,733,892	78,491,464	74,975,124	75,493,151
Materials and supplies	9,805,303	5,156,099	6,944,528	8,669,852	8,927,068	6,557,009	6,728,927	4,458,556	6,234,831	6,586,423
Employee benefits	60,602,579	61,939,679	57,854,677	52,106,797	65,665,321	46,467,020	50,585,661	44,845,414	43,729,908	45,238,320
Indemnities and taxes	1,966,973	5,196,986	1,695,946	1,839,638	1,108,774	1,945,850	1,899,313	2,219,123	1,448,984	937,733
Depreciation and amortization	112,033,607	101,109,005	101,909,394	98,125,419	99,707,937	97,873,389	100,592,947	100,894,334	89,011,531	82,156,722
Total operating expenses	374,731,904	365,461,220	346,106,678	332,808,821	335,448,914	304,718,503	302,044,170	290,167,446	275,074,702	274,144,432
Operating income (loss)	4,838,500	(23,840,689)	(5,310,432)	(10,444,165)	(20,034,639)	(13,351,654)	(38,878,632)	(32,112,585)	(35,111,357)	(22,441,492)
Non-operating revenues (expenses)										
Federal, state and local grants	1,672,222	2,488,459	1,621,300	1,885,786	2,483,722	1,661,600	2,377,228	4,215,312	3,009,284	2,052,401
Interest income	9,836,271	3,786,077	2,658,109	363,206	1,076,392	632,234	5,654,556	2,235,393	1,694,129	1,567,964
Debt service, interest	(68,195,690)	(54,271,038)	(54,003,323)	(41,428,793)	(40,966,678)	(40,179,599)	(40,069,791)	(45,847,778)	(53,211,021)	(52,085,548)
Other revenue (expenses)	3,000,000	-	-	-	-	(13,994,139)	(407,921)	(5,247)	(1,787,752)	3,380,024
Loss on disposal of property, net	(59,048)	(122,785)	(67,463)	(69,113)	(75,920)	(13,394)	-	-	-	-
Customer facility charges	30,440,208	30,875,320	31,934,786	29,933,177	4,857,600	-	-	-	-	-
Passenger facility charges	61,067,558	59,384,648	60,920,335	61,180,724	60,653,369	58,188,449	59,741,500	62,042,429	61,277,506	61,255,198
Total non-operating revenues (expenses)	37,761,521	42,140,681	43,063,744	51,864,987	28,028,485	6,295,151	27,295,572	22,640,109	10,982,146	16,170,039
Gain (Loss) before capital contributions	42,600,021	18,299,992	37,753,312	41,420,822	7,993,846	(7,056,503)	(11,583,060)	(9,472,476)	(24,129,211)	(6,271,453)
Capital contributions										
Federal, state and local grants	19,583,401	9,566,140	24,203,573	35,549,920	20,046,410	39,691,462	29,242,258	39,639,059	29,298,943	44,744,177
Total capital contributions	19,583,401	9,566,140	24,203,573	35,549,920	20,046,410	39,691,462	29,242,258	39,639,059	29,298,943	44,744,177
Increase (decrease) in net position	\$ 62,183,422	\$ 27,866,132	\$ 61,956,885	\$ 76,970,742	\$ 28,040,256	\$ 32,634,959	\$ 17,659,198	\$ 30,166,583	\$ 5,169,732	\$ 38,472,724
Net position beginning of period	894,083,996	866,217,864	804,260,979	894,969,059	866,928,803	834,293,844	835,273,926	805,107,343	797,810,967	759,338,243
Adjustment	(67,990,136)	-	-	(167,678,822)	-	-	(18,639,280)	-	2,126,644	-
<b>Net position end of period</b>	<b>\$ 888,277,282</b>	<b>\$ 894,083,996</b>	<b>\$ 866,217,864</b>	<b>\$ 804,260,979</b>	<b>\$ 894,969,059</b>	<b>\$ 866,928,803</b>	<b>\$ 834,293,844</b>	<b>\$ 835,273,926</b>	<b>\$ 805,107,343</b>	<b>\$ 797,810,967</b>

\* Related to the adoption of GASB 65

Source: City of Philadelphia, Financial Statements

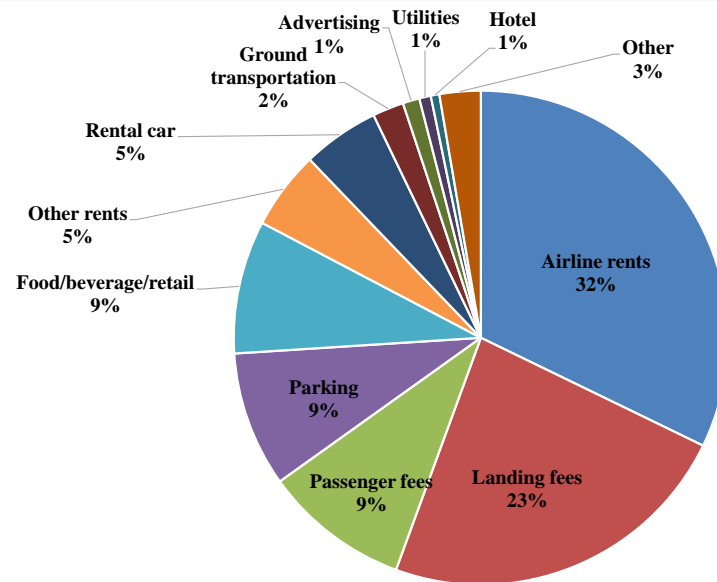
(1) Charges for goods and services are comprised of airline revenues, specifically landing fees and international arrival fees, and non-airline revenues, specifically utilities and other fees.

(2) Rental and concessions are comprised of airline revenues, specifically rents, and non-airline revenues, specifically concessions, and other rents.

### Exhibit S-12: Operating Revenues by Source (By Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	10-Year Annual Growth
<b>Airline revenue</b>											
Rents	\$ 122,195,881	\$ 111,099,652	\$ 107,504,766	\$ 115,637,922	\$ 98,895,068	\$ 102,444,565	\$ 84,597,375	\$ 73,285,708	\$ 75,349,769	\$ 81,661,072	4.11%
Landing fees	88,769,632	67,710,165	71,796,365	68,868,068	80,068,379	63,876,786	57,390,056	62,137,487	49,194,575	47,800,452	6.39%
Passenger fees	36,228,901	32,017,978	33,927,721	26,573,596	24,873,375	20,041,927	16,202,394	17,565,552	19,496,578	19,672,570	6.30%
<b>Total airline revenue</b>	<b>247,194,414</b>	<b>210,827,795</b>	<b>213,228,852</b>	<b>211,079,586</b>	<b>203,836,822</b>	<b>186,363,278</b>	<b>158,189,825</b>	<b>152,988,747</b>	<b>144,040,922</b>	<b>149,134,094</b>	<b>5.18%</b>
<b>Non-airline revenue</b>											
Parking	33,620,940	33,892,719	29,968,056	29,090,299	25,000,777	24,147,808	25,035,368	28,008,554	23,732,623	31,239,909	0.74%
Food/beverage/retail	33,082,150	31,458,225	35,971,023	23,802,476	27,241,432	23,651,437	25,902,344	22,817,909	20,340,857	16,102,245	7.47%
Other rents	19,456,269	20,309,076	19,279,017	17,990,122	17,972,046	18,475,294	17,437,758	15,083,071	17,567,940	16,929,603	1.40%
Rental car	19,088,359	19,057,032	18,925,037	17,972,921	19,129,901	19,353,044	18,374,270	17,977,440	17,200,502	18,310,229	0.42%
Ground transportation	7,759,709	5,589,833	2,539,609	2,069,814	1,777,269	1,627,271	1,512,007	1,489,869	1,520,697	1,657,823	16.69%
Advertising	4,165,545	4,113,665	3,948,970	2,814,100	2,700,000	2,700,000	2,325,320	2,568,692	2,630,091	2,880,248	3.76%
Utilities	2,862,116	2,872,521	3,207,446	3,548,830	4,300,906	3,733,830	3,889,574	4,070,184	3,936,503	4,327,062	(4.05%)
Hotel	2,131,110	2,095,984	2,036,604	1,972,306	1,881,380	1,707,073	1,800,406	1,732,421	1,683,722	1,815,802	1.61%
Other	10,209,792	11,403,680	11,691,632	12,024,202	11,573,742	9,607,814	8,698,666	11,317,974	7,309,488	9,305,925	0.93%
<b>Total non-airline revenue</b>	<b>132,375,990</b>	<b>130,792,736</b>	<b>127,567,394</b>	<b>111,285,070</b>	<b>111,577,453</b>	<b>105,003,571</b>	<b>104,975,713</b>	<b>105,066,114</b>	<b>95,922,423</b>	<b>102,568,846</b>	<b>2.58%</b>
<b>Total operating revenues</b>	<b>\$ 379,570,404</b>	<b>\$ 341,620,531</b>	<b>\$ 340,796,246</b>	<b>\$ 322,364,656</b>	<b>\$ 315,414,275</b>	<b>\$ 291,366,849</b>	<b>\$ 263,165,538</b>	<b>\$ 258,054,861</b>	<b>\$ 239,963,345</b>	<b>\$ 251,702,940</b>	<b>4.19%</b>

