



ALLEGHENY COUNTY AIRPORT AUTHORITY

Annual Comprehensive **FINANCIAL REPORT** of the
ALLEGHENY COUNTY AIRPORT AUTHORITY
(a component unit of the County of Allegheny, Pennsylvania)
for the fiscal year ended **DECEMBER 31, 2022**
Prepared by the Allegheny County Airport Authority Finance Department

ABOUT US: Fast Facts

The Allegheny County Airport Authority (**ACAA**) manages Pittsburgh International Airport (**PIT**) and Allegheny County Airport (**AGC**).

PIT is the premier gateway to Western Pennsylvania. First constructed in 1952 and completely rebuilt in 1992, it is one of the largest airports by land mass in the U.S., at more than 8,800 acres. The X-shaped Airside Terminal was a pioneering design for airports worldwide, and PIT has continued to set new industry standards with a first-of-its-kind microgrid that completely powers the terminals and other buildings, a unique advanced manufacturing campus and a state-of-the-art space in the terminal for travelers with sensory sensitivities.

AGC is the busiest general aviation airport in Pennsylvania and the fifth-busiest among all state airports. Located just east of Pittsburgh in West Mifflin, it opened in 1931 as the third-largest airport in the U.S. and one of the first with hard-surface runways and a lit airfield. Notable for its signature Art Deco terminal, AGC is home to several fixed-base operators, two flight schools, an aviation mechanic school and more.





Rich Fitzgerald,
Allegheny County Executive



Christina Cassotis,
Chief Executive Officer, ACAA



David Minnotte, *Chairman*



Matthew Smith, *Vice Chairman*

Allegheny County Airport Authority **LEADERSHIP & BOARD MEMBERS**

The Allegheny County Airport Authority is in its third decade of overseeing Pittsburgh International and Allegheny County airports. Under a lease with an initial term of 25 years and two additional 25-year option terms, the ACAA, governed by a board appointed by the Allegheny County Executive, operates the two premier airports that serve the Pittsburgh region.



Ashley Henry Shook, *Secretary*



Jan Rea, *Treasurer*



Lance Chimka



Rev. Dr. William H. Curtis



Thomas McIntyre



Randy Vulakovich



Cynthia Shapira

2022 Highlights

In 2022, PIT continued a strong rebound from challenges related to the COVID-19 pandemic, with full-year passenger numbers recovering to 83 percent of pre-pandemic levels, the return of service to many key markets and the addition of several new destinations.

KEY MILESTONES INCLUDED:

- PIT's marquee international route, nonstop service to London Heathrow on British Airways (BA) operating four days a week, came back in June. Several months later, prompted by strong customer interest and community outreach, BA announced it would increase service to six days a week in the Spring of 2023;
- Major progress on PIT's new billion dollar Terminal Modernization Program, which is scheduled to open in 2025;
- The one-year anniversary of the airport's microgrid, which reduced carbon emissions by more than an estimated 8 million pounds in that time and saved ACAA more than \$1 million in electricity costs;
- And breaking ground on a 77,000-square-foot cargo facility that will generate an estimated annual economic impact of \$229 million for the region.



Roadway construction for new terminal



Natural gas generators for the microgrid



Groundbreaking for Cargo 4

Our **MISSION**

A global aviation leader driving innovation, regional growth and prosperity by investing in our employees, customers, airlines, and partners.

Our **VISION**

To transform Pittsburgh's airports to reflect and serve the community, inspire the industry, and advance the region's role as a world leader.



Our **DUAL IMPERATIVES**

01 Safety, Security & Health

02 Air Service Development

Smart Plan **FORWARD**

A LEADING-EDGE PLAN TO ACHIEVE THE ACAA VISION AND MISSION, 2019-2024.



SMARTER **TERMINAL**

Modernize Pittsburgh International Airport to create operational efficiencies, welcome visitors properly, and make local residents proud.



SMARTER **TECHNOLOGY**

Create seamless connectivity of interrelated devices, objects, people, and processes to improve the overall airport experience.



SMARTER **WORKFORCE**

Enable, empower and equip our workforce to thrive in a digitally driven, operationally efficient environment.



SMARTER **DEVELOPMENT**

Grow our prime real estate into a global epicenter of advanced manufacturing & digital innovation.



SMARTER **CARGO**

Increase growth potential for air cargo companies by becoming a first choice logistics center in the global supply chain of goods & materials.



DEI: Diversity, Equity & Inclusion

Through the management of Pittsburgh International and Allegheny County Airports, the Allegheny County Airport Authority's (ACAA) core responsibility is to connect communities — all with rich cultures, deep histories, and diverse people — to the world. Put simply — the airport's main function is to make the world open to all. ACAA is proud that diversity, equity, a focus on inclusion, and fairness are found in our team members, processes, and thinking. The Authority is strengthening focus on Diversity, Equity, and Inclusion (DE&I) and by doing so, will be in a better position to serve customers, transform lives and pioneer the next generation of aviation and Pittsburgh leaders

SUSTAINABILITY

The ACAA is committed to protecting and preserving the environment and supports conservation and sustainability initiatives year-round through a variety of programs and community service efforts.

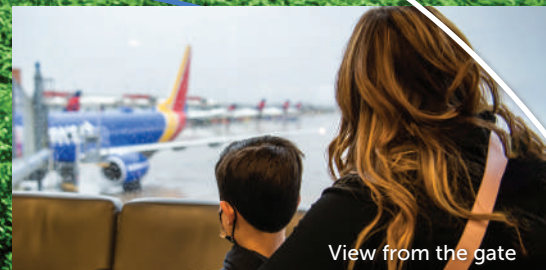
With more than 9,000 acres of land, the Environmental and Workplace Safety team is responsible for overseeing environmental compliance, sustainability and workplace safety, among other programs to ensure both airports operate under best practices of environmental management.



Natural gas generators for the microgrid



AlgenAir installation



View from the gate



Introductory Section

Letter of Transmittal	i-vi
GFOA Certificate of Achievement for Excellence in Financial Reporting	vii
Listing of Board of Directors and Officers	viii
Organization Chart	ix

Financial Section

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Fund Financial Statements:	
Statement of Net Position	15-16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	19-43
Required Supplemental Information	44
Schedule of the Authority's Proportionate Share of the Net Pension Liability	45
Schedule of Pension Contributions	46

Statistical Section

Statistical Section Table of Contents	47
Table I - Statements of Revenues, Expenses, and Changes in Net Position Information	48-49
Operating Revenue by Category	50
Operating Expenses by Business Unit	51
Table II - Net Position by Component	52
Table III - Summary of Airline Rate Base Fees	53
Airline Revenue Derived by Carrier	54
Table IV - Rates and Cost Per Enplaned Passenger	55
Table V - History of Total Concessions Per Enplanement	56
Table VI - Outstanding Debt by Type and Revenue Bond Debt Service Ratios	57
Table VII - Revenue Bond Debt Service Coverage	58
Table VIII - Enplaned Passengers by Airline Group	59
Table IX - Activity Statistics	60
Table X - Count of Employees by Department	61
Capital Asset and Other Airport Information	62-64
Table XI - Allegheny County - Demographic and Economic Statistics	65
Table XII - Allegheny County - Principal Employers	66

Introductory Section



ALLEGHENY COUNTY AIRPORT AUTHORITY
PITTSBURGH INTERNATIONAL AIRPORT
ALLEGHENY COUNTY AIRPORT

April 10, 2023

To the Board of the Allegheny County Airport Authority,

This Annual Comprehensive Financial Report of the Allegheny County Airport Authority (the “Authority”) is hereby submitted for the fiscal year that ended on December 31, 2022. Responsibility for the accuracy of the data, completeness, and fairness of the presentation, including all disclosures, rests with the Finance Department of the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of the operations of the Authority. This Letter should be read in conjunction with the accompanying Management Discussion and Analysis to gain a more complete financial and business understanding of the Authority.

REPORTING ENTITY

The Authority was created on June 17, 1999, and exists pursuant to the Municipality Authorities Act of May 2, 1945, P.L. 382, as amended. The Authority is governed by a nine-member Board of Directors appointed by the County Executive of Allegheny County.

The Authority manages and operates two airports, Pittsburgh International Airport (“PIT”) and Allegheny County Airport (“AGC”). Pittsburgh International Airport is a commercial passenger facility located 16 miles west of downtown Pittsburgh. Allegheny County Airport is a general aviation airport located in West Mifflin, approximately 10 miles southeast of downtown Pittsburgh.

ECONOMIC CONDITIONS

In 2022, rebounding leisure and business travel propelled the recovery of the airline industry. Surging customer demand for commercial air travel allowed the Authority to accelerate its plans in the air service, cargo, technology and commercial development sectors amidst changing market conditions.

ORGANIZATIONAL PROGRESS

In 2022, the strategic projects undertaken by the Authority during the COVID-19 pandemic advanced significantly, supporting the Authority’s vision of creating a world-class airport that drives economic growth for the region via both passenger and cargo operations.

The Terminal Modernization Project (“TMP”), the construction project to modernize PIT and meet, if not exceed, experience expectations of the modern air traveler, remains on budget and on schedule to open in 2025, a notable achievement given global supply chain challenges that persisted throughout the year. In 2022, the TMP reached several important construction milestones, including vertical construction of the steel framework of the building, pillar installation for the new roadways that will service the new terminal, and the beginning of foundational work on the accompanying Multi-Modal Complex, which will serve the airport as a rental car facility and a parking garage with more than 4,000 spaces.

The Authority is fully committed to building an airport for Pittsburgh, by Pittsburgh. That means approximately 80 percent of all new terminal work will be completed by businesses based in the Pittsburgh region, delivering approximately \$2.5 billion in economic impact to the community, according to a report created by EBP US Inc. As with all projects undertaken by the Authority, there is a clear commitment to increasing Disadvantaged Business Enterprise (“DBE”) participation. An audit by the Federal Aviation Administration (“FAA”) found that the Authority not only complied with DBE requirements but exceeded them and cited the Authority’s DBE program as an example for others to follow.

Perhaps most importantly, the Authority’s commitment to workplace safety has maintained incidents at a lower rate than the industry standard. Strong project governance is a hallmark of the TMP, with all of the Authority’s partners and contractors working cooperatively and collaboratively to promote a safe work environment. The Authority’s unique partnership with the Occupational Safety and Health Administration and Pittsburgh Regional Building Trades Council is dedicated to reducing construction site hazards, increasing sustainability, and advancing an overall safe and sustainable jobsite. Benefits of working on the TMP include on-site parking for all contractors, daily stretch and flex activities, weekly site safety walk-throughs, rewards for safe behaviors and site conditions, enhanced housekeeping standards, an internet platform to track safety trends and use of state-of-the-art tools.

Another Authority strategic project, the development of Cargo 4, hit a milestone in 2022 with its groundbreaking. This is the Authority’s largest freight investment in years. A 75,000-square-foot cargo processing building, it will also feature a new taxiway, aircraft parking apron, and an adjacent surface parking lot that will be built to suit future partners. The additional capacity and modern design will position PIT as a global logistics center. In 2019, Cargo 4 was a recipient of the federal Department of Transportation’s BUILD Grant, the first cargo project to receive such funds, with additional support from the Commonwealth of Pennsylvania and the FAA. Another new facility, Cargo B, which is currently in the planning phase with a private developer, will add over 100,000 square feet of building and ground transfer capacity to import and export air freight. Both of these facilities will strengthen the country’s domestic and international supply chain, bolster the regional economy and help attract new carriers to PIT.

Our efforts to increase air service are at the heart of the Authority’s mission to connect the world to Western Pennsylvania and serve as a vital economic engine for the region. Passenger traffic increased considerably in 2022, with 8.1 million passengers flying through PIT—83 percent of the airport’s 2019 level. Robust demand coming out of the pandemic in 2022 led to some well-documented operational challenges for airlines, tempering passenger numbers at many airports, including PIT. However, by the end of 2022, airlines were serving 58 nonstop destinations from Pittsburgh, including several relaunched routes that had been suspended during the pandemic. Chief among these was British Airways’ (“BA”) nonstop flight to London Heathrow, a connection worth more than \$50 million annually in economic impact for the region, according to a report created by EBP US Inc. BA relaunched the route four days per week in June 2022. After a successful regional business delegation trip to London in October organized by the Authority, BA announced it would add two more flights per week in 2023, a clear sign of their confidence in the market.

Underscoring our strength in air service are the unique resources of the Pittsburgh region. As a globally renowned hub of robotics and artificial intelligence research and development, the innovators here are building the future of technology. The Authority’s xBridge innovation program, located onsite at PIT, exemplifies the role of innovation in the region. Launched in 2020, xBridge is a proving ground for technologies and startups that develop solutions to today’s airport and industry needs in addition to testing and incubating strategic technologies that could be deployed for aviation and other industries in the future. The proof-of-concept and pilot site showcases new technologies in a real-world operating environment. xBridge is designed to capitalize upon and grow the region’s powerful tech economy right at the airport. xBridge has partnered with firms ranging from global Fortune 500 companies to local start-ups for projects that have tackled air purification, deployed autonomous floor scrubbers and food delivery robots, and teleoperated vehicles, among other innovative projects. More than 22 external partners have worked with the xBridge program to date, validating the attractive opportunity xBridge provides to emerging technologies.