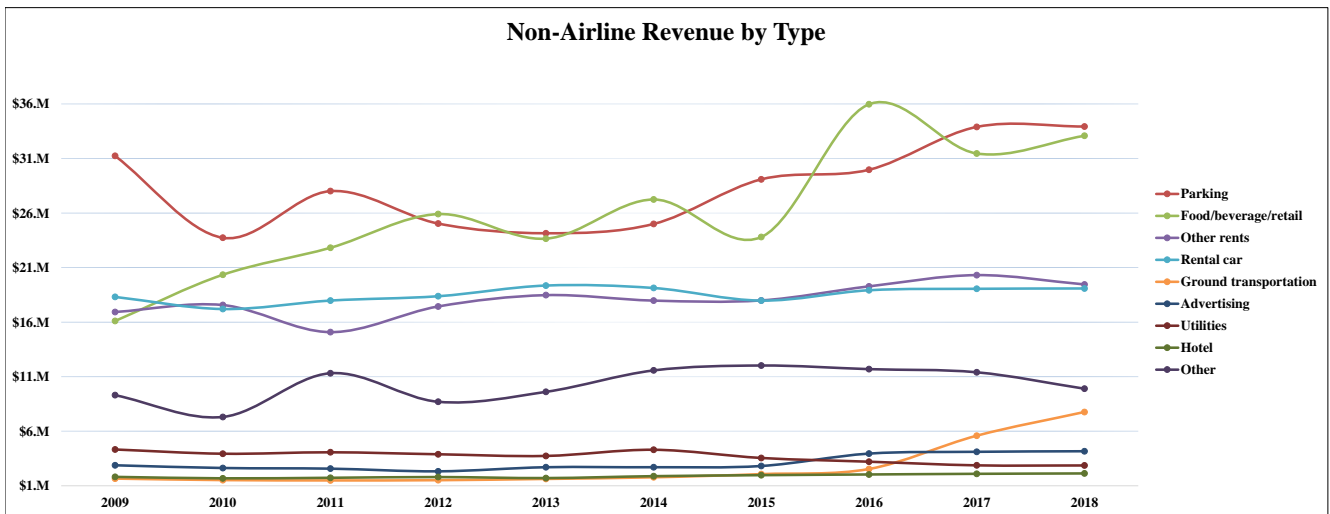
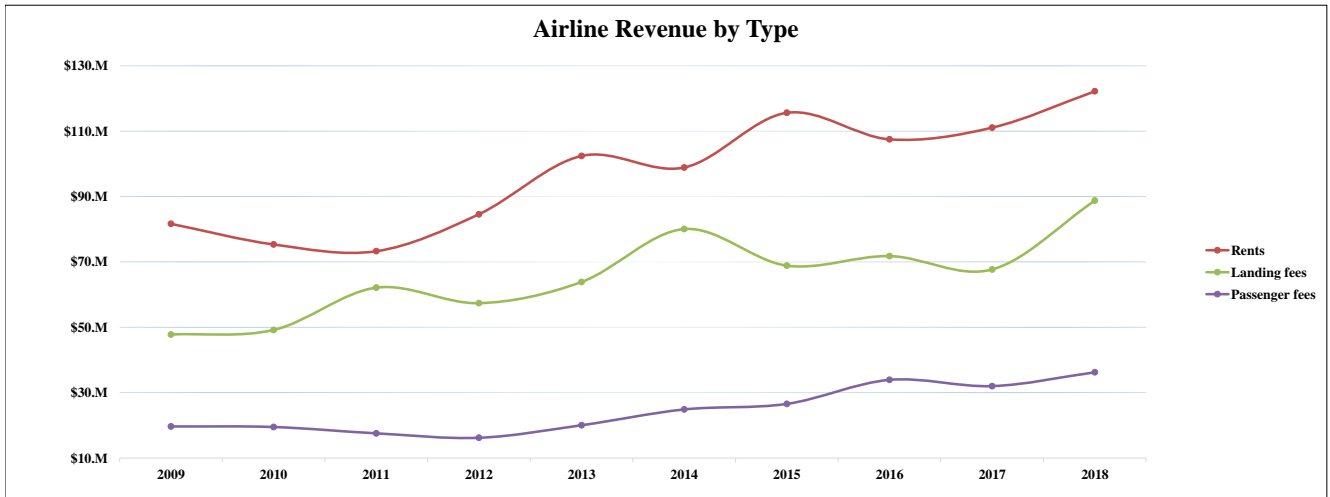
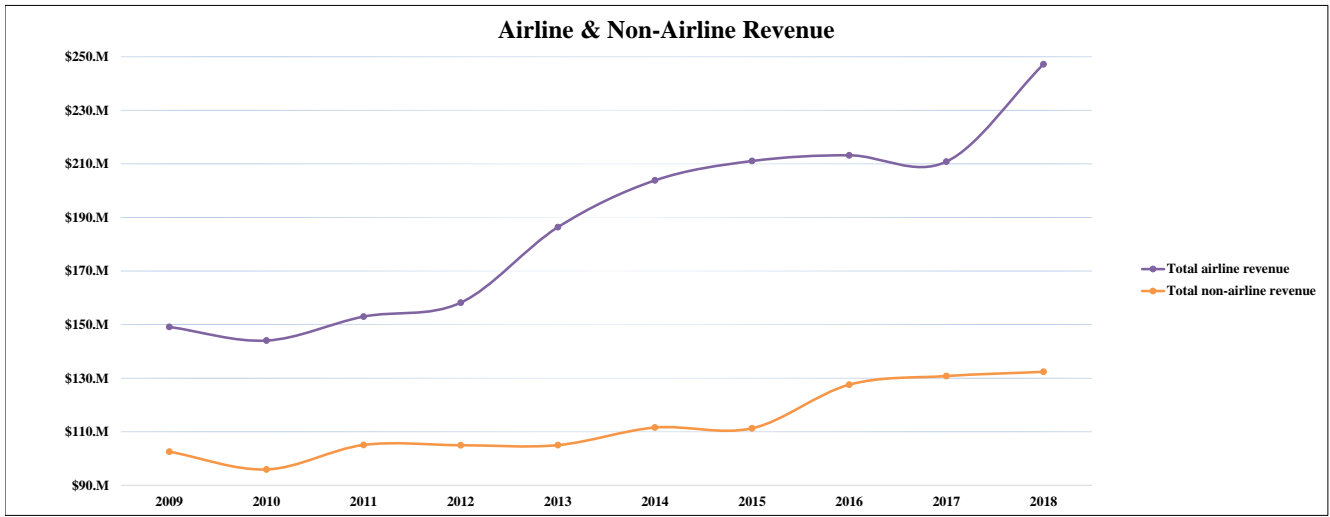
#### 2018 Revenues by Source



Source: City of Philadelphia

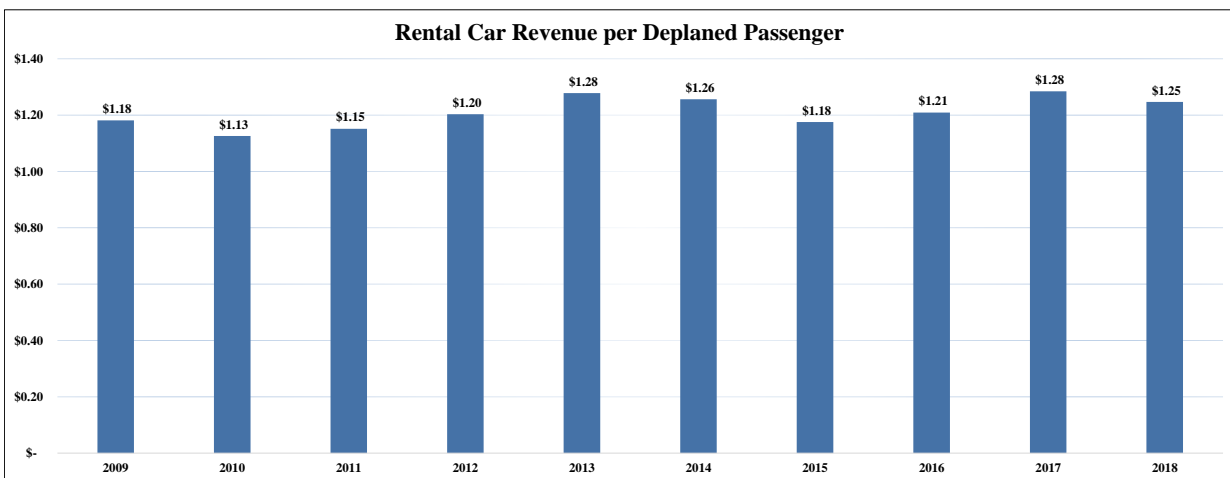
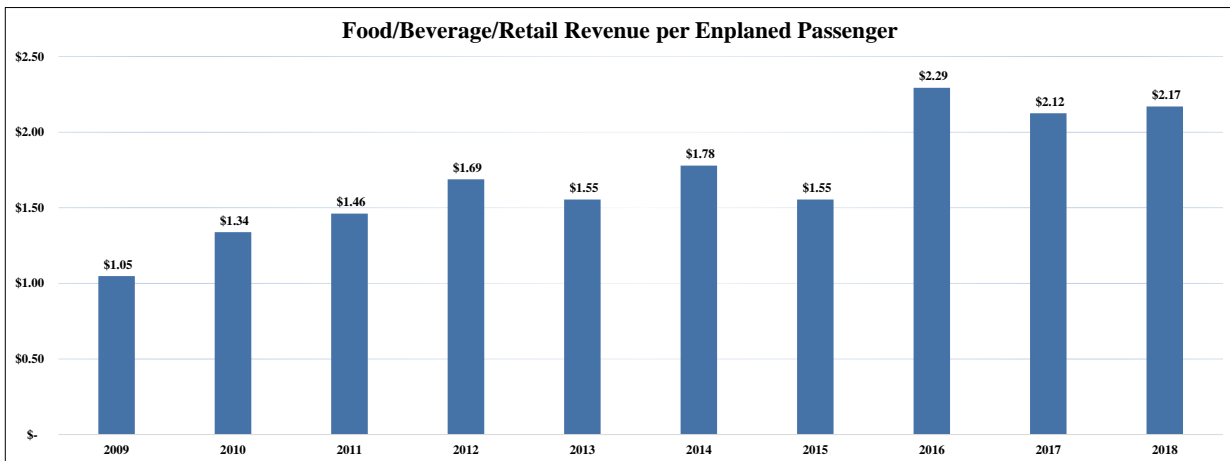
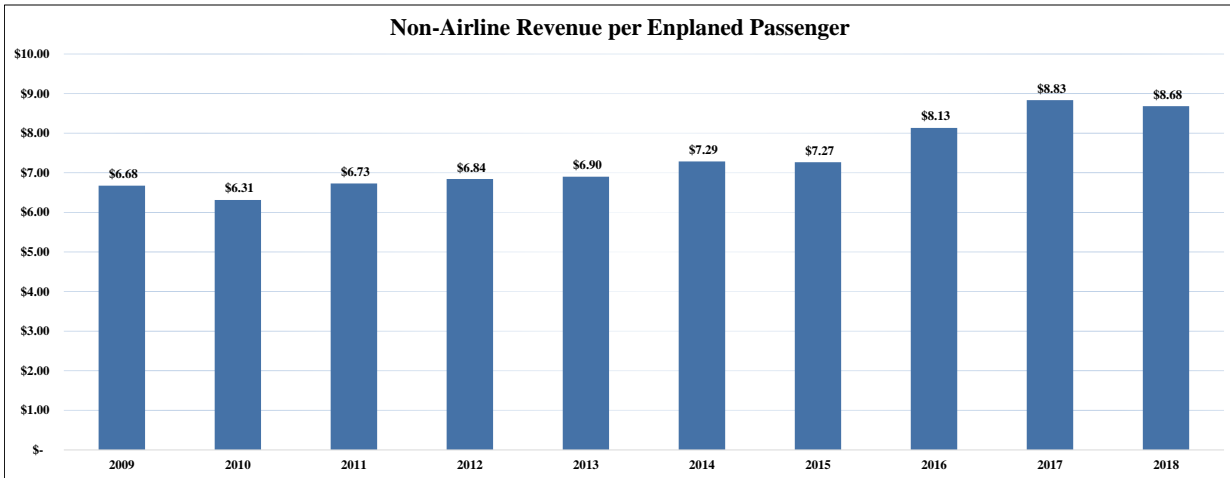


## Exhibit S-12: Operating Revenues by Source (Continued, By Fiscal Year)



Source: City of Philadelphia

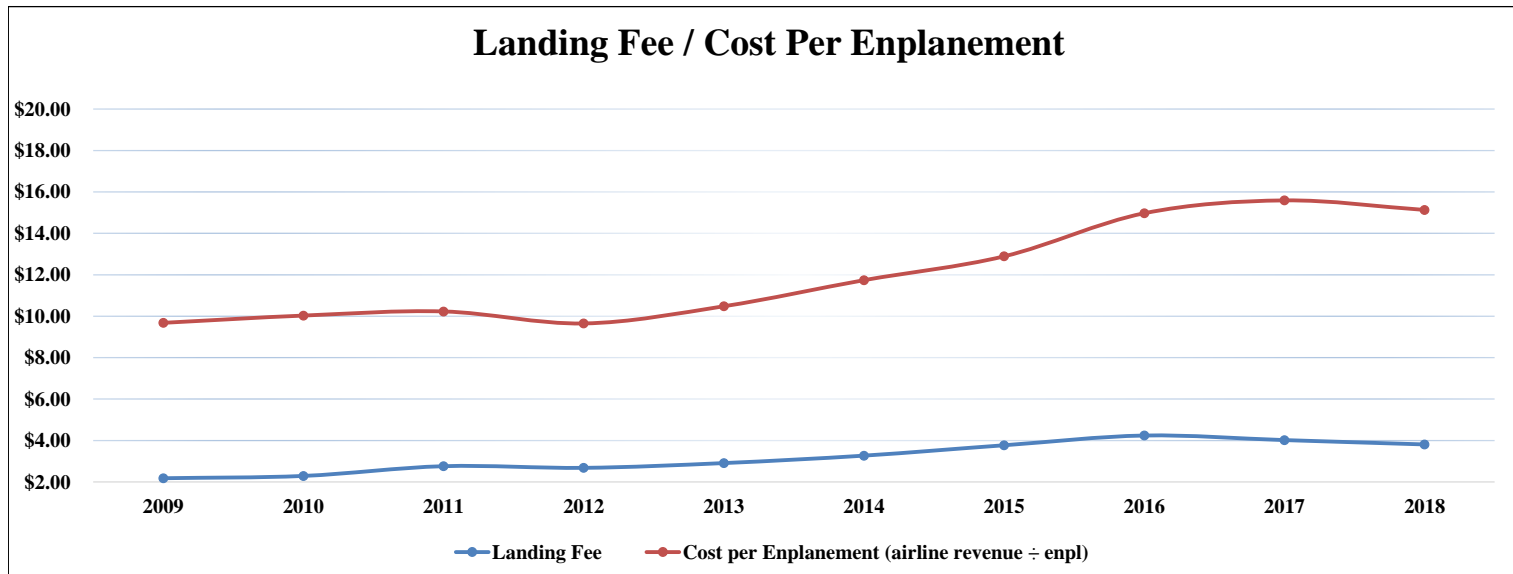
**Exhibit S-12: Revenues by Source**  
(Continued, by Fiscal Year)



Source: City of Philadelphia

**Exhibit S-13: Scheduled Rates and Charges**  
(By Fiscal Year)

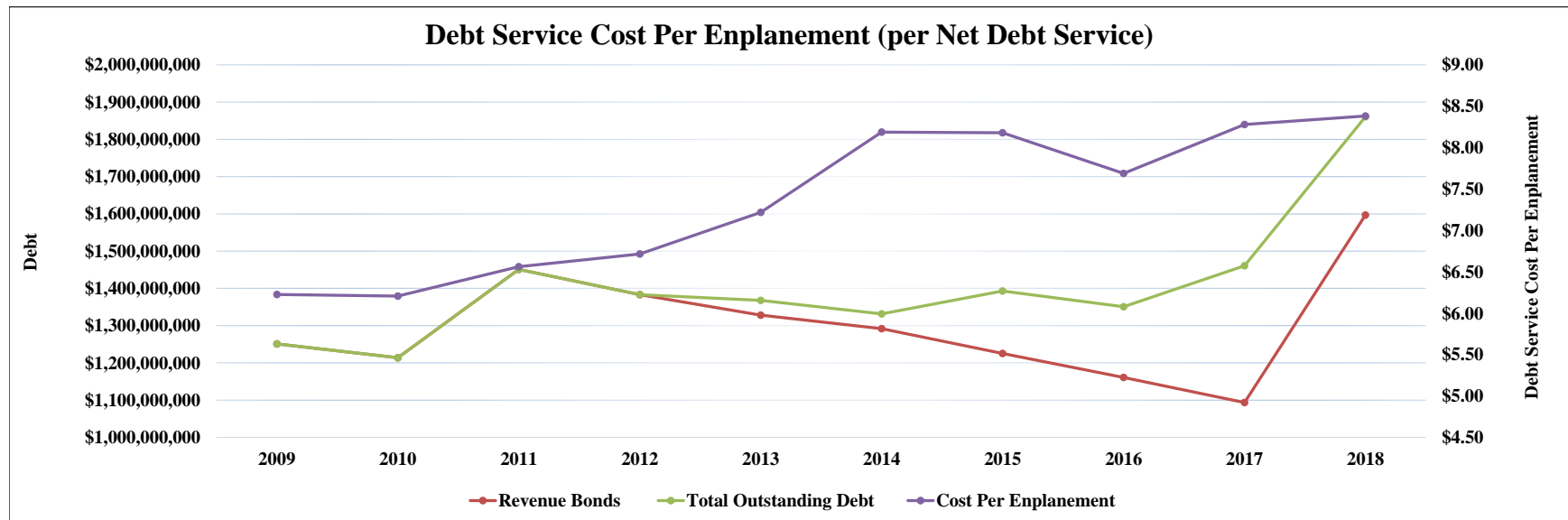
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Signatory airline rates &amp; charges</b>										
<b>Landing fee rate (per 1,000 pounds)</b>	\$ 3.81	\$ 4.02	\$ 4.24	\$ 3.77	\$ 3.27	\$ 2.91	\$ 2.68	\$ 2.76	\$ 2.29	\$ 2.18
<b>Terminal rental rates (per square foot)</b>										
Type 1 - Ticket counter and ticket counter offices	\$ 232.51	\$ 241.74	\$ 223.11	\$ 195.38	\$ 184.28	\$ 172.51	\$ 155.26	\$ 163.61	\$ 169.40	\$ 163.25
Type 2 - Hold rooms, baggage claim area, baggage claim offices, airline lounge, airline space	\$ 174.38	\$ 181.30	\$ 167.34	\$ 146.54	\$ 138.21	\$ 129.38	\$ 116.45	\$ 122.71	\$ 127.05	\$ 122.44
Type 3 - Airline operations space, baggage makeup space, inbound baggage	\$ 116.25	\$ 120.87	\$ 111.56	\$ 97.69	\$ 92.14	\$ 86.25	\$ 77.63	\$ 81.81	\$ 84.70	\$ 81.63
Type 4 - FIS Area, cart tunnel/baggage recheck	\$ 58.13	\$ 60.43	\$ 55.78	\$ 48.85	\$ 46.07	\$ 43.13	\$ 38.82	\$ 40.90	\$ 42.35	\$ 40.81
<b>Ramp area rental rate (per linear foot)</b>	\$ 16.30	\$ (8.60)	\$ 87.82	\$ 71.35	\$ 81.79	\$ 76.34	\$ 50.09	\$ 86.96	\$ 99.27	\$ 47.68
<b>International common use fees (per passenger)</b>										
Enplaning area fee	\$ 5.41	\$ 5.11	\$ 4.93	\$ 4.10	\$ 4.19	\$ 3.75	\$ 2.90	\$ 3.02	\$ 3.13	\$ 3.30
Deplaning area fee	\$ 5.16	\$ 5.10	\$ 4.82	\$ 4.18	\$ 4.10	\$ 3.65	\$ 2.95	\$ 3.07	\$ 3.19	\$ 3.31
FIS Area fee	\$ 7.21	\$ 6.10	\$ 4.96	\$ 3.98	\$ 3.30	\$ 2.42	\$ 2.08	\$ 2.34	\$ 2.42	\$ 2.45
Ticket counter area fee	\$ 1.72	\$ 1.79	\$ 1.98	\$ 1.73	\$ 1.63	\$ 1.26	\$ 1.41	\$ 1.41	\$ 1.14	\$ 0.47
<b>Passenger facility charges (per ticket sold)</b>	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
<b>Cost per enplanement (airline revenue ÷ enpl)</b>	\$ 15.13	\$ 15.59	\$ 14.97	\$ 12.89	\$ 11.74	\$ 10.48	\$ 9.65	\$ 10.23	\$ 10.03	\$ 9.68