Harnessing the power of transformative technology, particularly in heavy industry, comes naturally to Western Pennsylvania, which boasts a strong manufacturing legacy that is redefining its future. With more than 9,000 acres comprising the PIT campus, the Authority has expanded the definition of what airports can do. Utilizing its access to air, ground, rail and water transportation on Foreign Trade Center-designated land, PIT hosts the world’s first end-to-end additive manufacturing hub, Neighborhood 91. This hub is intended to remove obstacles to the industrial transition of the growing additive manufacturing sector, co-locating the equipment and resources needed to expedite the creation and delivery of precise 3D printed parts. In 2022, the campus grew to include the opening of Cumberland Additive and announcement of future tenants HAMR and Metal Powder Works. Together with Fortune 500 company and global leader in freight and transit rail technology Wabtec, the four tenants will mark the completion of the first phase of the project, during which high-value metal printing and finishing has been used to create efficient solutions for the transportation, defense, and aerospace industries. Plans for future development of Neighborhood 91 are ongoing.

The Authority unveiled a first-of-its-kind airport microgrid in the summer of 2021, providing a direct electric power source for the PIT terminal and airport campus in the event of an outage that affects the traditional grid. In partnership with People’s Natural Gas, the microgrid is fueled by natural gas and over 9,000 solar panels built atop a capped landfill, land otherwise unusable for development. By utilizing cleaner energy, the microgrid provides a yearly carbon reduction of over 8 million pounds and saved the Authority and its partners more than \$1 million in electricity costs in its first full year of operation, based on Authority estimates. The unique system is inspiring change across the world, drawing numerous international delegations eager to see it in operation during the first-ever Global Clean Energy Action Forum (“GCEAF”), which was held in Pittsburgh in 2022. In Pennsylvania, the state Department of Environmental Protection (“DEP”) is now examining the PIT microgrid’s utilization of capped landfill space as part of a review of other, similar opportunities to redevelop land. The Authority continues to make progress in carbon reductions and seeks sustainable and innovative solutions throughout its airports.

AGC, which saw its busiest year in a decade in 2021 due to the rise in general aviation, continued its strong performance in 2022. Hangars at the general aviation facility were near full occupancy by the end of the year, and a large waiting list of tenants of all sizes has allowed the Authority to raise rental rates, increasing revenue. Among AGC’s most prominent tenants are Pittsburgh Institute of Aeronautics, a nationally renowned training school for aviation mechanics, and two flight schools. AGC also offers community meeting space and flight options for private and corporate entities.

The Authority’s strategic business plan, titled SMART Plan Forward, adopted in 2019, continues to guide the airports on a dynamic path into the future, and with the support of staff, airline partners, passengers, the Board of Directors, Allegheny County Executive Rich Fitzgerald, and regional elected officials, the Authority is pleased to have recorded an outstanding year.

FINANCIAL INFORMATION

The Authority’s Finance Department is responsible for implementing and maintaining an internal control structure to ensure the integrity of the Authority’s operations and to allow for the preparation of financial statements conforming to accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable assurance that the assets, resources, and operations of the Authority are handled in a manner that protects against waste, theft, neglect, and other irregularities that may hinder operations. This objective is being met by adequate employee supervision, segregation of duties, and multiple levels of expenditure approvals.

BUDGETARY CONTROLS

The Authority's budget process is designed to ensure that the Authority will have adequate funding to meet its operational objectives. The passenger airline operating agreement specifies a residual rate-making methodology for the calculation of airline rates and charges. The aggregate of airport fees paid by the signatory airlines must be sufficient to pay for the net cost of operating, maintaining, and developing the airfield and terminals of PIT and AGC. The Authority's annual operating and capital budgets are reviewed and approved by its Board of Directors.

INDEPENDENT AUDIT

The Authority's independent auditor, Plante & Moran, PLLC, has performed the annual audit for the year that ended on December 31, 2022, and has rendered an unmodified opinion of the Authority's financial statements. The audit was conducted in accordance with auditing standards generally accepted in the United States. The audit report of Plant & Moran, PLLC, is contained herein.

INTERNAL CONTROLS

The Authority's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. The Authority has established internal controls to fulfill these requirements. These controls are reviewed annually by an external audit firm for applicability, relevance, and effectiveness.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Allegheny County Airport Authority for its Annual Comprehensive Financial Report for the fiscal year that ended on December 31, 2021. This is the twelfth consecutive year that the Authority achieved this prestigious award. In order to receive the Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes the current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program requirements.

ACKNOWLEDGEMENTS

The completion of this report would not have been possible without the support of the Authority's Board of Directors and their commitment to the continuous improvement of corporate governance and financial reporting. In addition, members of the Finance Department played a significant role in compiling and completing this report.

A handwritten signature in black ink, appearing to read "Christina A. Cassotis". The signature is fluid and cursive, with a large initial "C" and a stylized "A".

Christina A. Cassotis
Chief Executive Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Allegheny County Airport Authority
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

ACAA Board of Directors

2023

Officers

David Minnotte, Chairman

Matt Smith, Vice Chairman

Ashley Henry Shook, Secretary

Jan Rea, Treasurer

Operations and Facilities Committee

Randy Vulakovich, Chair

Business & Communications Committee

Ashley Henry-Shook, Chair

Finance & Administration Committee

Matt Smith, Chair

Audit Committee

Jan Rea, Chair

Members

Tom McIntyre

Cindy Shapira

Dr. William H. Curtis

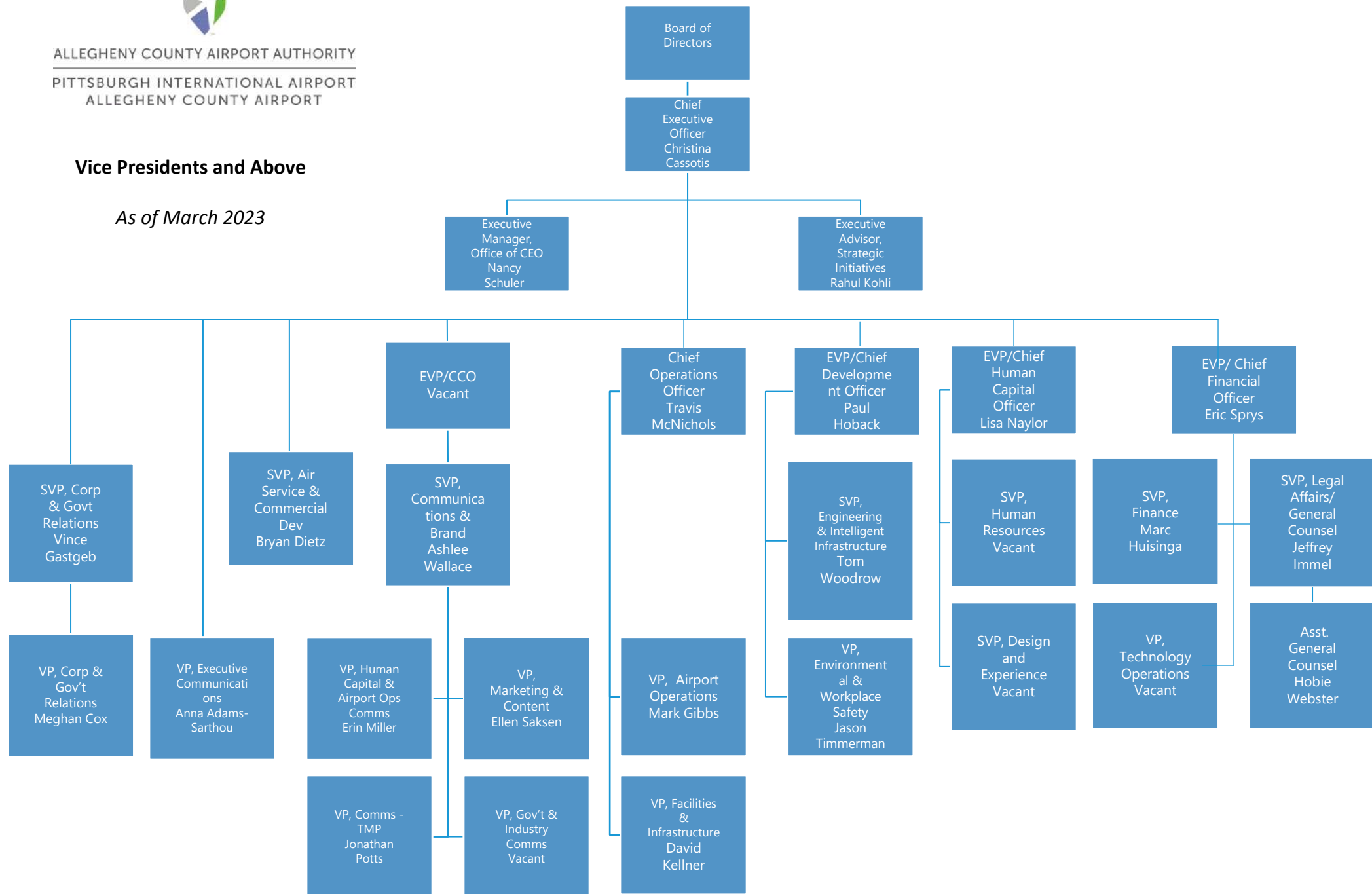
Lance Chimka

Randy Vulakovich



Vice Presidents and Above

As of March 2023



Independent Auditor's Report

To the Board of Directors
Allegheny County Airport Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Allegheny County Airport Authority (the "Authority"), a component unit of the County of Allegheny, Pennsylvania, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Allegheny County Airport Authority as of December 31, 2022 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Authority implemented the provisions of GASB Statement No. 87, *Leases*, for the year ended December 31, 2022. This statement requires recognition of lease receivables and deferred inflows for leases that meet certain criteria based on the provisions of the contract. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors
Allegheny County Airport Authority

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical section schedules but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Directors
Allegheny County Airport Authority

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2023 on our consideration of Allegheny County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Allegheny County Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allegheny County Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 10, 2023

Financial Section

Management's Discussion and Analysis

The Allegheny County Airport Authority's (the "Authority") discussion and analysis is presented to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position. Management encourages the reader to consider this discussion and analysis in conjunction with the information contained in the Authority's financial statements.

The Airline Operating Agreement

The Authority operates and manages the facilities at Pittsburgh International Airport (PIT or the "Airport") and the Allegheny County Airport (AGC) (collectively, the "Airports") pursuant to the terms of the Airport Operation, Management and Transfer Agreement and Lease dated September 16, 1999, between Allegheny County, Pennsylvania (the "County") and the Authority. The County transferred and leased the Airports to the Authority for a term of 25 years plus two 25-year options (since extended by 10 years). Additionally, passenger airline operations are governed by an Airline Operating Agreement and Terminal Building Lease (the "AOA"), which expires on December 31, 2028, with an option to extend for an additional 3 years upon mutual agreement. This new AOA has been signed by Air Canada, Alaska Airlines, Allegiant Air, American Airlines, British Airways, Delta Air Lines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines (collectively, the "Signatory Airlines").

Airline revenue at PIT is based upon a residual arrangement, as determined in the AOA. The Signatory Airlines collectively assume financial risk by agreeing to pay the costs of running the Airports that are not allocated to other users or offset by nonairline sources of revenue.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, and expenses are recognized when incurred. Capital assets are recorded in land, building, and equipment accounts and are depreciated over their useful lives (except land). See Notes 1 and 2 to the financial statements for a summary of the Authority's organization and significant accounting policies. Following this discussion and analysis are the financial statements of the Authority, including the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's financial statements are designed to provide readers with a broad overview of the Authority's financial position and activities.

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial condition.

The Statement of Revenue, Expenses, and Changes in Net Position presents information showing the change in the Authority's net position during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded and reported in this statement for some items that will result in cash flows in future periods.

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that provide or use cash are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between (1) the operating loss and (2) net cash and cash equivalents used in operating activities.

Management's Discussion and Analysis (Continued)

Significant Events and Financial Highlights

Enplaned passengers at the Airport increased by 27.9% in 2022 as compared to 2021, which followed the prior year's 74.2% increase driven by the return to travel after the negative impact of the coronavirus pandemic. 2022 was another milestone with strong demand offset by constrained airline capacity. The Pittsburgh market continued to recover in 2022 with 8.1 million passengers flying through the Airport. Enplaned passengers were 83.2% as compared to 2019 pre-pandemic levels. The Airport's diversified portfolio of airlines, including major network carriers, low-cost carriers, and ultra-low-cost carriers, helped weather the pandemic. During 2022, Southwest Airlines was the Airport's largest carrier, measured by the number of passengers, and the market share leader for 9 out of 12 months. American Airlines claimed the market share lead in the remaining three months of 2022.