Source: City of Philadelphia

### Exhibit S-14: Ratios of Outstanding Debt (By Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Outstanding debt by type</b>										
Revenue bonds payable, net	\$ 1,596,864,911	\$ 1,093,534,740	\$ 1,160,904,087	\$ 1,225,329,622	\$ 1,291,748,241	\$ 1,328,226,206	\$ 1,383,070,191	\$ 1,450,836,074	\$ 1,213,932,113	\$ 1,250,794,205
General obligation bonds payable, net	-	-	-	-	-	-	-	-	-	-
Commercial paper	141,162,000	242,100,000	189,900,000	167,600,000	39,700,000	39,600,000	-	-	-	-
Taxable revenue note	122,770,000	125,000,000	-	-	-	-	-	-	-	-
<b>Total outstanding debt</b>	<b>\$ 1,860,796,911</b>	<b>\$ 1,460,634,740</b>	<b>\$ 1,350,804,087</b>	<b>\$ 1,392,929,622</b>	<b>\$ 1,331,448,241</b>	<b>\$ 1,367,826,206</b>	<b>\$ 1,383,070,191</b>	<b>\$ 1,450,836,074</b>	<b>\$ 1,213,932,113</b>	<b>\$ 1,250,794,205</b>
<b>Debt factors</b>										
Enplaned passengers	15,245,453	14,806,882	15,683,558	15,312,738	15,316,053	15,215,885	15,344,126	15,611,583	15,193,741	15,362,743
Operating revenue	\$ 379,570,404	\$ 341,620,531	\$ 340,796,245	\$ 322,364,656	\$ 315,414,275	\$ 291,366,849	\$ 263,165,538	\$ 258,054,861	\$ 239,963,345	\$ 251,702,940
Total assets	\$ 3,130,503,695	\$ 2,663,111,931	\$ 2,502,763,258	\$ 2,470,974,676	\$ 2,305,749,387	\$ 2,336,308,473	\$ 2,369,575,715	\$ 2,428,885,363	\$ 2,172,529,308	\$ 2,154,970,857
Total MSA population*	6,096,120	6,096,120	6,077,152	6,066,589	6,053,028	6,035,329	6,020,821	5,996,406	5,971,189	5,968,252
<b>Ratios</b>										
Outstanding debt per enplaned passenger	\$ 122.06	\$ 98.65	\$ 86.13	\$ 90.97	\$ 86.93	\$ 89.89	\$ 90.14	\$ 92.93	\$ 79.90	\$ 81.42
Outstanding debt to operating revenue	\$ 4.90	\$ 4.28	\$ 3.96	\$ 4.32	\$ 4.22	\$ 4.69	\$ 5.26	\$ 5.62	\$ 5.06	\$ 4.97
Outstanding debt to total assets	\$ 0.59	\$ 0.55	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.59	\$ 0.58	\$ 0.60	\$ 0.56	\$ 0.58
Outstanding debt per capita	\$ 305.24	\$ 239.60	\$ 222.28	\$ 229.61	\$ 219.96	\$ 226.64	\$ 229.71	\$ 241.95	\$ 203.30	\$ 209.57



\* Estimated 2018 MSA data source not available from select greater Philadelphia until March, previous year used

All other MSA data source: U.S. Census Bureau, Population Division

Non-MSA data source: City of Philadelphia

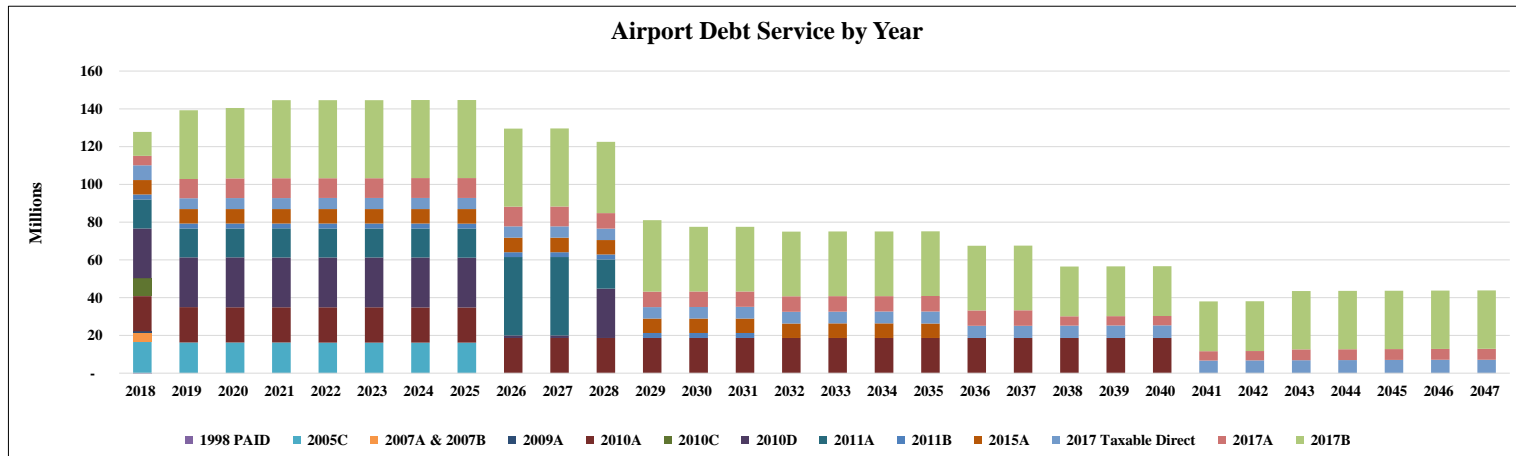
**Exhibit S-15: Pledged Debt Service Coverage**  
(By Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Amounts available for debt service										
Fund balance	\$ 107,819,701	\$ 87,875,140	\$ 71,220,305	\$ 66,340,425	\$ 66,542,146	\$ 69,271,565	\$ 65,939,354	\$ 77,635,096	\$ 55,127,876	\$ 61,412,637
Project revenues	381,668,041	362,065,094	341,249,876	322,846,631	316,893,125	291,781,082	269,584,048	260,785,011	246,906,641	255,251,983
Passenger facility charges	31,201,355	33,692,950	31,176,287	31,169,120	31,168,394	31,159,879	31,572,638	32,352,816	33,132,726	32,925,558
1	520,689,097	483,633,184	443,646,468	420,356,176	414,603,665	392,212,526	367,096,040	370,772,923	335,167,243	349,590,178
Total expenses										
2 Net operating expenses*	150,971,582	136,747,633	132,649,211	125,966,943	117,782,250	110,710,079	99,513,684	98,383,522	102,859,758	99,520,353
Interdepartmental charges	116,749,066	116,753,148	106,775,414	108,692,423	103,902,286	101,858,400	92,666,125	88,638,745	80,754,867	89,002,478
3	267,720,648	253,500,781	239,424,625	234,659,366	221,684,536	212,568,479	192,179,809	187,022,267	183,614,625	188,522,831
Funds available for debt service coverage										
4 Revenue bonds (Line 1 - Line 2)	369,717,515	346,885,551	310,997,257	294,389,233	296,821,415	281,502,447	267,582,356	272,389,401	232,307,485	250,069,825
5 All bonds (Line 1 - Line 3)	252,968,449	230,132,403	204,221,843	185,696,810	192,919,129	179,644,047	174,916,231	183,750,656	151,552,618	161,067,347
Debt service										
Revenue bonds										
Series 1997A	-	-	-	-	-	-	-	-	5,842,671	5,946,507
Series 1998A	-	-	-	-	-	-	-	7,133,834	9,917,682	10,105,763
Series 1998 PAID	5,019	256	257	250	256	256	1,064,343	20,227,749	29,419,138	30,316,116
Series 2001 PAID	-	-	-	-	-	-	2,936,077	13,458,483	13,000,145	13,156,229
Series 2001B	-	-	-	-	-	-	-	2,758,744	2,652,249	2,703,605
Series 2005A	-	-	-	8,127,118	8,318,454	8,315,455	8,122,767	8,319,705	8,000,630	7,252,044
Series 2005B	-	-	-	-	-	-	-	-	-	107,219
Series 2005C	16,506,573	15,816,253	15,510,902	15,321,233	15,525,161	15,680,308	15,324,563	15,332,559	14,620,165	18,327,269
Series 2007A	3,669,500	11,780,500	11,677,215	11,513,459	11,775,999	11,744,763	11,507,400	9,421,986	2,176,400	588,164
Series 2007B	1,169,625	6,933,000	6,872,668	6,773,572	6,928,249	6,928,000	6,768,480	6,927,250	6,659,417	6,789,987
Series 2009A	814,652	3,745,704	3,717,417	3,663,031	3,746,016	3,748,666	3,657,784	3,749,316	2,018,172	352,336
Series 2010A	18,665,713	18,668,963	18,508,796	18,248,041	17,046,190	1,284,292	5,000	5,000	-	-
Series 2010B	-	-	-	5,444,908	5,572,999	5,573,750	5,449,704	5,189,246	-	-
Series 2010C	9,444,750	9,448,250	9,361,206	9,237,111	9,444,749	9,447,250	9,229,230	1,561,654	-	-
Series 2010D	26,392,200	26,404,199	26,164,179	25,795,633	26,388,847	26,391,851	25,781,859	8,362,121	-	-
Series 2011A	15,356,406	15,340,656	15,203,315	14,973,955	15,319,405	15,310,406	10,666,811	-	-	-
Series 2011B	2,590,019	2,594,019	2,569,120	2,534,670	2,593,018	2,591,019	2,528,127	-	-	-
Series 2015A	7,663,150	7,668,550	7,734,447							
Series 2017A	5,045,809									
Series 2017B	12,681,150									
Direct loan, commercial paper and credit facility fees	7,785,739	4,195,981	3,275,822	3,615,367	2,737,987	2,819,925				
6 Net revenue bond debt service	127,790,305	122,596,331	120,595,344	125,248,348	125,397,330	109,835,941	103,042,145	102,447,647	94,306,669	95,645,239
General obligation bonds	-	-	-	-	-	-	-	-	-	-
7 Total net debt service	\$ 127,790,305	\$ 122,596,331	\$ 120,595,344	\$ 125,248,348	\$ 125,397,330	\$ 109,835,941	\$ 103,042,145	\$ 102,447,647	\$ 94,306,669	\$ 95,645,239
Debt service coverage										
Revenue bonds only - Test "1" (Line 4/Line 6)	2.89	2.83	2.58	2.35	2.37	2.56	2.60	2.66	2.46	2.61
Total debt service - Test "2" (Line 5/Line 7)	1.98	1.88	1.69	1.48	1.54	1.64	1.70	1.79	1.61	1.68

\* Includes required Renewal Fund deposits

## Exhibit S-16: Airport Debt Service by Year (By Fiscal Year)

Year	1998 PAID	2005C	2007A & 2007B	2009A	2010A	2010C	2010D	2011A	2011B	2015A	2017 Taxable Direct	2017A	2017B	Total
2018	5,019	16,506,573	4,839,125	814,652	18,665,713	9,444,750	26,392,200	15,356,406	2,590,019	7,663,150	7,785,739	5,045,809	12,681,150	127,790,305
2019	-	16,273,481	-	-	18,668,213	-	26,390,700	15,343,906	2,587,769	7,667,950	5,753,877	10,179,044	36,367,750	139,232,689
2020	-	16,254,921	-	-	18,666,463	-	26,387,200	15,363,656	2,592,319	7,668,450	5,778,987	10,453,794	37,241,500	140,407,289
2021	-	16,235,471	-	-	18,667,963	-	26,391,000	15,388,156	2,589,500	7,665,450	5,806,579	10,490,294	41,344,000	144,578,412
2022	-	16,212,846	-	-	18,670,463	-	26,392,250	15,401,156	2,592,975	7,663,700	5,836,514	10,484,294	41,340,500	144,594,697
2023	-	16,189,761	-	-	18,669,713	-	26,388,625	15,412,156	2,590,163	7,667,700	5,868,652	10,487,294	41,344,750	144,618,813
2024	-	16,168,470	-	-	18,668,963	-	26,388,825	15,420,156	2,590,763	7,666,700	5,902,853	10,488,294	41,344,500	144,639,523
2025	-	16,141,080	-	-	18,668,963	-	26,382,025	15,439,156	2,591,306	7,665,450	5,938,978	10,476,794	41,348,000	144,651,752
2026	-	-	-	-	18,668,713	-	1,300,950	41,517,406	2,591,406	7,663,450	5,971,886	10,487,794	41,348,000	129,549,605
2027	-	-	-	-	18,666,263	-	1,300,950	41,530,656	2,585,656	7,665,200	6,006,578	10,479,544	41,342,500	129,577,346
2028	-	-	-	-	18,669,863	-	26,080,950	15,510,656	2,588,656	7,669,950	6,047,913	8,167,294	37,814,500	122,549,781
2029	-	-	-	-	18,667,475	-	-	-	2,589,450	7,661,950	6,085,612	8,165,544	37,817,750	80,987,780
2030	-	-	-	-	18,666,250	-	-	-	2,587,813	7,671,200	6,129,675	8,168,794	34,252,000	77,475,731
2031	-	-	-	-	18,669,525	-	-	-	2,588,250	7,671,200	6,169,822	8,166,294	34,263,500	77,528,590
2032	-	-	-	-	18,666,275	-	-	-	-	7,663,600	6,216,053	8,167,794	34,260,000	74,973,722
2033	-	-	-	-	18,669,525	-	-	-	-	7,669,000	6,263,089	8,167,544	34,260,250	75,029,408
2034	-	-	-	-	18,667,525	-	-	-	-	7,667,750	6,310,789	8,170,044	34,262,000	75,078,108
2035	-	-	-	-	18,669,025	-	-	-	-	7,665,000	6,359,014	8,167,744	34,263,000	75,123,783
2036	-	-	-	-	18,665,250	-	-	-	-	-	6,412,625	8,168,681	34,261,000	67,507,556
2037	-	-	-	-	18,664,000	-	-	-	-	-	6,466,340	8,164,150	34,263,750	67,558,240
2038	-	-	-	-	18,661,250	-	-	-	-	-	6,525,021	4,941,750	26,363,500	56,491,521
2039	-	-	-	-	18,665,250	-	-	-	-	-	6,583,388	4,942,250	26,362,750	56,553,638
2040	-	-	-	-	18,663,750	-	-	-	-	-	6,641,300	4,940,500	26,363,500	56,609,050
2041	-	-	-	-	-	-	-	-	-	-	6,708,618	4,941,250	26,358,750	38,008,618
2042	-	-	-	-	-	-	-	-	-	-	6,774,923	4,939,000	26,361,750	38,075,673
2043	-	-	-	-	-	-	-	-	-	-	6,840,075	5,788,500	30,905,000	43,533,575
2044	-	-	-	-	-	-	-	-	-	-	6,913,933	5,791,750	30,904,250	43,609,933
2045	-	-	-	-	-	-	-	-	-	-	6,986,078	5,788,500	30,903,000	43,677,578
2046	-	-	-	-	-	-	-	-	-	-	7,066,371	5,793,500	30,903,250	43,763,121
2047	-	-	-	-	-	-	-	-	-	-	7,095,794	5,790,750	30,906,750	43,793,294
2048	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5,019	129,982,603	4,839,125	814,652	429,346,388	9,444,750	239,795,675	221,683,469	36,256,044	137,996,850	191,247,073	234,404,584	1,011,752,900	2,647,569,131



Source: Barclays

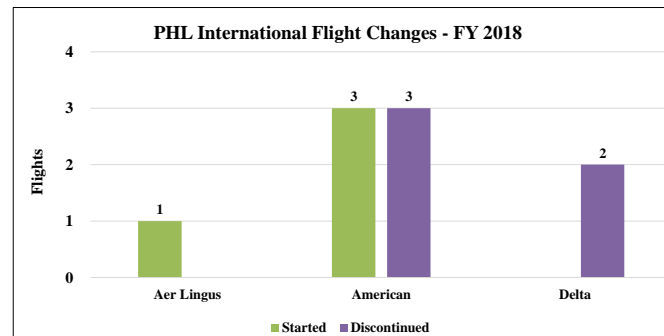
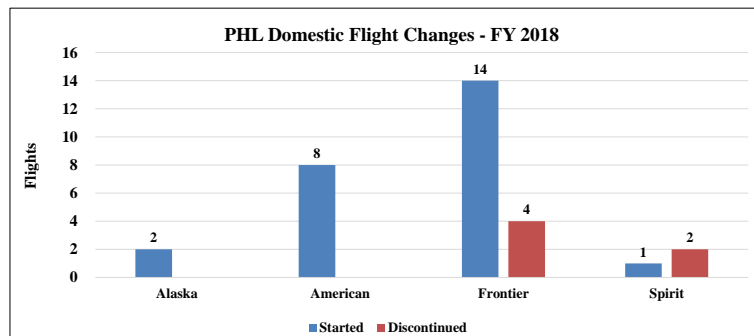
**Exhibit S-17: Current Top 30 Passenger Origination and Destination Markets**  
(By Fiscal Year)

Domestic		
2018 Market	Distance	Daily Pax
Orlando, Florida	862	2,109
Atlanta, Georgia	665	1,345
Los Angeles, California	2,394	1,154
Boston, Massachusetts	280	1,097
Ft. Lauderdale, Florida	994	1,035
Chicago-O'Hare, Illinois	676	1,011
Tampa/St. Petersburg, Florida	920	954
Denver, Colorado	1,552	899
Dallas/Fort Worth, Texas	1,299	861
Las Vegas, Nevada	2,170	762
San Francisco, California	2,514	757
Miami, Florida	1,014	606
Phoenix, Arizona	2,069	577
Nashville, Tennessee	673	507
Charlotte, North Carolina	447	475
Detroit-Wayne Co., Michigan	451	461
Minneapolis/St Paul, Minnesota	977	452
Houston-Intercontinental, Texas	1,322	409
Raleigh/Durham, North Carolina	336	403
San Diego, California	2,363	393
New Orleans, Louisiana	1,087	381
Seattle/Tacoma, Washington	2,370	381
San Juan, Puerto Rico	1,579	374
West Palm Beach, Florida	952	368
Fort Myers-Regional, Florida	994	362
Chicago-Midway, Illinois	666	342
St. Louis, Missouri	811	286
Austin, Texas	1,427	284
Cincinnati, Ohio	505	239
Kansas City-Intl, Missouri	1,035	238