The Airport continues to be a key cargo gateway for the region as well, hosting several cargo carriers including FedEx, UPS, and Amazon Air, as well as numerous cargo charter operators. In addition, passenger carriers provide crucial cargo service at the Airport via the cargo hold on passenger aircraft. Besides being a crucial passenger connection, British Airways' nonstop service to London Heathrow is an important cargo route, handling significant volumes. In total among all cargo operators, the Airport handled 219.7 million pounds of combined mail and freight in 2022. To support future growth as a cargo gateway, the Airport has one new cargo facility under construction, and a second new facility is in the planning stages.

Along with the return to travel post-pandemic, the Airport has had success in recruiting additional air service, as several airlines launched new or expanded service to popular leisure destinations in 2022. In 2022, British Airways resumed nonstop service to London Heathrow with four weekly flights on a year-round basis. That service will increase to six weekly flights beginning in May 2023 for the summer season, returning to four weekly flights for the winter. As of March 2023, 14 carriers provide regularly scheduled service to and from PIT, as well as two charter operators. Also of note in 2023, Southwest Airlines will resume service and expand service to several destinations, including Houston-Hobby, Austin, and Phoenix. Breeze Airways will launch six new routes from the Airport in 2023, adding nonstop service to New Orleans; Orange County, California; Raleigh/Durham; Jacksonville; Islip, New York; and Portland, Maine bringing the carrier to ten nonstop destinations at the Airport as of June 2023. Also in 2022, Sun Country Airlines launched service to the Airport with two weekly seasonal flights to Minneapolis-St. Paul. This service will grow to four weekly flights in 2023.

The Authority continues to be designated as a recipient of Pennsylvania state revenue generated from casinos and operations that combine a racetrack with a casino. This designation is a result of the Pennsylvania Racehorse Development and Gaming Act, which is often referred to as the Gaming Act. An amendment to this act known as the Pennsylvania Gaming Economic Development and Tourism Fund Capital Budget appropriated a \$12.4 million payment to the Authority annually. The Authority expects to continue to receive this \$12.4 million annual payment for as long as it is a recipient under the Gaming Act.

In 2022, the parking operation at PIT continued as the largest non-aeronautical operating revenue generator for the Airport. There was \$43.3 million in parking revenue included in the results of the Airport for 2022, an increase from \$28.8 million in 2021. As coronavirus safety restrictions were lifted and vaccinations became available to Americans, the demand for air travel began to rebound. Enplaned passengers climbed from 3.2 million in 2021 to 4.1 million in 2022, a 27.9% increase. Additionally, there were strategic changes in parking operations, with periodic pricing changes and a new parking operator, LAZ, as of October 1, 2022.

On February 8, 2013, the Authority's board awarded the bid to drill natural gas at the Airports to CNX Gas Company LLC (CNX). Its lease has continued from year to year. In addition to ground rent, the Authority earns ongoing royalties on the natural gas production. Net revenues from the natural gas lease have been used to reduce airline rates and charges and for capital expenditures, including economic development, at the Airport. During 2022 and 2021, drilling revenues were \$12.2 million and \$8.5 million, respectively.

Management's Discussion and Analysis (Continued)

On May 20, 2022 the Authority and CNX entered into a Marketing and Services Agreement whereby CNX was granted the exclusive right to sell Fuel Alternatives to the Authority. Fuel alternatives is defined to include: (i) natural gas produced from the Utica Shale formation; (ii) compressed natural gas (CNG); liquified natural gas (LNG) and (iii) subject to the Authority's agreement certain other fuel products derived from CNX Technology. The Authority also agreed to provide CNX introductions to potential purchasers of Fuel Alternatives in exchange for a commission equal to 5% of the Gross Revenue received by CNX from the sale of such Fuel Alternatives. Additional premiums are also paid to the Authority by CNX for certain other Airport production realized from certain supply contracts. CNX also agrees to reimburse the Authority for identified Marketing and Administrative Service up to One Million Dollars (\$1,000,000).

On December 18, 2019, the Authority utilized \$75.8 million in cash and other monetary assets to complete an in-substance defeasance of all outstanding bonds. U.S. Treasury Securities were purchased and deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds were considered defeased and the associated balances were removed from long term debt. The Airlines agreed to reimburse the Authority \$24.9 million, representing the amount of unrestricted funds used in the defeasance. As of December 31, 2022, \$13.7 million was repaid. The remaining balance of \$11.2 million is expected to be repaid over the course of 2023, and 2024.

The Terminal Modernization Program (the "TMP") broke ground in the fall of 2021 and construction of the new, rightsized terminal to serve the region remains on schedule for a 2025 opening. The financing of the TMP includes a subordinate revolving line of credit facility with PNC (the "PNC Line of Credit"). The terms of the credit facility include a maturity date of December 16, 2023, a par amount available of \$50.0 million, and interest rates of 79 percent of Bloomberg's Short-Term Bank Yield Index ("BSBY") plus 40 basis points for Tax-Exempt Draws or BSBY plus 50 basis points on Taxable Draws. This line was and continues to be used to pay certain costs of the TMP. The security for repayment of the facility is a subordinate lien on the net revenue, as defined in the Master Trust Indenture. The outstanding principal and any unpaid interest are due on the maturity date. The balance of the line of credit was \$31,520,742 on December 31, 2022.

The AOA provides approval for \$1.4 billion in TMP costs and \$90.0 million for (i) renovations of the existing airside terminal and (ii) Signatory Airline fit outs of the project's newly constructed leased premises, such as ticket counters and offices. TMP design and construction is primarily being funded with bond financing. The initial bond sale was completed on August 26, 2021 (the "2021 Bonds"). In the Fall of 2022 three bond ratings agencies affirmed their ratings with consistency in citing, among other things, an innovative leadership team, a strong diversified local economy, a diversified carrier mix and limited competition. The Authority plans to return to the bond market in late 2023 to raise additional funding for the TMP and airside renovations.

The bond sale was executed at a time of favorable market conditions and was met with solid investor demand. The Authority benefited from a relatively low interest rate environment, and investor demand was stoked by the lack of outstanding Authority bonds and a large-scale issuance, which allowed for coupon diversification.

The 2021 Bonds have a 35-year final maturity with principal repayment structured to achieve approximately level annual debt service. The 2021 Bonds consisted of two tranches:

- Series 2021A Bonds: The principal amount of the Series 2021A Bonds is \$719,850,000, and the proceeds from these bonds are used to (i) pay costs of the TMP, the airside terminal renovations, and the airline fit-outs, including repayment of a portion of the then-outstanding principal balance under the PNC Line of Credit; (ii) fund capitalized interest on the 2021A Bonds; (iii) fund the Common Debt Service Reserve Account in the Debt Service Reserve Fund; and (iv) pay the costs of issuance of the 2021A Bonds.
- Series 2021B Bonds: The principal amount of the Series 2021B Bonds is \$112,820,000, and the proceeds from these Bonds are used to (i) pay costs of the TMP, including repayment of a portion of

Allegheny County Airport Authority

Management's Discussion and Analysis (Continued)

the outstanding principal balance under the PNC Line of Credit; (ii) fund capitalized interest on the 2021B Bonds; (iii) fund the Common Debt Service Reserve Account in the Debt Service Reserve Fund; and (iv) pay the costs of issuance of the 2021B Bonds (including the premium for the insured Series 2021B Bonds).

During 2022, the Authority successfully established a bond investment portfolio that is well-positioned to generate significant earnings and manage cash flow needs in accordance with TMP construction schedules. The investment decisions are regulated by the Master Trust Indenture and applicable state law. During 2022 the Authority earned over \$8.0 million in investment earnings from the 2021A Construction Fund, 2021B Construction Fund, the Common Debt Service Reserve Fund as well as the Capitalized Interest Fund.

The Authority is intending to complete an additional bond sale in late 2023 and the proceeds will be used for remaining unfunded TMP and airside renovation costs.

The following is a summary of the Authority's Statement of Revenue, Expenses and Changes in Net Position for the years ended December 31, 2022, and 2021 (in thousands):

	<u>2022</u>	<u>2021</u>	<u>% Change 2022 vs 2021</u>
Operating revenues			
Landing fees and airline rentals and fees	\$ 54,181	\$ 49,169	10.2%
Parking revenues	43,338	28,848	50.2%
Rental car revenues	13,941	11,906	17.1%
Other revenues	29,759	30,926	-3.8%
Total operating revenues	141,219	120,849	16.9%
Nonoperating revenues			
Passenger and customer facility charges	25,441	20,852	22.0%
Gaming act revenues	12,400	12,400	0.0%
Gas drilling revenues	12,205	8,509	43.4%
Non capital grants	13,310	19,580	-32.0%
Other revenues	14,133	655	2057.7%
Total nonoperating revenues	77,490	61,996	25.0%
Total revenues	\$ 218,708	\$ 182,845	19.6%

Allegheny County Airport Authority

Management's Discussion and Analysis (Continued)

	<u>2022</u>	<u>2021</u>	<u>% Change 2022 vs 2021</u>
Operating expenses			
Salaries, wages, and benefits	70,379	63,302	11.2%
Utilities, cleaning, and maintenance	29,028	27,758	4.6%
Depreciation	52,944	59,119	-10.4%
Other expenses	53,835	39,369	36.7%
Total operating expenses	206,186	189,548	8.8%
Nonoperating expenses			
Interest expense	28,085	14,462	94.2%
Net decrease in fair value of investments	6,029	418	
Other expenses	42	-	-
Total nonoperating expenses	34,156	14,880	129.5%
Total expenses	240,342	204,428	17.6%
Loss before capital contributions and grants	(21,634)	(21,583)	0.2%
Capital contributions and grants	30,838	39,814	-22.5%
Increase (decrease) in net position	9,204	18,231	-49.5%
Net Position – beginning of year	654,094	635,862	2.9%
Net Position – end of year	<u>\$ 663,298</u>	<u>\$ 654,094</u>	<u>1.4%</u>

Total operating revenues increased approximately \$20.4 million, or 16.9%, compared to 2021. The primary drivers were combined parking and ground transportation revenues finishing the year up \$14.5 million, or 50.2%, compared to 2021 as a direct result of the 27.9% increase in enplaned passengers year over year and strategic initiatives to better utilize lots and pricing. Similarly, landing fees and airline rentals and fees were up \$5.0 million, or 10.2% in 2022 as compared to 2021 due to the increase in air service.

Total operating expenses (including depreciation) were up \$16.6 million, or 8.8%, in 2022 as compared to 2021. Salaries, wages, and benefits increased approximately \$7.2 million as employment returned to full post-pandemic levels. The category of "Other expenses" includes professional services, supplies, fuel, and chemicals and increased by \$14.5 million year over year. The application of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* resulted in the recognition of additional pension expense of \$19.5 million and \$20.4 million in 2022 and 2021, respectively.

Management's Discussion and Analysis (Continued)

Nonoperating revenues increased by \$15.5 million in 2022 primarily due to the increase in passenger activity over 2021 and investment income on the 2021 Bonds. Investment income increased \$6.6 million due to better interest rates, passenger and customer facility charges increased \$4.6 million due to the increase in passenger activity, and gas drilling revenues were \$3.7 million higher in 2022 due to an increase in market prices.

Nonoperating expenses increased \$19.3 million due to interest charges related to the 2021 Bonds, which were outstanding for only a partial year in 2021.

Significant Capital Project - Terminal Modernization Program

In 2017, the Authority approved its master plan for the Airport, which identified the need to right-size and modernize the Airport's terminal facilities. The existing terminal was designed and constructed in the late 1980s and early 1990s in close cooperation with the former US Airways to accommodate its hubbing operations. The terminal complex was therefore designed to handle high volumes of connecting traffic. The Airport no longer serves as a major hub, with US Airways ending its hubbing operations in 2004. Traffic at the Airport is now composed of approximately 97% Origination and Destination (O&D) passengers who are served by a diversified portfolio of airlines. Because the Airport is no longer a hub, the existing terminal facilities far exceed the current level of activity in some respects, and in other respects are undersized for a thriving O&D market. For example, the TSA security screening area was not originally designed to meet today's needs, causing congestion. In addition, building systems such as elevators, escalators, mechanical, electrical, and communications that became operational in 1992 are reaching the end of their respective service lives, requiring significant maintenance or replacement.

The TMP will replace the existing landside terminal at the Airport with a new landside terminal housing ticketing, the TSA checkpoint, and baggage claim. In addition, associated facilities, including roadways, parking, and rental car facilities, will be constructed adjacent to the new landside terminal. The new landside terminal will be integrated with the existing airside terminal, eliminating the need for a train between the buildings. The design of the new terminal took into account evolving customer requirements, technology, and health standards. The TMP design was informed and influenced by extensive collaboration and coordination between the Authority and its airline partners. The TMP is designed to balance airside and landside terminal operations to serve current and projected passenger demands and improve building system functionality along with reduced operating costs.