International		
2018 Market	Distance	Daily Pax
London-Heathrow, England	3,534	647
Toronto-Pearson, Canada	346	417
Cancun, Mexico	1,464	366
Frankfurt, Germany	3,937	293
Punta Cana, Dominican Rep	1,527	284
Montreal-Dorval, Canada	394	274
Montego Bay, Jamaica	1,484	228
Dublin, Ireland	3,263	210
Rome-Da Vinci, Italy	4,357	193
Doha, Qatar	6,780	192
Paris-De Gaulle, France	3,716	188
Madrid, Spain	3,671	165
Manchester, England	3,423	160
Munich, Germany	4,118	155
Amsterdam, Netherlands	3,725	122
Venice-Treviso, Italy	4,234	119
Athens, Greece	5,012	111
Barcelona, Spain	3,913	102
Nassau, Bahamas	1,032	102
Ottawa, Canada	377	90
Lisbon, Portugal	3,448	87
Bermuda, Atlantic Ocean	784	85
Aruba, Aruba	1,916	72
Shannon, Ireland	3,165	57
Glasgow, Scotland	3,298	53
Zurich, Switzerland	4,012	36
Reykjavik-Keflavik, Iceland	2,673	26
Prague, Czech Republic	4,169	26
Budapest, Hungary	4,449	25
Providenciales, Turks & Caicos	1,262	25

Daily Pax represents passengers per day each way  
Distance is great-circle distance between PHL and indicated airport  
Source: GRA, Incorporated

## Exhibit S-18: PHL Flight Changes (Fiscal Year 2018)



### Domestic

Airline	Market	Started Before FY'18	Started in FY'18	Discontinued in FY'18	Discontinued in FY'19	Service Pattern
American	San Antonio	-	Feb'18	-	-	Year Round
American	New York City	-	Apr'18	-	-	Year Round
American	Des Moines	-	May'18	-	-	Year Round
American	Madison	-	May'18	-	-	Year Round
American	Omaha	-	May'18	-	-	Year Round
American	Fort Wayne	-	Jun'18	-	-	Year Round
American	Oklahoma City	-	Jun'18	-	-	Year Round
American	Pensacola	-	Jun'18	-	-	Year Round
Alaska	Los Angeles	-	Sep'17	-	-	Year Round
Alaska	San Francisco	-	Sep'17	-	-	Year Round
Frontier	St. Augustine	Apr'16	-	Aug'17	-	Seasonal
Frontier	Nashville	Apr'16	-	Oct'17	-	Seasonal
Frontier	Raleigh/Durham	Apr'16	-	Oct'17	-	Year Round
Frontier	Austin	May'16	-	Oct'17	-	Seasonal
Frontier	Fort Myers	-	Oct'17	-	-	Year Round
Frontier	West Palm Beach	-	Nov'17	-	-	Seasonal
Frontier	Charleston	-	Feb'18	-	-	Year Round
Frontier	Jacksonville	-	Feb'18	-	-	Year Round
Frontier	Austin	-	Apr'18	-	-	Year Round
Frontier	Nashville	-	Apr'18	-	-	Year Round
Frontier	Memphis	-	Apr'18	-	-	Seasonal
Frontier	Madison	-	Apr'18	-	-	Seasonal
Frontier	Omaha	-	Apr'18	-	-	Seasonal
Frontier	Birmingham	-	Apr'18	-	Jul'18	Seasonal
Frontier	Grand Rapids	-	Apr'18	-	Aug'18	Seasonal
Frontier	Indianapolis	-	Apr'18	-	Oct'18	Seasonal
Frontier	Dallas/Fort Worth	-	May'18	-	-	Seasonal
Frontier	Savannah	-	May'18	-	-	Seasonal
Spirit	Detroit	Apr'16	-	Nov'17	-	Year Round
Spirit	Minneapolis/St. Paul	Apr'16	-	Nov'17	-	Seasonal
Spirit	Detroit	-	Apr'18	-	-	Seasonal

### International

Airline	Market	Started Before FY'18	Started in FY'18	Discontinued in FY'18	Service Pattern
American	Freeport	✓	-	Aug'17	Seasonal
American	St. Thomas	✓	-	Aug'17	Seasonal
American	St. Maarten	✓	-	Oct'17	Year Round
American	Zurich	-	Mar'18	-	Year Round
American	Budapest	-	May'18	-	Seasonal
American	Prague	-	May'18	-	Seasonal
Delta	Paris-Charles De Gaulle	✓	-	Sep'17	Seasonal
Delta	London-Heathrow	Apr'15	-	May'18	Year Round
Aer Lingus	Dublin	-	Mar'18	-	Year Round

	Started	Discontinued	Net Gain (Loss)
Total FY18	29	11	18
Domestic	25	6	19
International	4	5	(1)

Source: Campbell-Hill Aviation Group, LLC

\* Information only available for the previous five fiscal years.

✓ International flights that started over five years ago.



**Exhibit S-19: Historical Domestic Top 10 Passenger Origination and Destination Markets  
(By Fiscal Year)**

2018	
Market	Daily Pax
Orlando, Florida	2,109
Atlanta, Georgia	1,345
Los Angeles, California	1,154
Boston, Massachusetts	1,097
Ft. Lauderdale, Florida	1,035
Chicago-O'Hare, Illinois	1,011
Tampa/St. Petersburg, Florida	954
Denver, Colorado	899
Dallas/Fort Worth, Texas	861
Las Vegas, Nevada	762

2017	
Market	Daily Pax
Orlando, Florida	2,055
Atlanta, Georgia	1,329
Chicago-O'Hare, Illinois	1,128
Boston, Massachusetts	1,053
Los Angeles, California	1,028
Ft. Lauderdale, Florida	956
Tampa/St. Petersburg, Florida	916
Denver, Colorado	855
Las Vegas, Nevada	808
Dallas/Fort Worth, Texas	782

2016	
Market	Daily Pax
Orlando, Florida	2,064
Atlanta, Georgia	1,450
Chicago-O'Hare, Illinois	1,295
Boston, Massachusetts	1,053
Tampa/St. Petersburg, Florida	936
Los Angeles, California	910
Ft. Lauderdale, Florida	872
Las Vegas, Nevada	862
Dallas/Fort Worth, Texas	780
Denver, Colorado	734

FY 2015	
Market	Daily Pax
Orlando, Florida	1,618
Atlanta, Georgia	1,066
Boston, Massachusetts	1,056
Chicago-O'Hare, Illinois	1,012
Los Angeles, California	857
Las Vegas, Nevada	831
Tampa/St. Petersburg, Florida	799
Dallas/Fort Worth, Texas	791
San Francisco, California	766
Ft. Lauderdale, Florida	675

FY 2014	
Market	Daily Pax
Orlando, Florida	1,402
Boston, Massachusetts	1,018
Atlanta, Georgia	948
Los Angeles, California	937
Chicago-O'Hare, Illinois	923
Las Vegas, Nevada	900
Dallas/Fort Worth, Texas	818
San Francisco, California	779
Ft. Lauderdale, Florida	727
Tampa/St. Petersburg, Florida	670

FY 2013	
Market	Daily Pax
Orlando, Florida	1,589
Chicago-O'Hare, Illinois	1,016
Atlanta, Georgia	994
Los Angeles, California	977
San Francisco, California	886
Ft. Lauderdale, Florida	779
Las Vegas, Nevada	769
Tampa/St. Petersburg, Florida	761
Dallas/Fort Worth, Texas	677
Boston, Massachusetts	669

FY 2012	
Market	Daily Pax
Orlando, Florida	1,667
Atlanta, Georgia	1,045
Chicago-O'Hare, Illinois	947
Boston, Massachusetts	915
Los Angeles, California	824
Ft. Lauderdale, Florida	744
San Francisco, California	706
Las Vegas, Nevada	693
Tampa/St. Petersburg, Florida	678
Dallas/Fort Worth, Texas	603

FY 2011	
Market	Daily Pax
Orlando, Florida	1,693
Atlanta, Georgia	1,116
Chicago-O'Hare, Illinois	1,002
Boston, Massachusetts	925
Ft. Lauderdale, Florida	758
Tampa/St. Petersburg, Florida	744
Los Angeles, California	706
Las Vegas, Nevada	680
Dallas/Fort Worth, Texas	620
Denver, Colorado	588

FY 2010	
Market	Daily Pax
Orlando, Florida	1,642
Atlanta, Georgia	994
Chicago-O'Hare, Illinois	987
Ft. Lauderdale, Florida	799
Tampa/St. Petersburg, Florida	798
Las Vegas, Nevada	748
Los Angeles, California	690
Raleigh/Durham, North Carolina	601
Dallas/Fort Worth, Texas	589
Denver, Colorado	588

FY 2009	
Market	Daily Pax
Orlando, Florida	1,883
Chicago-O'Hare, Illinois	1,065
Atlanta, Georgia	1,035
Tampa/St. Petersburg, Florida	831
Ft. Lauderdale, Florida	817
Las Vegas, Nevada	744
Los Angeles, California	711
Dallas/Fort Worth, Texas	612
Denver, Colorado	588
Raleigh/Durham, North Carolina	579

Daily Pax represents passengers per day each way  
 Distance is great-circle distance between PHL and indicated airport  
 Source: GRA, Incorporated

**Exhibit S-20: Historical International Top 10 Passenger Destination Markets  
(By Fiscal Year)**

2018	
Market	Daily Pax
London-Heathrow, England	647
Toronto-Pearson, Canada	417
Cancun, Mexico	366
Frankfurt, Germany	293
Punta Cana, Dominican Rep	284
Montreal-Dorval, Canada	274
Montego Bay, Jamaica	228
Dublin, Ireland	210
Rome-Da Vinci, Italy	193
Doha, Qatar	192

2017	
Market	Daily Pax
London-Heathrow, England	649
Cancun, Mexico	414
Toronto-Pearson, Canada	385
Frankfurt, Germany	295
Punta Cana, Dominican Rep	289
Montreal-Dorval, Canada	242
Montego Bay, Jamaica	207
Paris-De Gaulle, France	202
Rome-Da Vinci, Italy	201
Dublin, Ireland	187