The TMP Budget totals nearly \$1.4 billion, and the opening date is scheduled for early 2025. Major components of the program include a terminal (\$761.9 million), a multimodal complex (\$164.8 million), indirect costs such as designs and management (\$303.8 million), and contingencies (\$102.5 million). The airline operating agreement executed in 2021 allowed the TMP construction to formally start in the summer of 2021. Construction activity highlights in 2022 included continued foundation work, structural steel installation going vertical, the terminal roadway bridge piers started, and structural steel erection on the MMC. Construction is on schedule, and the TMP costs are in line with the established budget. With inflationary factors increasing as the year 2022 progressed, a substantial amount of construction contingency was spent as certain bid packages came in over budget and this situation will be monitored closely in 2023. Construction bids awarded in 2022 totaled \$305.7 million, bringing the net total of bids awarded to date to 92% of the overall construction value of \$995.8 million. Furthermore, costs to date totaled \$511.9 million through the end of 2022.

COVID-19 Significant Legislation (Four Acts)

On March 11, 2020, the World Health Organization declared a pandemic based on the outbreak of a respiratory disease caused by a new coronavirus. First identified in late 2019 and now known as COVID-19, the outbreak spread across the globe. In response, many countries implemented measures to combat the outbreak. These measures included international travel restrictions and, in some states, orders to stay home. As a result, domestic travel across the United States significantly declined. In response, legislation

Management's Discussion and Analysis (Continued)

was subsequently passed on four separate occasions to partially offset the negative financial impacts of COVID-19.

The CARES Act, signed into law on March 27, 2020, included \$10.0 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the COVID-19 pandemic. The Authority was awarded \$36.2 million. Funds are to be utilized within four years, with a key focus on operating costs and debt service. During 2022, the Authority utilized the final \$2.3 million to partially offset operating expenses. The FAA has officially approved the grant closeout.

CRRSAA, signed into law on December 27, 2020, included nearly \$2.0 billion in funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports. From this second relief package, the Authority was awarded \$10.6 million. During 2022, the Authority utilized the final \$1.1 million as a pass-through to the Airport's concessionaires. The final grant closeout for the concessions pass-through is pending review with the FAA.

ARPA, signed into law on March 11, 2021, included \$8.0 billion in funds to be awarded as economic assistance to eligible U.S. airports. The Authority was awarded \$35.6 million from this third relief package, consisting of 2 grants under this law.

1. \$31.6 million which is being utilized to offset operating costs. As of December 31, 2022, \$16.5 million of this grant has been used. The remaining \$15.1 million is anticipated to be used in 2023 and 2024.
2. \$4.0 million relating to additional concessions relief. As of December 31, 2022, this grant has not been utilized. ACAA anticipates using this grant in 2023.

The Bipartisan Infrastructure Law (BIL), another major legislative act, was signed on November 15, 2021. The BIL included \$25.0 billion in funds for airport-related projects. These funds can be invested in runways, taxiways, safety, and sustainability projects, as well as terminal, airport-transit connections, and roadway projects. This law is further broken out between competitive grants and entitlement grants.

1. Competitive Grants officially known as Bipartisan Infrastructure Law Funding Airport Terminal Program Grants (ATP).

In 2022 the Authority was awarded \$20 million which is being used to procure Steel for the TMP project. As of December 31, 2022, \$1.9 million of this grant was used. The Authority anticipates spending the grant by early 2024.

In 2023 the Authority was selected to receive \$3.5 million which will also be used to support the TMP project. ACAA is currently completing the official grant application to solidify these funds.

The Authority will continue to apply for these competitive grants in 2024 through 2026.

2. Entitlement Grants officially known as Bipartisan Infrastructure Law Airport Infrastructure Grants (AIG)

These grants include an annual allocation for the next 5 years where 2022 and 2023 are fixed amounts and 2024 through 2026 are adjusted based on most the recent current year enplaned passenger or NPIAS classification. These grants can be carried over to future years. The Authority chose to rollover 2022 grants and therefore, the first utilization of AIG grants will be in 2023. The Authority's airports each will receive entitlement grants as follows:

- a. Pittsburgh International Airport is estimated to receive \$55.1 million (\$11.03

Management's Discussion and Analysis (Continued)

million per year for five years adjusted in later years as stated above). These funds will be used on various capital projects, including the TMP.

- b. Allegheny County Airport is estimated to receive a total of \$3.8 million (\$763,000 per year for five years) and has budgeted these funds on airfield pavement and airfield signage projects.

Allegheny County Airport Authority

Management's Discussion and Analysis (Continued)

Financial Position

The following represents a summary of the Authority's Statement of Net Position as of December 31, 2022, and 2021 (in thousands):

	<u>2022</u>	<u>2021 *</u>	<u>% Change 2022 vs 2021</u>
Assets and Deferred Outflows of Resources			
Assets			
Current assets - Unrestricted	\$ 161,727	\$ 128,837	25.5%
Current assets - Restricted	76,264	32,893	131.9%
Net property and equipment	1,037,141	745,467	39.1%
Other non current assets - Unrestricted	227,280	43,477	422.8%
Other non current assets - Restricted	647,435	903,358	-28.3%
Total assets	2,149,847	1,854,032	16.0%
Deferred Outflows of Resources	83,712	61,010	37.2%
Total assets and deferred outflows of resources	<u>\$ 2,233,559</u>	<u>\$ 1,915,042</u>	<u>16.63%</u>
	<u>2022</u>	<u>2021 *</u>	<u>% Change 2022 vs 2021</u>
Liabilities and Deferred Inflows of Resources			
Liabilities			
Current payables from unrestricted assets	\$ 65,411	\$ 23,454	178.9%
Current payables from restricted assets	74,328	32,893	126.0%
Long-term liabilities	1,188,829	1,196,374	-0.6%
Total liabilities	1,328,568	1,252,721	6.1%
Deferred Inflows of Resources	241,693	8,227	2837.8%
Total liabilities and deferred inflows of resources	1,570,261	1,260,948	24.5%
Net Position			
Net investment in capital assets	602,988	558,844	7.9%
Restricted	33,085	64,964	-49.1%
Unrestricted	27,225	30,285	-10.1%
Total net position	<u>\$ 663,298</u>	<u>\$ 654,093</u>	<u>1.41%</u>

* Note: Year 2021 excludes the impact of GASB 87 - Leases

Allegheny County Airport Authority

Management's Discussion and Analysis (Continued)

The Authority's total net position increased by \$9.2 million from 2021 due to changes in net investments in capital assets, restricted net position, and unrestricted net position. The net investment in capital assets increased by \$44.1 million due to a \$291.7 million increase in net capital assets, offset by a \$222.5 million decrease in available cash from the 2021 Bonds, an increase of \$18.6 million in unspent bond proceeds, and an increase in long-term debt primarily related to the 2021 Bonds of \$25.5 million. Restricted net position decreased by \$31.9 million primarily due to a net decrease in restricted assets when accounting for restricted accounts payable that will be paid out of those restricted assets. This decrease was partially offset by the increase in Operation and Maintenance reserve of \$2.2 million required under the 2021 Bonds' new Master Trust Indenture.

For the year ended December 31, 2022, the Authority's financial statements include the adoption of GASB Statement No. 87, Leases ("GASB 87"). Further detailed information on the Authority's leases can be found in Note 13 to the financial statements.

Capital Asset and Debt Administration

Capital Assets - The Authority's capital assets, net of depreciation, as of December 31, 2022, and 2021 amounted to \$1.0 billion and \$745.5 million, respectively. The capital assets include land and land improvements (including runways and taxiways); buildings and building improvements; equipment; furniture and fixtures; as well as construction in progress. The total increase in the Authority's capital assets before accumulated depreciation for 2022 was 13.6%.

Major capital projects in progress and expenditures incurred during 2022 included the following:

Terminal Modernization Program	\$288.9 million
Development area projects	\$14.2 million
Airfield projects	\$7.9 million

Major capital projects in progress and expenditures incurred during 2021 included the following:

Terminal Modernization Program	\$81.4 million
Development area projects	\$7.4 million
Airfield projects	\$5.1 million

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method. Acquisitions are funded using a variety of sources, including federal grants, state grants, passenger facility charges, debt issuance, and cost recovery through airline rates and charges. Major commitments include \$583.6 million for the TMP and \$209.2 million for multiple other projects. Further detailed information on the Authority's capital assets can be found in Note 5 to the financial statements.

Debt Administration - As of December 31, 2022, and 2021, the Authority's long-term debt outstanding totaled \$1,043.6 million and \$1,019.4 million, respectively. The outstanding debt as of December 31, 2021, consists primarily of taxable draws from the PNC Line of Credit and the 2021 Bonds. Additionally, the Authority reported \$5.0 million and \$3.7 million in installment purchases on December 31, 2022, and 2021, respectively. In August 2022, ratings were obtained from Fitch (A Stable), Moody's (A2 Stable), and Kroll (A+). Detailed information regarding the Authority's long-term debt can be found in Note 6 to the financial statements.

Management's Discussion and Analysis (Continued)

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Authority's Chief Financial Officer, Pittsburgh International Airport, Landside Terminal, 4th Floor Mezz., Pittsburgh, PA 15231-0370 or via the "Contact Us" area of the Authority's website at www.flypittsburgh.com.

Allegheny County Airport Authority

Statement of Net Position

December 31, 2022

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 38,715,618
Investments (Note 3)	72,395,969
Receivables:	
Trade receivables	7,043,375
Due from County of Allegheny, Pennsylvania (Note 11)	586,974
Accrued interest receivable	961,390
Leases receivable	8,567,607
Due from other governments	27,165,745
Gas drilling receivable	1,405,432
Other receivables	2,560,778
Inventory	2,324,238
Restricted assets: (Note 4)	
Cash and cash equivalents (Note 3)	46,460,473
Investments (Note 3)	27,539,893
Accrued interest receivable	407,825
Passenger and customer facility charge receivable	1,855,916

Total current assets 237,991,233

Noncurrent assets:

Restricted assets - Restricted investment securities (Note 4)	647,434,799
Investments (Note 3)	42,122,308
Capital assets: (Note 5)	
Assets not subject to depreciation	730,558,435
Assets subject to depreciation - Net	306,582,314
Lease receivable - Net of current portion	185,147,179
Prepaid debt issuance costs	10,707

Total noncurrent assets 1,911,855,742

Total assets 2,149,846,975

Deferred Outflows of Resources - Deferred pension costs (Note 8) 83,712,003

Liabilities

Current liabilities:

Accounts payable	9,159,544
Due to County of Allegheny, Pennsylvania (Note 11)	1,949,626
Payables from restricted assets:	
Accounts payable	26,112,585
Accrued liabilities	32,520,480
Retainage payable	14,580,829
Other liabilities	1,114,432
Short-term line of credit (Note 6)	31,520,742
Unearned revenue	11,038,557
Accrued liabilities and other	11,051,707
Current portion of long-term debt (Note 6)	690,629

Total current liabilities 139,739,131

Noncurrent liabilities:

Long-term debt (Note 6)	1,016,379,732
Net pension liability (Note 8)	169,562,428
Unearned revenue	1,931,908
Other noncurrent liabilities	955,144

Total noncurrent liabilities 1,188,829,212

Total liabilities 1,328,568,343

Allegheny County Airport Authority

Statement of Net Position (Continued)

December 31, 2022

Deferred Inflows of Resources

Deferred pension cost reductions (Note 8)	\$ 51,432,611
Leases	190,260,132
Total deferred inflows of resources	<u>241,692,743</u>

Net Position

Net investment in capital assets	602,987,861
Restricted:	
Capital projects	12,666,688
Operations and maintenance	20,010,731
Debt service	407,825
Unrestricted	<u>27,224,787</u>
Total net position	<u><u>\$ 663,297,892</u></u>

Allegheny County Airport Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2022

Operating Revenue

Landing fees	\$ 19,764,353
Terminal area airline rentals and fees	34,416,329
Other aeronautical revenue	7,896,013
Parking revenue	43,337,837
Rental car revenue	13,941,324
Terminal concessions	11,033,171
Other nonaeronautical revenue	8,233,096
Allegheny County Airport revenue	<u>2,596,417</u>

Total operating revenue 141,218,540

Operating Expenses

Salaries, wages, and benefits	70,378,920
Utilities	11,392,806
Cleaning and maintenance services	17,635,063
Professional services	33,834,076
Other	16,458,412
Allegheny County Airport expenses	3,542,971
Depreciation	<u>52,943,562</u>

Total operating expenses 206,185,810

Operating Loss (64,967,270)

Nonoperating Revenue (Expense)

Interest income	7,139,253
Loss on sale of assets	(41,682)
Customer facility charges	9,573,786
Passenger facility charges	15,867,688
Gaming Act revenue	12,400,000
Gas drilling revenue	12,205,005
Grant revenue	13,310,283
Interest expense	(28,085,474)
Net decrease in fair value of investments	(6,029,257)
Lease interest revenue - GASB 87	6,788,935
Other nonoperating income	<u>204,712</u>

Total nonoperating revenue 43,333,249

Loss - Before capital contributions (21,634,021)

Capital Contributions - Capital grants 30,838,294

Change in Net Position 9,204,273

Net Position - Beginning of year 654,093,619

Net Position - End of year \$ 663,297,892

Allegheny County Airport Authority

Statement of Cash Flows

Year Ended December 31, 2022

Cash Flows from Operating Activities

Receipts from customers and users	\$ 145,405,407
Payments to suppliers for goods and services	(59,496,133)
Payments to employees and fringes	(35,221,712)

Net cash and cash equivalents provided by operating activities 50,687,562

Cash Flows from Noncapital Financing Activities

Gaming Act receipts	12,400,000
Gas drilling rent and royalty receipts	12,728,727
Grant revenue receipts	13,310,283
Nonoperating receipts	204,712

Net cash and cash equivalents provided by noncapital financing activities 38,643,722

Cash Flows from Capital and Related Financing Activities

Net draws on line of credit and issuance of debt obligations	35,289,734
Receipt of capital grants and contributions	18,935,721
Payments for construction in progress and purchase of capital assets	(344,659,048)
Net payments on bonds, interest, and other debt-related charges	(30,873,596)
Passenger facility charges collected	15,867,688
Customer facility charges collected	16,362,721

Net cash and cash equivalents used in capital and related financing activities (289,076,780)

Cash Flows from Investing Activities

Interest received on investments	(259,219)
Purchases of investment securities	(599,930,001)

Net cash and cash equivalents used in investing activities (600,189,220)

Net Decrease in Cash and Cash Equivalents (799,934,716)

Cash and Cash Equivalents - Beginning of year 885,110,807

Cash and Cash Equivalents - End of year **\$ 85,176,091**

Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 38,715,618
Restricted cash and cash equivalents - Current	46,460,473

Total cash and cash equivalents **\$ 85,176,091**

Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities

Operating loss	\$ (64,967,270)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:	
Depreciation	52,943,562
Changes in assets and liabilities:	
Receivables	4,215,390
Inventories	(100,957)
Prepaid and other assets	(68,621)
Accounts payable	23,915,309
Net pension liability	(1,024,677)
Deferrals related to pension	20,503,093
Accrued and other liabilities	15,271,733

Total adjustments 115,654,832

Net cash and cash equivalents provided by operating activities **\$ 50,687,562**

Significant Noncash Transactions - Issuance of installment purchase obligation \$ 1,900,333

December 31, 2022**Note 1 - Nature of Business**

Allegheny County Airport Authority (the "Authority") presently leases and operates the Pittsburgh International Airport (PIT or the "Airport") and the Allegheny County Airport (AGC) (collectively, the "Airport System"). The Authority's activities are commercial in nature and are intended to be self-sustaining. The Authority is a corporate body existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipality Authorities Act of 1945, approved on May 2, 1945, P.L. 382, and subsequently amended by the Municipal Authority Act, Act 22 of 2001. The Authority was organized by the County of Allegheny, Pennsylvania (the "County") on June 17, 1999. On September 16, 1999, pursuant to the Airport Operation, Management and Transfer Agreement and Lease between the County and the Authority (the "Transfer Agreement"), as amended, the County transferred and leased the Airport System to the Authority for an initial term of 25 years with two 25-year extension options exercisable at the option of the Authority. In connection with the Transfer Agreement, the County transferred to the Authority all of the County's rights, title, and interest in the property utilized by the County in connection with the Airport System. In addition, all contractual rights, obligations, and liabilities pertaining to the Airport System, including revenue and general obligation bonds issued by the County to finance construction and development of PIT, were transferred to the Authority by the County. Prior to the organization of the Authority, the operations were included in the County's Department of Aviation.

Board members of the Authority are appointed by the county executive, subject to confirmation by a majority of the County Council. The Authority's financial statements are presented as a component unit in the County's general purpose financial statements and Annual Comprehensive Financial Report. Given the relationship of the parties to the Transfer Agreement, no adjustments were made to the historical carrying values of the Airport System's assets and liabilities and net position. The accompanying financial statements reflect the financial position and results of operations of the Authority as of and for the year ended December 31, 2022.

Note 2 - Significant Accounting Policies***Accounting and Reporting Principles***

The Governmental Accounting Standards Board (GASB) establishes standards for external financial reporting for state and local governments and components thereof. The Authority's net position is classified into three categories according to external restrictions or availability of assets for satisfaction of authority obligations. The Authority's net position is classified as follows:

- Net Investment in Capital Assets - This represents the Authority's total investment in capital assets - net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted Net Position - This includes resources for which the Authority is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- Unrestricted Net Position - Unrestricted net position represents resources derived from operations that may be used at the discretion of the board of directors for any purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

Basis of Accounting

The Authority is accounted for as a single-purpose, business-type entity since its operations are financed and operated in a manner similar to a private business. The Authority's financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

December 31, 2022**Note 2 - Significant Accounting Policies (Continued)*****Revenue and Expenses***

Revenue from airlines, concessionaires, lessees, and parking is reported as operating revenue. Operating expenses include the cost of administering the airport system, plus depreciation and amortization of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions and grants.

Revenue Recognition and Unearned Revenue***Airline Operating Agreement***

Landing fees and terminal building lease rental revenue include amounts computed in accordance with the Airline Operating Agreement (AOA) between the Authority and the airlines serving PIT that sign this agreement (the "Signatory Airlines"). The AOA provides that the aggregate of airline fees and charges, together with other revenue, including nonairline revenue, for each fiscal year should be sufficient to pay the operating expenses of the cost centers included in the AOA and to make all deposits and payments under the bond indentures issued in connection with financings of capital projects for the Authority. In 2021, the AOA was extended to expire on December 31, 2028.

American Airlines, together with its affiliated commuter airlines, accounted for approximately 24 percent of total enplaned passengers at PIT in 2022. Southwest Airlines accounted for approximately 25 percent of total enplaned passengers at PIT in 2022. Revenue from American Airlines represents approximately 13.7 percent of PIT operating revenue in 2022. Revenue from Southwest Airlines represents approximately 8.2 percent of PIT operating revenue in 2022. No other airline represents more than 10 percent of operating revenue or 20 percent of total enplaned passengers.

Concession and Rental Car Revenue

Concession and rental car revenue is generally based on a fixed percentage of tenant revenue, subject to certain minimum monthly fees.

On Wednesday, June 15, 2022, Allegheny County Airport Authority terminated the Fourth Amended and Restated Master Lease, Development and Concession Agreement (the "Master Lease") between the Authority and Fraport Pittsburgh Inc., formerly known as Airmall Pittsburgh, Inc. (Fraport). Fraport also filed a request to remain as the airport concession operator.

On Wednesday, August 17, 2022, the court denied Fraport's request to remain as the airport concession operator, and, as a result, the Authority assumed the management of the Pittsburgh International Airport concession operations.

The litigation with Fraport remains ongoing as of December 31, 2022, and any liability the Authority has is unknown at this time.

Parking Revenue

Parking revenue is derived from a third-party operator and is based on a fixed percentage of net revenue, as defined in the associated management agreement.

December 31, 2022

Note 2 - Significant Accounting Policies (Continued)**Gas Drilling Revenue**

In February 2013, a lease was executed with CNX Gas Company LLC (CNX) for the exploration, drilling, and production of minerals, namely Marcellus Shale natural gas, on the properties of Pittsburgh International and Allegheny County airports. The Authority's contract includes approximately \$45.1 million in nonrefundable bonus payments, which were accreted to nonoperating revenue during the initial five-year term (March 2013 through February 2018) of the lease. The lease term continues from year to year as long as any leased minerals are produced in paying quantities from the leased premises. During 2016, the Authority began receiving royalty revenue payments for gas production. Total royalty revenue approximated \$11.8 million during 2022. The Authority has and continues to receive ground rent payments for underdeveloped acreage. During the year ended December 31, 2022, this revenue was approximately \$370,000.

Passenger Facility Charges (PFCs)

On October 1, 2001, the airlines began collecting PFCs on qualifying enplaning passengers at PIT on behalf of the Authority. PFCs are fees imposed on enplaning passengers by airports to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system; fund noise mitigation at the airport; or furnish opportunities for enhanced competition between or among air carriers. Regulations have been promulgated by the Federal Aviation Administration (FAA) that enhance the eligibility of PFC usage to include, among other things, debt service payments. Both the fee imposed and the intended uses must be reviewed and approved by the FAA.

Effective December 1, 2004, the FAA approved an increase to the PFC, allowing the Authority to collect at the current maximum rate of \$4.50. The project summary was approved by the FAA in its Record of Decision, dated July 2001, and subsequently amended through December 17, 2019, as follows:

Reimbursement for preapplication projects (to be applied to debt service)	\$ 215,055,143
Safety and security-related projects	160,695,520
Environmental-related projects	82,427,857
Terminal development projects	<u>741,021,344</u>
Total	<u>\$1,199,199,864</u>

The Authority has expended \$365,351,401 on these projects through December 31, 2022.

PFC revenue is classified as nonoperating in the statement of revenue, expenses, and changes in net position and is restricted for capital improvements, debt service, and certain other uses approved by the FAA.

Customer Facility Charges (CFCs)

Beginning on June 1, 2011, the Authority began collecting CFCs from all rental car concessionaires that operate at PIT. CFC revenue is classified as nonoperating in the statement of revenue, expenses, and changes in net position. Such amounts are restricted for operating and maintenance expense, capital improvements, and debt service related to the rental car operation at the Airport or for any rental car-related purpose the Authority determines is a reasonable use of such funds.

The CFC fee is charged to each on-airport rental car concessionaire customer on a per transaction day basis. The CFC rate was increased to \$6.00 effective February 1, 2020. Also, at the request of the rental car companies, in April 2020, the Authority raised the cap on the number of days of collection from 7 to 30. Pursuant to the new rental car agreements, prior to DBO, CFCs equal to the first \$5.00 per transaction day will be used to fund rental car-allocable project costs on a pay-as-you-go basis, and the remaining \$1.00 in incremental CFCs will be used to fund up to \$1 million in costs to realign service areas and up to \$7 million to fund Terminal Modernization Program rental car tenant improvements.

December 31, 2022**Note 2 - Significant Accounting Policies (Continued)****Federal and State Grants**

Outlays for airport capital improvements and, from time to time, certain airport operating expenses are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Pennsylvania. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred and is recorded as a component of capital contributions and grants. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Tenant-financed Improvements

Unearned revenue also includes amounts funded by tenants of the Authority for certain capital assets. These unearned revenue amounts are being amortized to contribution revenue using the straight-line method over the depreciable lives of the related assets through credits to current rents payable.

Specific Balances and Transactions**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Changes in the fair value of investments are reported as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Inventories

Inventories are valued at cost, which is determined using the weighted-average method of accounting. Inventories are composed of construction-related materials and parts used for maintenance of facilities and equipment.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Costs incurred for major improvements are carried in construction in progress until the assets are placed in service or are available for use, whichever occurs first.

December 31, 2022

Note 2 - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Terminal buildings	10-30
Airfield (runways/taxiways/deicing)	20
Site development	30-50
Parking garage/lots/etc.	15-40
Hangers	5-30
Roadways	10-20
Mobile and other equipment	10-20
Computer/Security equipment and systems	5-20
Utilities	10-40
Other assets	10-30
Other structures	10-30
Landing area - Non sub	20-50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Authority reports deferred outflows related to pension. See Note 8 for further details on pension deferred outflows.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred inflows related to pension and deferred lease revenue. See Notes 8 and 13 for further details on pension inflows and deferred lease revenue, respectively.

Pension

The Authority participates in a single-employer defined benefit pension plan sponsored by the County, known as the Allegheny County Employees' Retirement System (the "Plan"). For reporting and accounting purposes, the Plan is treated as a cost-sharing multiple-employer defined-benefit plan, as the Plan covers both the Authority's and the County's employees. The Authority records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Allegheny County Employees' Retirement System Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

December 31, 2022**Note 2 - Significant Accounting Policies (Continued)****Compensated Absences (Vacation and Sick Leave)**

It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Certain firefighters employed by the Authority earn vested sick benefits that are accrued for based on the estimated amount that the Authority will pay upon employment termination (current rates of compensation plus appropriate taxes); vacation pay is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

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 revenue and expenses during the period. Actual results could differ from those estimates.

Leases

The Authority is a lessor for noncancelable leases of certain assets, including airport facilities, surrounding property, and locations within the airport. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Authority uses its incremental borrowing rate at lease inception as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease activity is further described in Note 13.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2023.

Note 2 - Significant Accounting Policies (Continued)

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2023.

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Authority does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2024.