2016	
Market	Daily Pax
London-Heathrow, England	654
Cancun, Mexico	472
Toronto-Pearson, Canada	391
Frankfurt, Germany	338
Punta Cana, Dominican Rep	316
Montego Bay, Jamaica	244
Montreal-Dorval, Canada	200
Rome-Da Vinci, Italy	200
Paris-De Gaulle, France	195
Madrid, Spain	181

FY 2015	
Market	Daily Pax
London-Heathrow, England	557
Cancun, Mexico	428
Frankfurt, Germany	376
Toronto-Pearson, Canada	370
Punta Cana, Dominican Rep	311
Paris-De Gaulle, France	220
Montego Bay, Jamaica	216
Tel Aviv/Yafo, Israel	204
Montreal-Dorval, Canada	198
Rome-Da Vinci, Italy	195

FY 2014	
Market	Daily Pax
London-Heathrow, England	507
Frankfurt, Germany	437
Cancun, Mexico	388
Punta Cana, Dominican Rep	264
Toronto-Pearson, Canada	264
Paris-De Gaulle, France	232
Tel Aviv/Yafo, Israel	216
Montego Bay, Jamaica	210
Rome-Da Vinci, Italy	209
Munich, Germany	202

FY 2013	
Market	Daily Pax
London-Heathrow, England	518
Frankfurt, Germany	444
Cancun, Mexico	357
Toronto-Pearson, Canada	315
Paris-De Gaulle, France	248
Montego Bay, Jamaica	235
Rome-Da Vinci, Italy	225
Munich, Germany	222
Punta Cana, Dominican Rep	215
Tel Aviv/Yafo, Israel	212

FY 2012	
Market	Daily Pax
London-Heathrow, England	515
Frankfurt, Germany	463
Cancun, Mexico	351
Toronto-Pearson, Canada	344
Montego Bay, Jamaica	317
Paris-De Gaulle, France	244
Rome-Da Vinci, Italy	229
Manchester, England	218
Tel Aviv/Yafo, Israel	214
Munich, Germany	205

FY 2011	
Market	Daily Pax
London-Heathrow, England	510
Frankfurt, Germany	495
Cancun, Mexico	377
Toronto-Pearson, Canada	372
Paris-De Gaulle, France	292
Montego Bay, Jamaica	246
Montreal-Dorval, Canada	241
Rome-Da Vinci, Italy	229
Manchester, England	227
Tel Aviv/Yafo, Israel	207

FY 2010	
Market	Daily Pax
Frankfurt, Germany	510
London-Heathrow, England	473
Toronto-Pearson, Canada	357
Cancun, Mexico	349
Paris-De Gaulle, France	298
Montego Bay, Jamaica	229
Manchester, England	225
Rome-Da Vinci, Italy	224
Madrid, Spain	213
Montreal-Dorval, Canada	210

FY 2009	
Market	Daily Pax
Frankfurt, Germany	491
London-Heathrow, England	459
Toronto-Pearson, Canada	360
Cancun, Mexico	348
Paris-De Gaulle, France	348
Montego Bay, Jamaica	246
Montreal-Dorval, Canada	233
Manchester, England	227
Rome-Da Vinci, Italy	208
Madrid, Spain	204

Daily Pax represents passengers per day each way  
Distance is great-circle distance between PHL and indicated airport  
Source: GRA, Incorporated

**Exhibit S-21: Airline Market Share by Landed Weight**  
(By Fiscal Year, Expressed in 1,000 lb. Units)

Airlines	2018		2017		2016		2015		2014	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
<b>Domestic</b>										
Scheduled major/national										
American	6,596,290	32.5%	6,519,145	33.0%	6,622,369	31.8%	6,645,942	32.0%	6,729,332	32.5%
Southwest	1,136,154	5.6%	1,147,550	5.8%	1,122,080	5.4%	1,073,920	5.2%	1,010,276	4.9%
Delta	965,077	4.8%	986,238	5.0%	1,054,651	5.1%	1,074,449	5.2%	1,024,831	5.0%
Frontier	610,208	3.0%	540,837	2.7%	463,422	2.2%	164,022	0.8%	4,693	0.0%
United	608,859	3.0%	581,513	2.9%	593,949	2.9%	585,951	2.8%	555,244	2.7%
Spirit	434,762	2.1%	394,267	2.0%	265,760	1.3%	143,495	0.7%	132,519	0.6%
JetBlue	269,609	1.3%	249,728	1.3%	219,834	1.1%	158,080	0.8%	158,398	0.8%
Alaska	153,673	0.8%	61,952	0.3%	55,912	0.3%	55,475	0.3%	55,410	0.3%
Air Canada	574	0.0%	647	0.0%	660	0.0%	440	0.0%	660	0.0%
AirTran	-	-	-	-	-	-	42,864	0.2%	204,488	1.0%
Virgin America	-	-	-	-	-	-	35,545	0.2%	134,812	0.7%
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest	-	-	-	-	-	-	-	-	-	-
Subtotal - scheduled major/national	10,775,207	53.1%	10,481,877	53.0%	10,398,636	49.9%	9,980,183	48.0%	10,010,661	48.4%
Scheduled regional/commuter										
American Eagle										
Republic	1,311,277	6.5%	1,054,737	5.3%	1,573,718	7.6%	1,758,726	8.5%	1,729,624	8.4%
Piedmont	1,288,107	6.3%	1,073,784	5.4%	856,093	4.1%	844,519	4.1%	984,862	4.8%
Air Wisconsin	530,395	2.6%	1,170,582	5.9%	1,641,945	7.9%	1,730,258	8.3%	1,486,845	7.2%
PSA	513,352	2.5%	411,243	2.1%	393,415	1.9%	292,049	1.4%	274,903	1.3%
Envoy	19,929	0.1%	-	-	448	0.0%	-	-	-	-
Mesa	-	-	-	-	-	-	60,863	0.3%	64,607	0.3%
Chautauqua	-	-	-	-	-	-	-	-	-	-
Subtotal - American Eagle	3,663,060	18.1%	3,710,345	18.8%	4,465,619	21.4%	4,686,414	22.6%	4,540,840	21.9%
Other	263,343	1.3%	299,419	1.5%	262,640	1.3%	382,585	1.8%	501,896	2.4%
Subtotal - scheduled regional/commuter	3,926,403	19.4%	4,009,764	20.3%	4,728,259	22.7%	5,068,999	24.4%	5,042,736	24.4%
Charter	4,054	0.0%	1,706	0.0%	679	0.0%	1,641	0.0%	4,257	0.0%
<b>Total - domestic</b>	<b>14,705,664</b>	<b>72.5%</b>	<b>14,493,348</b>	<b>73.4%</b>	<b>15,127,575</b>	<b>72.7%</b>	<b>15,050,823</b>	<b>72.5%</b>	<b>15,057,655</b>	<b>72.8%</b>
<b>International</b>										
Scheduled										
American	2,332,684	11.5%	2,136,282	10.8%	2,575,401	12.4%	2,710,497	13.0%	2,809,292	13.6%
British	237,237	1.2%	292,559	1.5%	293,400	1.4%	284,499	1.4%	275,550	1.3%
Qatar	165,072	0.8%	163,004	0.8%	174,408	0.8%	183,868	0.9%	44,280	0.2%
Lufthansa	142,492	0.7%	144,230	0.7%	155,154	0.7%	165,814	0.8%	137,300	0.7%
Air Canada - Sky Regional / Jazz Aviation	132,880	0.7%	123,047	0.6%	106,378	0.5%	99,695	0.5%	99,656	0.5%
Republic	72,324	0.4%	41,748	0.2%	79,176	0.4%	74,146	0.4%	58,631	0.3%
Piedmont	71,848	0.4%	-	-	-	-	-	-	-	-
Air Wisconsin	68,761	0.3%	187,389	0.9%	192,136	0.9%	220,289	1.1%	255,351	1.2%
Frontier	62,575	0.3%	60,003	0.3%	76,825	0.4%	35,976	0.2%	25,738	0.1%
Delta	62,562	0.3%	84,262	0.4%	81,552	0.4%	34,650	0.2%	22,694	0.1%
Aer Lingus	15,750	0.1%	-	-	-	-	-	-	-	-
Icelandair	14,224	0.1%	3,780	0.0%	142	0.0%	142	0.0%	-	-
PSA	268	0.0%	-	-	-	-	-	-	-	-
Southwest	256	0.0%	-	-	-	-	128	0.0%	-	-
JetBlue	142	0.0%	172	0.0%	142	0.0%	142	0.0%	-	-
Air Jamaica / Caribbean	-	-	-	-	-	-	-	-	-	-
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Subtotal - scheduled	3,379,075	16.7%	3,236,477	16.4%	3,734,713	17.9%	3,809,846	18.3%	3,728,492	18.0%
Charter	1,290	0.0%	6,400	0.0%	3,273	0.0%	2,532	0.0%	6,377	0.0%
<b>Total - international</b>	<b>3,380,365</b>	<b>16.7%</b>	<b>3,242,877</b>	<b>16.4%</b>	<b>3,737,986</b>	<b>18.0%</b>	<b>3,812,379</b>	<b>18.4%</b>	<b>3,734,869</b>	<b>18.1%</b>
<b>All-cargo airlines</b>	<b>2,199,913</b>	<b>10.8%</b>	<b>2,022,419</b>	<b>10.2%</b>	<b>1,955,784</b>	<b>9.4%</b>	<b>1,909,573</b>	<b>9.2%</b>	<b>1,899,162</b>	<b>9.2%</b>
<b>Grand total</b>	<b>20,285,942</b>	<b>100.0%</b>	<b>19,758,643</b>	<b>100.0%</b>	<b>20,821,345</b>	<b>100.0%</b>	<b>20,772,775</b>	<b>100.0%</b>	<b>20,691,686</b>	<b>100.0%</b>

Note: American and US Airways numbers combined for all previous years.