Adoption of New Accounting Pronouncement

During the current year, the Authority adopted GASB Statement No. 87, *Leases*. As a result, the Authority now includes receivables for the presented value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 13.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

Cash and cash equivalents	\$ 38,715,618
Investments	114,518,277
Restricted cash and cash equivalents - Current	46,460,473
Restricted cash and investments - Noncurrent	647,434,799
Restricted investments - Current	27,539,893
Total deposits and investments	<u>\$ 874,669,060</u>

December 31, 2022

Note 3 - Deposits and Investments (Continued)

These amounts are classified into the following deposit and investment categories:

Deposits with financial institutions	\$ 29,384,375
Investments:	
Reported at cost - Investment pool - Federated government obligations fund	37,180,008
Reported at fair value:	
Commercial paper	214,898,809
Treasury notes	570,157,862
Municipal bonds	23,048,006
Total	<u>\$ 874,669,060</u>

The Authority's investment policy is to follow Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act and Act 131 of 2014 (Section 2) (collectively, the "Acts"). In accordance with the Acts, the Authority is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania (the "Commonwealth") or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; (4) commercial paper rated in the highest rating category, without reference to a subcategory, by a rating agency; and (5) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investments of that company are in the authorized investments for authority funds listed (1) through (4) above.

Commonwealth of Pennsylvania law requires that the Authority's deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation, or the National Credit Union Insurance Fund. To the extent that such accounts are so insured, and for any amounts above the insured maximum, the approved collateral, as provided by law, shall be pledged by the depository.

The Authority has designated four banks for the deposit of its funds. The Authority's deposits and investments are in accordance with statutory authority and the adopted investment policy.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's cash deposits are insured up to \$250,000 at financial institutions insured by the FDIC. Any cash deposits in excess of the \$250,000 FDIC limits are uninsured and collateralized by financial institutions via single collateral pool arrangements, as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly, for the protection of public depositors. At December 31, 2022, the Authority had bank deposits of \$26,537,005 that were uninsured but collateralized.

December 31, 2022

Note 3 - Deposits and Investments (Continued)***Custodial Credit Risk of Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2022, the Authority's investments were not exposed to custodial credit risk. The Authority's investments are held by the pledging financial institution's trust department or agent in the Authority's name. The Authority's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority does not have an investment policy that manages exposure to fair value losses arising from rising interest rates.

At December 31, 2022, the Authority had the following investments and maturities:

Type of Investment	Carrying Value	Less Than 1 Year	1-5 Years
Investment pool - Federated government obligations fund	\$ 37,180,008	\$ 37,180,008	\$ -
Commercial paper	214,898,809	214,898,809	-
Treasury notes	570,157,862	91,414,795	478,743,067
Municipal bonds	23,048,006	23,048,006	-
Total	<u>\$ 845,284,685</u>	<u>\$ 366,541,618</u>	<u>\$ 478,743,067</u>

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Act provides for investment of governmental funds into certain authorized investment types. Statutes do not prescribe regulations related to demand deposits; however, they do allow pooling of governmental funds for investment. The Authority has no investment policy that would further limit its investment choices. The deposit and investment policy of the Authority adheres to state statutes, related trust indentures, and prudent business practices. As of December 31, 2022, the credit quality ratings of investments are as follows:

Investment	Carrying Value	Standard & Poor's	Moody's
Investment pool - Federated government obligations fund*	\$ 37,180,008	AAA	Aaa
Commercial paper	214,898,809	A-1	P-1
Treasury notes	570,157,862	AAA	Aaa
Municipal bonds	23,048,006	AA	Not Rated
Total	<u>\$ 845,284,685</u>		

*Investment is valued at amortized cost rather than fair value. There is no limitation on redemption frequency, no redemption notice period required, and no unfunded commitments.

Concentration of Credit Risk

The Authority's investment policy places no limit on the amount the Authority may invest in any one issuer. At December 31, 2022, the Authority does not have any investments subject to concentration of credit risk.

December 31, 2022

Note 3 - Deposits and Investments (Continued)**Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Authority's exposure to foreign currency risk derives from its investments in commercial paper issued by Canadian, Asian, and other foreign corporations. The Authority's investment policy permits it to hold commercial paper rated in the highest rating category, without reference to a subcategory, by a rating agency. At December 31, 2022, the Authority's investment in commercial paper of foreign currencies matured in less than one year and had a fair value of \$121,497,328.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of December 31, 2022:

Assets Measured at Carrying Value on a Recurring Basis at December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Investments by Fair Value Level				
U.S. Treasury securities	\$ 570,157,862	\$ -	\$ -	\$ 570,157,862
Municipal bonds	-	23,048,006	-	23,048,006
Commercial paper	-	214,898,809	-	214,898,809
Total investments by fair value level	<u>\$ 570,157,862</u>	<u>\$ 237,946,815</u>	<u>\$ -</u>	<u>\$ 808,104,677</u>

Securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The fair value of commercial paper at December 31, 2022 was determined primarily using Level 2 inputs. The Authority estimates the fair value of these investments using other inputs, such as top-tier third-party pricing sources, including Interactive Data Corporation.

December 31, 2022**Note 4 - Restricted Assets**

At December 31, 2022, restricted assets are composed of the following:

Passenger and customer facility charge receivables	\$ 1,855,916
Unspent bond proceeds	626,755,106
Operations and maintenance reserve	24,674,840
Airport system capital fund	45,235,453
Equipment and capital outlay fund	5,839,683
Prefunded grant proceeds	7,945,497
Deposits held for others	960,881
Customer facility charges fund	7,349,308
Passenger facility charges fund	1,492,125
Other	1,590,097
Total	<u>\$ 723,698,906</u>

Under the AOA, the Authority must also maintain certain funds and accounts (as therein defined). The AOA further requires the use of a cost-center structure. In general, revenue from all cost centers is pledged to the payment of the Authority's revenue bonds. However, debt service on the TMP will be charged to the terminal cost center exclusively.

The Passenger Facility Charge Fund provides for the segregation of PFC receipts, as required by the FAA. Such revenue is to be expended only for allowable capital projects or to repay debt issued for allowable capital projects under a record of decision granted by the FAA.

All other restricted funds and accounts (including those established under the AOA) of the Authority represent amounts held for customer facility charge fund expenditures, specific grants and capital projects, or deposits held on behalf of others.

December 31, 2022

Note 5 - Capital Assets

Capital asset activity of the year ended December 31, 2022 is as follows:

	Balance January 1, 2022	Additions	Disposals and Adjustments	Transfers	Balance December 31, 2022
Capital assets not being depreciated:					
Land	\$ 112,630,772	\$ -	\$ -	\$ -	\$ 112,630,772
Construction in progress	290,659,807	344,659,048	-	(17,391,192)	617,927,663
Subtotal	403,290,579	344,659,048	-	(17,391,192)	730,558,435
Capital assets being depreciated:					
Terminal buildings	728,217,364	-	-	1,072,231	729,289,595
Airfield (runways, taxiways, and deicing)	202,669,165	-	-	1,491,572	204,160,737
Site development	78,082,183	-	-	106,500	78,188,683
Parking garage and lots	121,908,692	-	-	459,933	122,368,625
Hangers	48,218,949	-	-	1,184,320	49,403,269
Other structures	209,508,335	-	-	993,069	210,501,404
Roadways	71,565,379	-	-	2,973,191	74,538,570
Mobile and other equipment	54,851,717	-	(549,780)	5,091,086	59,393,023
Computer and security equipment/systems	64,094,279	-	-	2,290,577	66,384,856
Utilities	51,957,874	-	-	107,951	52,065,825
Other assets	35,638,294	-	-	1,620,762	37,259,056
Landing area (non sub)	343,202,403	-	(15,920,000)	-	327,282,403
Subtotal	2,009,914,634	-	(16,469,780)	17,391,192	2,010,836,046
Accumulated depreciation:					
Terminal buildings	668,323,012	15,154,412	-	-	683,477,424
Airfield (runways, taxiways, and deicing)	122,265,896	9,152,218	-	-	131,418,114
Site development	50,897,442	1,650,549	-	-	52,547,991
Parking garage and lots	93,106,631	4,339,898	-	-	97,446,529
Hangers	42,926,786	657,606	-	-	43,584,392
Other structures	140,086,440	6,151,290	-	-	146,237,730
Roadways	64,171,302	1,242,246	-	-	65,413,548
Mobile and other equipment	42,071,080	2,917,074	(508,098)	-	44,480,056
Computer and security equipment/systems	49,764,867	2,754,454	-	-	52,519,321
Utilities	46,498,934	1,190,164	-	-	47,689,098
Other assets	23,468,150	2,456,151	-	-	25,924,301
Landing area (non sub)	324,157,728	5,277,500	(15,920,000)	-	313,515,228
Subtotal	1,667,738,268	52,943,562	(16,428,098)	-	1,704,253,732
Net capital assets being depreciated	342,176,366	(52,943,562)	(41,682)	17,391,192	306,582,314
Net business-type activities capital assets	<u>\$ 745,466,945</u>	<u>\$ 291,715,486</u>	<u>\$ (41,682)</u>	<u>\$ -</u>	<u>\$ 1,037,140,749</u>

December 31, 2022

Note 5 - Capital Assets (Continued)

Construction Commitments

Construction in progress related to runway and taxiway rehabilitation, garage and parking lots, terminal enhancements, nonairfield property development, and the Terminal Modernization Program. As of December 31, 2022, the Authority's equipment purchases and construction commitments are as follows:

	Spent to Date	Remaining Commitment
Terminal Modernization Program	\$ 470,416,630	\$ 583,561,611
Airside terminal projects	5,086,966	8,385
Development area projects	36,083,131	2,953,849
Other projects	144,082,206	206,246,552
Total	<u>\$ 655,668,933</u>	<u>\$ 792,770,397</u>

Inexhaustible Assets

The Authority maintains various collections of inexhaustible assets to which no value can be determined. Such collections could include contributed works of art, historical treasures, literature, etc. that are held for exhibition and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2022 can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
Line of credit	Variable	N/A	\$ 1,116,543	\$ 30,404,199	\$ -	\$ 31,520,742	\$ 31,520,742
BIOS loan	2.00%	\$82,783-\$217,925	2,895,009	2,949,754	-	5,844,763	-
Tax Increment Financing Note, Series 2022 (McClaren Road Tax Increment Financing District)	5.00%	\$192,991 - \$1,239,389	-	1,935,781	-	1,935,781	-
Total direct borrowings and direct placements principal outstanding			4,011,552	35,289,734	-	39,301,286	31,520,742
Other debt - Series 2021A and 2021B bonds	4.00%-5.00%	\$12,560,000-\$26,680,323	832,670,000	-	-	832,670,000	-
Unamortized bond premiums - Series 2021A and 2021B bonds	0	0	182,668,667	-	(11,007,323)	171,661,344	-
Total long-term debt			1,019,350,219	35,289,734	(11,007,323)	1,043,632,630	31,520,742
Other liabilities - Installment purchases:							
2020 installment purchase - 3D printer	6.25%	\$29,294 - \$45,085	2,652,705	-	(389,067)	2,263,638	414,094
2022 installment purchase - 3D printer	1.99%	\$20,724-\$24,632	-	1,900,333	(230,361)	1,669,972	256,856
Installment purchase - Powder facility	6.25%	\$1,459 - \$6,895	1,043,353	-	(18,490)	1,024,863	19,679
Total installment purchases			3,696,058	1,900,333	(637,919)	4,958,473	690,629
Total long-term debt and installment purchase obligations			<u>\$ 1,023,046,277</u>	<u>\$ 37,190,067</u>	<u>\$ (11,645,241)</u>	<u>\$ 1,048,591,103</u>	<u>\$ 32,211,371</u>

December 31, 2022**Note 6 - Long-term Debt (Continued)*****Lines of Credit - Direct Borrowings***

On December 17, 2021, the Authority updated an existing subordinate revolving line of credit. The terms of the latest agreement include a maturity date of December 16, 2023; a par amount available of \$50,000,000; and interest rates of 79 percent of BSBY plus 40 basis points for tax-exempt draws or BSBY plus 50 basis points on taxable draws. The funds are to be used to pay for costs of the Authority's Terminal Modernization Program. The security for repayment of the loan is a subordinate lien on the net revenue per the new Master Trust Indenture. Interest paid in 2022 on the line of credit was \$498,939. The December 31, 2022 balance on this line of credit was \$31,520,742.

After year end, significant payments were made. As of April 10, 2023 the outstanding balance was \$7,436,653.

BIOS Loan - Direct Borrowings

On June 20, 2020, the Authority entered into an agreement with the PA Department of Community & Economic Development for a Business in Our Sites (BIOS) loan in the amount of \$6 million. This loan will be used to advance land development at the Neighborhood 91 site. The Authority has drawn down \$5,844,763 as of December 31, 2022. Per modified payment terms of the note, upon the earlier of the leasing of 30 percent of the site or the fifth anniversary of the effective date, the borrower will begin to make monthly principal and interest payments in an amount to fully amortize the loan by the maturity date. As of December 31, 2022, there is one tenant that has started to lease.

Series 2021A and 2021B Bonds

On August 26, 2021, the Authority issued its Airport Revenue Bonds: Series 2021A (AMT) and Series 2021B (Non-AMT) (the "2021 Bonds") in the amounts of \$719,850,000 and \$112,820,000, respectively. The proceeds of the 2021 Bonds will be used to pay (1) a portion of the costs of the Authority's Terminal Modernization Program, (2) the costs of funding interest on and a debt service reserve account for the 2021 Bonds, and (3) the costs of issuing the 2021 Bonds.

The principal of, interest on, and premium on the 2021 Bonds are payable by the Authority only out of net revenue (as defined under the provisions of the Master Trust Indenture and Supplemental Indentures) and from such other moneys as may be available for such purpose. Neither the general credit of the Authority nor the credit or taxing power of the County of Allegheny, Pennsylvania; the Commonwealth of Pennsylvania; or any political subdivision thereof is pledged for the payment of the 2021 Bonds. The 2021 Bonds shall not be or be deemed a general obligation of the Authority or an obligation of the County, the Commonwealth of Pennsylvania, or any political subdivision thereof. The scheduled payments of principal and interest on the 2021 Bonds when due are guaranteed by third-party insurers. The ultimate ability of such insurers and guarantors to meet their obligations with respect to the Authority's 2021 Bonds will be predicated on their future financial condition.

Tax Increment Financing Loan - Direct Borrowing

In 2022, the Authority entered into a series of agreements surrounding the development and financing of certain land owned by the Authority to be known as the McClaren Site. As part of the project, the Authority performed certain improvements, including grading, wetlands mitigation, and the extension of utilities required to accommodate future development. The McClaren Site will provide an additional 52 acres for development, composed of logistic/warehouse and tech/flexspace, which will be leased to tenants through the third-party developer for further construction and development.

December 31, 2022

Note 6 - Long-term Debt (Continued)

The Authority's development of this site project will be partially financed through a tax increment financing. The Authority issued Tax Increment Financing (TIF) Note, Series 2022 (McClaren Road Tax Increment Financing District) in the principal amount of \$3,090,000 to finance the project. As of December 31, 2022, the Authority has received \$1,935,781 in proceeds under the TIF note. The TIF note is a limited obligation of the Authority. Payments on the TIF note will be made in accordance with the McClaren Road Tax Increment Financing Plan, which includes a tax increment financing agreement entered into by and among the Redevelopment Authority of Allegheny County and local taxing authorities. Pursuant to the TIF agreement, 70 percent of the tax increment revenue will be pledged by the local taxing authorities for the payment of debt service on the TIF note. Additionally, the Authority has pledged all lease revenue from the McClaren Site as security for the TIF note. The Authority is not required to contribute revenue on a current basis towards the TIF note.

As of December 31, 2022, the project is still in the development phase. The Authority has incurred \$11,981,444 in development costs, which have been capitalized as construction in progress. Of this amount, \$1,935,781 has been funded through the TIF note. The remaining costs will be funded out of Authority funds and other grant programs.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the BIOS loan and Series 2021A and 2021B bonds, excluding any premiums and discounts, are as follows:

Years Ending December 31	Direct - BIOS Loan and TIF Note		Other Than Direct - Series 2021A and 2021B Bonds		Total
	Principal	Interest	Principal	Interest	
2023	\$ -	\$ 156,646	\$ -	\$ 38,042,100	\$ 38,198,746
2024	192,991	157,075	-	38,042,100	38,392,166
2025	374,774	206,149	-	38,042,100	38,623,023
2026	561,831	249,948	12,560,000	38,042,100	51,413,879
2027	579,866	232,094	13,190,000	37,414,100	51,416,060
2028-2032	2,989,070	761,908	76,520,000	176,493,500	256,764,478
2033-2037	2,085,633	264,199	97,610,000	155,409,000	255,368,832
2038-2042	996,379	58,455	120,695,000	132,319,550	254,069,384
2043-4047	-	-	146,835,000	106,171,350	253,006,350
2048-2052	-	-	184,010,000	69,001,250	253,011,250
2053-2056	-	-	181,250,000	21,153,500	202,403,500
Total	\$ 7,780,544	\$ 2,086,474	\$ 832,670,000	\$ 850,130,650	\$ 1,692,667,668

Pledged Revenue from Airport Operations

The principal, interest, and redemption premiums, if any, related to bonds authorized and issued under the provisions of the Master Trust Indenture and Supplemental Indentures are payable by the Authority only out of net revenue (as defined) and from such other moneys as may be available for such purpose. Bonds authorized and issued do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the Authority's properties, including PIT, or upon any of its income or receipts of revenue except as noted above. The holders of the revenue bonds have no claim upon the taxing power or tax revenue of the County.

As required by the Master Trust Indenture, the Authority must attain a debt service coverage ratio of 1.25 and meet other nonfinancial covenants. As of December 31, 2022, amounts available to pay debt service charges were approximately \$25 million. There was no required principal and interest debt service per the terms of the Master Trust Indenture for the year ended December 31, 2022.

December 31, 2022

Note 6 - Long-term Debt (Continued)

The Authority's ability to derive net revenue from operations depends upon various factors, many of which are not within the control of the Authority. The primary source of net revenue is the Airline Operating Agreement between the Authority and the Signatory Airlines. The AOA provides for the landing fees, terminal rentals, and ramp fees to be charged to the airlines. In addition, the Signatory Airlines are obligated to pay costs associated with aircraft support systems and tenant improvements.

At any point in time, the U.S. economy, excess airline capacity, and industrywide competition through airfare discounting may create significant constraints on the operations of the airlines. Due to these factors, the financial results of the Authority are largely dependent upon conditions in the national economy and the U.S. airline industry and the financial condition of air carriers serving the Authority.

Installment Purchase Obligations

The Authority reports installment purchase obligations related to three asset purchases - two purchases related to 3D printing equipment and one lease for a powder facility located in Neighborhood 91. As of December 31, 2022, assets recorded under these installment purchase obligations were \$3,077,000, \$1,900,333, and \$1,050,723, respectively, and accumulated depreciation associated with the assets was \$952,405, \$294,533, and \$49,053, respectively.

In November 2020, the Authority entered into an agreement to lease 3D printer equipment from a lessor over a period of seven years. Lease terms include monthly payments of \$45,320, including interest of 6.25 percent. The lease agreement includes an option for the Authority to purchase the equipment from the lessor for the amount of unpaid lease payments remaining. The powder facility lease commenced on August 1, 2021 and is a 25-year lease that includes monthly payments of \$6,931, including interest at 6.25 percent. The lease agreement includes an option for the Authority to purchase the facility from the lessor for the amount of unpaid lease payments remaining. In January 2022, the Authority entered into an agreement to lease 3D printer equipment from a lessor over a period of seven years. Lease terms include monthly payments of \$24,684, including interest of 1.99 percent. The lease agreement includes purchasing the equipment at the end of the lease for \$1. Based on the structure of these agreements, these assets are accounted for as installment purchases. Annual debt service requirements to maturity for the installment purchase agreements are as follows:

Fiscal Year Ending December 31	2020 3D Printer		Powder Facility		2022 3D Printer		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 414,094	\$ 129,749	\$ 19,679	\$ 63,497	\$ 256,856	\$ 39,348	\$ 923,223
2024	440,729	103,113	20,945	62,231	263,352	32,853	923,223
2025	469,078	74,765	22,292	60,884	270,012	26,193	923,224
2026	499,250	44,593	23,726	59,450	276,840	19,365	923,224
2027	440,486	12,716	25,252	57,924	283,841	12,364	832,583
2028-2032	-	-	118,329	214,373	319,071	5,340	657,113
2033-2037	-	-	196,093	219,785	-	-	415,878
2038-2042	-	-	267,810	148,068	-	-	415,878
2043-4047	-	-	330,737	50,484	-	-	381,221
Total	<u>\$ 2,263,637</u>	<u>\$ 364,936</u>	<u>\$ 1,024,863</u>	<u>\$ 936,696</u>	<u>\$ 1,669,972</u>	<u>\$ 135,463</u>	<u>\$ 6,395,567</u>

December 31, 2022**Note 6 - Long-term Debt (Continued)*****Other Pledges of Revenue***

In 2005, the Authority entered into a series of agreements surrounding the development and financing of certain land owned by the Authority to be known as the Clinton Industrial Park. As part of this endeavor, a funding and development agreement was signed with the Redevelopment Authority of Allegheny County (RAAC) to provide tax increment financing for the project. The RAAC originally issued TIF notes in the amount of \$5,000,000 (the "2005 TIF Notes") to a single lender, and, in July 2015, the lender refinanced the notes. The refinanced notes totaled \$3,786,718 and carry an annual interest rate of 2.75 percent with a maturity date of June 1, 2025. These notes are a limited obligation of the RAAC and are generally payable from two sources. The first source is 100 percent of the tax increment revenue pledged by the local taxing authorities. The second source is the Authority's pledge of 75 percent of gross revenue from the leasing of the property. All amounts pledged in this agreement are maintained in separate trust accounts under the direction of the trustee, U.S. Bank, National Association. As principal payments are due to the lender, the trustee makes the payments from the trust accounts. At December 31, 2022, the TIF notes' balance was \$1,116,718, and the corresponding trust accounts contained \$2,180,441. As additional security and credit enhancement, the Commonwealth Financing Authority has agreed to guarantee the payment of the TIF notes. While the Authority has pledged to assign certain of its revenue to the trustee for the satisfaction of the TIF notes, the Authority is not party to the respective trust indentures and is under no obligation to repay the TIF notes; therefore, the TIF notes are not reflected as liabilities of the Authority in these financial statements. Revenue from the leasing of the property is reported net of any pledged amounts remitted according to this agreement.

In 2008, the Authority entered into a series of agreements surrounding the development and financing of certain land owned by the Authority to be known as the Northfield Site, Phase I. As part of this endeavor, a funding and development agreement was signed with the RAAC to provide tax increment financing for the project. The RAAC originally issued TIF notes in the amount of \$5,000,000 (the "2008 TIF Notes") to a single lender, and, in December 2015, the lender refinanced the notes. The refinanced notes totaled \$4,577,000 and carry an annual interest rate of 4.5 percent, with a maturity date of December 1, 2028. These notes are a limited obligation of the RAAC and are generally payable from two sources. The first source is 75 percent of the tax increment revenue pledged by the local taxing authorities. The second source is the Authority's pledge of 75 percent of gross revenue from the leasing of the property. All amounts pledged in this agreement are maintained in separate trust accounts under the direction of the trustee, Wells Fargo Bank, National Association. As principal payments are due to the lender, the trustee makes the payments from the trust accounts. At December 31, 2022, the TIF notes' balance was \$2,598,693, and the corresponding trust accounts contained \$301,897. As additional security and credit enhancement, the Commonwealth Financing Authority has agreed to guarantee the payment of the TIF notes. While the Authority has pledged to assign certain of its revenue to the trustee for the satisfaction of the TIF notes, the Authority is not party to the respective trust indentures and is under no obligation to repay the TIF notes; therefore, the TIF notes are not reflected as liabilities of the Authority in these financial statements. Revenue from the leasing of the property is reported net of any pledged amounts remitted according to this agreement.

Note 7 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, natural disasters, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority carries commercial insurance to cover these risks of loss. The commercial insurance coverage is on a guaranteed-cost basis covering any expense of the Authority. Settled claims have not exceeded this commercial coverage in any of the past three years. The range of deductibles is from \$0 on aviation liability to a maximum of \$100,000 on employees and officers and property insurance.

December 31, 2022**Note 8 - Pension Plan*****Plan Description***

The County sponsors the Allegheny County Employees' Retirement System (the "Retirement System"), a single-employer defined benefit pension plan that covers substantially all authority employees. As a component unit of the County, the Authority applies the cost-sharing pension plan accounting and reporting requirements for its stand-alone financial reports, as required by the GASB.

Benefit and contribution provisions for the Retirement System are determined under statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Retirement System Board (the "Board") administers the Retirement System and consists of seven members: the county executive, the county controller, the county treasurer, two members elected by the county employees and retirees, one member appointed by the county executive, and one member appointed by the County Council. The Board, pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Retirement System to meet its funding requirements. Also, the obligation of the Retirement System to pay retirement benefits is further secured by a statutory obligation imposed upon the County to utilize its taxing authority to meet such obligation.

The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Allegheny County Employees' Retirement System, 106 County Office Building, 542 Forbes Avenue, Pittsburgh, PA 15219 or online at www.alleghenycounty.us/retirement.

Benefits Provided

Monthly benefit payments are determined for each individual member according to the retirement option selected and the age and length of service at retirement. Under normal retirement, employees hired prior to February 21, 2014 (generally, attainment of age 60 with 20 years of service for nonuniformed employees), the retirement benefit is equal to 50 percent of final average salary plus 1 percent of final average salary for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

Act 125, signed into law on December 23, 2013, became effective 60 days later and applies to participating employees hired or rehired on or after February 21, 2014. Act 125 revises the Retirement System's vesting requirement from 8 to 10 years and the service requirement from 20 to 25 years. The determination of final average salary is changed to equal the monthly average of the highest 48 months of compensation out of the last 8 years of service. Additionally, overtime compensation is limited to 10 percent of base pay.