Source: City of Philadelphia

**Exhibit S-21: Airline Market Share by Landed Weight**  
(Continued, By Fiscal Year, Expressed in 1,000 lb. Units)

Airlines	2013		2012		2011		2010		2009	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
<b>Domestic</b>										
Scheduled major/national										
American	6,494,844	31.5%	6,519,126	30.5%	6,592,315	30.0%	6,362,588	29.4%	6,219,301	27.4%
Southwest	1,189,716	5.8%	1,883,282	8.8%	2,335,648	10.6%	2,277,154	10.5%	2,825,044	12.4%
Delta	955,459	4.6%	972,645	4.6%	978,725	4.5%	974,740	4.5%	662,037	2.9%
Frontier	28,290	0.1%	79,842	0.4%	101,704	0.5%	49,220	0.2%	57,622	0.3%
United	661,536	3.2%	536,659	2.5%	518,260	2.4%	606,595	2.8%	728,405	3.2%
Spirit	31,841	0.2%	-	-	-	-	-	-	-	-
JetBlue	18,624	0.1%	-	-	-	-	-	-	-	-
Alaska	52,460	0.3%	2,880	0.0%	-	-	-	-	-	-
Air Canada	1,100	0.0%	880	0.0%	1,173	0.0%	-	-	-	-
AirTran	340,320	1.6%	301,816	1.4%	331,168	1.5%	356,872	1.6%	420,984	1.9%
Virgin America	213,741	1.0%	55,269	0.3%	-	-	-	-	-	-
Continental	-	-	179,638	0.8%	242,627	1.1%	239,403	1.1%	259,085	1.1%
USA 3000	-	-	-	-	23,036	0.1%	28,866	0.1%	49,485	0.2%
Midwest Airlines	-	-	-	-	-	-	57,713	0.3%	71,723	0.3%
Northwest	-	-	-	-	-	-	-	-	421,248	1.9%
Subtotal - scheduled major/national	9,987,931	48.4%	10,532,037	49.3%	11,124,656	50.7%	10,953,151	50.6%	11,714,934	51.5%
Scheduled regional/commuter										
American Eagle										
Republic	1,575,475	7.6%	1,629,517	7.6%	1,732,415	7.9%	1,715,114	7.9%	1,764,933	7.8%
Piedmont	1,108,958	5.4%	1,035,539	4.8%	1,038,016	4.7%	978,762	4.5%	998,160	4.4%
Air Wisconsin	1,559,460	7.6%	1,576,239	7.4%	1,573,231	7.2%	1,750,797	8.1%	1,664,552	7.3%
PSA	321,950	1.6%	332,498	1.6%	243,104	1.1%	217,536	1.0%	253,746	1.1%
Envoy	-	-	-	-	-	-	-	-	-	-
Mesa	-	-	-	-	74	0.0%	147	0.0%	-	-
Chautauqua	86,587	0.4%	96,884	0.5%	70,759	0.3%	61,781	0.3%	70,924	0.3%
Subtotal - American Eagle	4,652,430	22.5%	4,670,677	21.9%	4,657,599	21.2%	4,724,137	21.8%	4,752,315	20.9%
Other	626,130	3.0%	620,913	2.9%	605,377	2.8%	538,679	2.5%	568,997	2.5%
Subtotal - scheduled regional/commuter	5,278,560	25.6%	5,291,590	24.8%	5,262,976	24.0%	5,262,816	24.3%	5,321,312	23.4%
Charter	1,192	0.0%	9,055	0.0%	2,878	0.0%	3,543	0.0%	3,365	0.0%
<b>Total - domestic</b>	<b>15,267,683</b>	<b>74.0%</b>	<b>15,832,682</b>	<b>74.1%</b>	<b>16,390,510</b>	<b>74.6%</b>	<b>16,219,510</b>	<b>74.9%</b>	<b>17,039,611</b>	<b>74.9%</b>
<b>International</b>										
Scheduled										
American	2,644,675	12.8%	2,634,850	12.3%	2,584,725	11.8%	2,574,713	11.9%	2,478,569	10.9%
British	268,709	1.3%	277,447	1.3%	270,121	1.2%	254,332	1.2%	270,512	1.2%
Qatar	-	-	-	-	-	-	-	-	-	-
Lufthansa	112,147	0.5%	112,152	0.5%	135,775	0.6%	142,696	0.7%	136,488	0.6%
Air Canada - Sky Regional / Jazz Aviation	99,814	0.5%	94,620	0.4%	95,210	0.4%	77,999	0.4%	86,187	0.4%
Republic	103,697	0.5%	158,701	0.7%	115,635	0.5%	-	-	-	-
Piedmont	-	-	-	-	-	-	-	-	-	-
Air Wisconsin	240,546	1.2%	228,326	1.1%	208,069	0.9%	177,801	0.8%	133,433	0.6%
Frontier	25,738	0.1%	18,770	0.1%	-	-	-	-	-	-
Delta	24,104	0.1%	29,898	0.1%	62,752	0.3%	38,052	-	-	-
Aer Lingus	-	-	-	-	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
PSA	-	-	-	-	-	-	-	-	-	-
Southwest	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	-	-	47,424	0.2%	50,394	0.2%	44,165	0.2%	52,156	0.2%
Continental	-	-	1,028	0.0%	-	-	-	-	-	-
USA 3000	-	-	-	-	26,307	0.1%	28,440	0.1%	29,862	0.1%
Air France	-	-	-	-	-	-	35,770	0.2%	114,804	0.5%
Subtotal - scheduled	3,519,430	17.1%	3,603,216	16.9%	3,548,988	16.2%	3,373,968	15.4%	3,302,011	14.5%
Charter	1,483	0.0%	10,696	0.1%	9,394	0.0%	1,685	0.0%	5,413	0.0%
<b>Total - International</b>	<b>3,520,913</b>	<b>17.1%</b>	<b>3,613,912</b>	<b>16.9%</b>	<b>3,558,382</b>	<b>16.2%</b>	<b>3,375,653</b>	<b>15.4%</b>	<b>3,307,424</b>	<b>14.5%</b>
<b>All-Cargo Airlines</b>	<b>1,849,771</b>	<b>9.0%</b>	<b>1,911,577</b>	<b>9.0%</b>	<b>2,010,961</b>	<b>9.2%</b>	<b>2,059,609</b>	<b>9.5%</b>	<b>2,387,809</b>	<b>10.5%</b>
<b>Grand Total</b>	<b>20,638,367</b>	<b>100.0%</b>	<b>21,358,171</b>	<b>100.0%</b>	<b>21,959,853</b>	<b>100.0%</b>	<b>21,654,772</b>	<b>100.0%</b>	<b>22,734,844</b>	<b>100.0%</b>

Note: American and US Airways numbers combined for all previous years.

Source: City of Philadelphia

**Exhibit S-22: Passenger Facility Charges**  
(By Fiscal Year)

<b>Airlines</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
American Airlines	\$ 40,555,758	\$ 39,043,549	\$ 41,796,027	\$ 44,750,745	\$ 45,073,825	\$ 42,039,158	\$ 41,513,163	\$ 41,717,336	\$ 40,189,840	\$ 39,331,888
Southwest Airlines	4,175,470	4,368,651	4,289,012	4,105,508	4,239,400	4,631,058	5,723,994	7,189,896	7,501,929	8,023,839
Delta Air Lines	3,682,816	4,026,462	4,341,411	4,278,345	4,431,825	4,280,096	4,497,340	4,647,891	3,981,456	3,119,948
Frontier Airlines	3,401,138	2,885,920	2,677,659	1,099,228	110,986	194,315	419,786	400,188	194,184	188,639
United Airlines	2,784,830	2,858,141	3,294,665	3,242,993	3,605,346	4,300,163	3,748,743	3,366,328	3,961,146	3,766,613
Spirit Airlines	1,924,982	1,612,767	1,176,999	662,867	580,156	232,309	-	-	-	-
British Airways	1,150,912	1,139,619	921,880	869,270	472,492	436,866	459,661	433,965	449,950	454,990
JetBlue Airways	929,915	842,883	783,146	534,959	493,608	112,065	-	-	-	-
Alaska Airlines	462,178	307,026	233,192	216,975	196,234	176,761	46,155	-	-	-
Qatar Airways	438,982	378,817	478,185	510,368	244,782	-	-	-	-	-
Air Canada	394,457	316,888	262,846	238,548	314,671	300,001	315,303	279,844	227,504	268,974
Lufthansa German Airlines	255,235	269,827	252,421	277,672	278,363	248,459	227,404	248,691	297,880	321,689
Aer Lingus	107,638	-	-	-	-	-	-	-	-	-
Icelandair	43,518	37,135	-	-	-	-	-	-	-	-
Virgin America	-	-	-	45,827	396,871	620,919	271,653	-	-	-
AirTran Airways	-	-	-	-	-	474,237	1,094,262	1,287,966	1,222,320	1,453,951
Continental Airlines	-	-	-	-	-	-	1,001,188	1,766,211	1,777,532	1,622,831
Air Jamaica / Caribbean	-	-	-	-	-	-	118,003	152,355	155,050	182,870
USA 3000 Airlines	-	-	-	-	-	-	26,862	136,200	156,288	233,873
Midwest Airlines	-	-	-	-	-	-	-	58,127	278,812	209,801
Air France	-	-	-	-	-	-	-	-	44,471	180,675
Northwest Airlines	-	-	-	-	-	-	-	-	588,060	1,669,539
Other	759,727	1,296,964	412,891	347,420	214,807	142,043	277,982	357,430	251,084	225,079
<b>Total</b>	<b>\$ 61,067,558</b>	<b>\$ 59,384,648</b>	<b>\$ 60,920,335</b>	<b>\$ 61,180,724</b>	<b>\$ 60,653,369</b>	<b>\$ 58,188,449</b>	<b>\$ 59,741,500</b>	<b>\$ 62,042,429</b>	<b>\$ 61,277,506</b>	<b>\$ 61,255,198</b>

The figures presented above are on the accrual basis and reconcile to those reported on the Statement of Revenues, Expenses and Changes in Fund Net Position.

Source: City of Philadelphia