In addition to retirement benefits, the Retirement System also provides disability and survivor benefits. Any eligible employee who has completed at least 12 years of service and who was employed prior to attaining age 55 who becomes mentally incapacitated or totally and permanently disabled is eligible to receive a disability retirement benefit. There is no age requirement to receive this benefit. Additionally, any eligible employee may elect the spouse's benefit at any time prior to retirement. The election is irrevocable after attaining age 50. If this election is made, the surviving spouse shall be eligible to receive certain benefits, depending on the type of coverage selected.

December 31, 2022

Note 8 - Pension Plan (Continued)***Contributions***

Beginning in 2014, authority employees were required to contribute 9.0 percent of covered compensation effective December 28, 2014 through December 31, 2017. Effective January 1, 2018, the contribution rate increased to 9.5 percent of covered compensation, and the contribution rate increased again to 10.0 percent of covered compensation effective January 1, 2019 and to 10.5 percent effective January 1, 2021. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code of the Commonwealth of Pennsylvania and deposited in the Pension Trust Fund. The Board, pursuant to express statutory authority, has the right to increase or decrease the contribution rate in the event it is actuarially determined that a contribution change is required in order for the Board to meet its funding requirements. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions, plus interest thereon. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

The annual required contribution for the current year was determined as part of an actuarial valuation as of January 1, 2022 and is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2022, contributions to the pension plan from the Authority were \$3,837,573 (or 10.5 percent of covered payroll). The Authority contributed all required amounts for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the Authority reported a liability of \$169,562,428 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022, which used update procedures to roll forward the estimated liability to December 31, 2022. The Authority's proportion of the net pension liability was based on the wages reported by the Authority and County relative to the collective wages of the plan. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At December 31, 2022, the Authority's proportion was 9.0248 percent, which was an increase of 0.2104 percentage points from its proportion measured as of December 31, 2021.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Authority recognized pension expense of \$19,478,416.

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,373,125	\$ -
Changes in assumptions	46,932,061	49,119,484
Net difference between projected and actual earnings on pension plan investments	8,037,004	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	22,369,813	2,313,127
Total	<u>\$ 83,712,003</u>	<u>\$ 51,432,611</u>

December 31, 2022

Note 8 - Pension Plan (Continued)

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

Years Ending December 31	Amount
2023	\$ 12,612,118
2024	12,626,553
2025	8,318,623
2026	(25,108)
2027	(1,252,794)
Total	<u>\$ 32,279,392</u>

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.75 percent; assumed salary increases (including inflation) of 3.25 - 5.75 percent; and an investment rate of return (net of investment expenses) of 7.75 percent. Mortality rates were based on the PubG-2010 Healthy Retiree Total Dataset with Pub-2010 Contingent Survivor Total Dataset table for spouses for all healthy employees except Police/Fire employees who use PubS-2010(A) Healthy Retiree Amount-Weighted, Above Median for Public Safety Employees; Pub-2010(A) Contingent Survivor Amount-Weighted, Above Median table for spouses; PubG2010 Disabled Retiree table for Non-Safety Employees for disabled Non-Uniformed Employees; and PubS2010 Disabled Retiree table for all other disabled employees.

Discount Rate

The discount rate used to measure the total pension liability was 5.08 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that authority contributions will be made at contractually required rates, actuarially determined (10.5 percent effective January 1, 2022). Based on those assumptions, in the January 1, 2022 valuation, the pension plan's fiduciary net position was projected to reach a depletion date in 2038. Therefore, in the determination of the discount rate, the long-term expected rate of return was applied through 2038 to projected benefit payments, and a municipal bond rate of 4.31 percent was applied to projected benefit payments thereafter to determine the total pension liability. For this purpose, the index used was the S&P Municipal Bond 20 Year High Grade Index as of December 31, 2022.

Investment Rate of Return

Best estimates of geometric real rates of return as of the December 31, 2022 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	16.50 %	7.50 %
International equity	16.50	8.50
Domestic bonds	29.50	2.50
Real estate	12.50	4.50
Alternative assets	25.00	5.25

December 31, 2022

Note 8 - Pension Plan (Continued)***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Authority, calculated using the discount rate of 5.08 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.08%)	Current Discount Rate (5.08%)	1 Percentage Point Increase (6.08%)
Authority's proportionate share of the net pension liability	\$ 202,688,922	\$ 169,562,428	\$ 142,070,090

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 9 - Other Postemployment Benefit Plan

The Authority provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Authority's Postemployment Medical Benefits Plan (the "OPEB Plan"), a single-employer plan administered by the Authority. The plan provides reimbursement for medical benefits to eligible firefighter retirees hired before May 1, 2005 and their spouses. Benefits are provided upon the retiree's date of retirement. The retiree is responsible for any premium cost in excess of the defined benefit. Payments to the retirees are made on a reimbursement basis.

The OPEB Plan provides medical benefits for eligible firefighter retirees who were hired before May 1, 2005 and their spouses. Benefits are provided through a third-party insurer, and the cost of the benefits is split between the OPEB Plan and the retiree. The Authority covers 62.0 percent of the premiums at age 50, which increases 3.00 percent each year until the age of 65 when the retiree becomes eligible for Medicare and the benefits are terminated.

The Authority estimates the net OPEB liability (asset) using an actuarial valuation as of December 31, 2020 and, for the year ended December 31, 2022, concluded the net OPEB liability and related deferrals were not material to the Authority's financial statements.

Note 10 - Contingent Liabilities

The Authority is subject to various legal proceedings and claims that arise in the ordinary course of its business. The Authority believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

December 31, 2022**Note 10 - Contingent Liabilities (Continued)**

In January 1998, the Pennsylvania Department of Environmental Protection (DEP) issued an Administrative Order to the Allegheny County Department of Aviation alleging violations of a January 1994 Consent Order and Adjudication (the "Consent Order") and violations of the Pennsylvania Clean Streams Law and Dam Safety Act at the Pittsburgh International Airport. The alleged violations have been resolved except for issues relating to DIW. The Authority continues to negotiate the DIW issue with DEP. In connection with these negotiations, sometime between May 2002 and December 2006, the Authority agreed to construct in-stream lined retention basins in the East Fork of Enlow Run and West Fork of McClarens Run, a conveyance system between the two basins, and a stormwater deicing treatment facility (the "Treatment Facility") to treat the water collected in the retention basins. The retention basins and conveyance system have been constructed, but the Treatment Facility has not been constructed. In December 2006, the Authority amended its NPDES permit renewal application to include discharges from the Treatment Facility when it is constructed. DEP prepared a draft NPDES renewal permit in 2010, which included proposed effluent limits for the Treatment Facility. Both the Authority and EPA submitted comments on the draft permit to DEP. A final permit renewal was not issued, and the existing permit remained in effect pending renewal. In August 2020, DEP prepared a revised draft NPDES permit, again with proposed effluent limits for the Treatment Facility, and published notice of the draft permit in the Pennsylvania Bulletin for public comment. The Authority again submitted comments that DEP is considering. The Authority's comments include, inter alia, a request for additional time to update studies on DIW generation and treatment, as well as receiving stream conditions, as these are now significantly outdated, and reconsideration of the Treatment Facility effluent limits that are based on the DEP's guidance regarding discharges to intermittent and ephemeral streams, which the Authority believes are inapplicable. In March 2022, DEP issued a second predraft NPDES permit renewal and a revised fact sheet responding to comments submitted by EPA and the Authority. The predraft renewal permit includes, among other things, a proposed compliance schedule for the proposed DIW treatment system. The DEP is also proposing a Consent Order and Agreement, which would impose an enforceable schedule for addressing DIW beyond the 59-month limit for a compliance schedule in a NPDES permit and a requirement to address a discharge containing a white precipitate from Outfall 016.

Note 11 - Related Party Transactions

The Authority has entered into intergovernmental agreements with the County that provide for, among other things, contractual services for county police services, 911 services, and certain accounting and professional services. The Authority contracts the Allegheny County, Pennsylvania treasurer office to perform audit functions. During 2022, the Authority paid \$5,876 to the County Treasurer and no payments to the County Controller. The Authority contracts with Allegheny County Police for public safety services at the Airport. During 2022, the Authority recognized expenses of \$11,699,111 paid to the Allegheny County Police for public safety services at the Airport.

In June 2017, the Authority entered into a 20-year lease agreement with the County for the 67,390-square-foot property located at 150 Hookstown Grade Road, Coraopolis, PA 15108. The County repurposed the facility to become the Allegheny County Emergency Operations and 911 Center. The lease agreement requires the County to make monthly rental payments of \$87,832 (after the application of rent credits) to the Authority upon occupancy. Rent credits will be granted to the County as a result of the following:

- Improvements made to the facility and funded by the County. All improvements to the facility will accrue to the benefit of the Authority and will be funded as follows:
 - \$2,450,000 - Funded by the County
 - \$1,550,000 - Funded by the Authority
 - All remaining - Funded by the County
- Certain operating expenses typically paid by lessors but paid by the County in this case. In the base year of the lease, these costs are estimated to be \$76,825.

December 31, 2022**Note 11 - Related Party Transactions (Continued)**

The Authority will pay for certain operating expenses of the facility, and these costs include utilities, janitorial costs, refuse collection, facility manager, routine building and parking lot maintenance, and landscaping costs. The Authority estimates that, in the base year of the lease, these costs will total \$450,165. In 2022, actual costs were \$1,037,139. The lease provides that any increase in the actual operating expense over the base year estimated total will be paid by the County. In subsequent years, if the actual operating costs paid by the Authority are less than the base year amount, the Authority will issue a rent credit to the County in the amount of the difference.

The lease provides for a refurbishment allowance of \$673,390 to be paid by the Authority after year 10 of the lease.

In August 2018, the Authority signed an intergovernmental agreement designed to coincide with the 20-year term of the lease for the Allegheny County Emergency Operations and 911 Center. This agreement requires the Authority to pay the County for certain emergency response services totaling an estimated \$514,910 in the base year and for the 19 following years. Furthermore, this agreement provides that the Authority will reimburse the County for certain capital equipment costs already incurred on behalf of the Authority totaling \$1,187,744. These amounts will be reimbursed via monthly payments of \$4,949 over the 20-year term of the agreement.

Both the lease and the intergovernmental agreement commenced on the first day of the month following the day that the County occupied the facility, which was February 1, 2019.

Note 12 - Purchase Commitments***Electricity***

In June 2021, the Authority commenced operation of an on-site microgrid consisting of a natural gas energy plant and a solar facility. The energy plant is owned and operated by Peoples Natural Gas Company. The Authority entered into a 20-year agreement with Peoples Natural Gas Company, under which Peoples Natural Gas company invoices the Authority monthly for electricity at a varying usage rate. The energy plant provides electricity to the airfield, the airside and landside terminals, the Hyatt hotel, and a gas station. The solar facility virtually net meters electricity to 23 airport-owned electric meters outside of the energy plant main service area. The solar facility is owned and operated by IMG Energy Solutions, which invoices the Authority monthly for electricity at a varying usage rate. In addition to microgrid-supplied electricity, the Authority maintains two backup power agreements with Duquesne Light Company for the supply of emergency power, if needed.

The Authority executed another contract with an electricity provider that has a purchase rate of \$0.07256/kWh, which is contracted to end on May 31, 2023. Recently, the contract was extended in 2023 to November 30, 2025 at a rate of \$0.07241/kWh.

Natural Gas

The Authority has separate contracts with natural gas providers for both airport locations for the purchase of natural gas consumed.

The Authority entered into a new contract with a natural gas provider for specific locations, which will base quantity purchased on actual consumption each month. The purchase rate is \$2.587 per dth beginning on January 1, 2022 through December 31, 2024.

The Authority entered into a new contract with a natural gas provider for specific locations, which will base quantity purchased on actual consumption each month. The purchase rate is \$2.518 per dth beginning on December 1, 2019 through December 31, 2022. The contract was extended for the period from January 1, 2023 through December 31, 2024 at a rate of \$2.538 per dth.

December 31, 2022

Note 13 - Leases

For the year ended December 31, 2022, the Authority's financial statements include the adoption of GASB Statement No. 87, *Leases* (GASB 87). The primary objective of GASB 87 is to enhance the relevance and consistency of information about the Authority's leasing activities. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The Authority's operations as a lessee are immaterial to the financial statements as a whole and, therefore, not disclosed in the footnote, whereas the Authority's operations as a lessor are material, and disclosures are shown below.

The Authority leases certain assets to various third parties. The assets leased include airport facilities, surrounding property, and locations within the airport. The discount rates applicable to these leasing arrangements range from 1.21 percent to 3.71 percent. Payments are generally fixed annually or monthly, with certain variable payments based on airport usage or concession sales, which are not included in the measurement of the lease receivable.

During the year ended December 31, 2022, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$ 11,022,022
Interest income related to its leases	6,788,935
Revenue from variable payments not previously included in the measurement of the lease receivable	60,281,669

In addition, the Authority received amounts recorded as revenue in 2022 that related to common area maintenance, work orders, utilities, and other operating charges under the leases. These amounts are considered nonlease components and are not included in the calculation of the lease receivable.

Future principal and interest payment requirements related to the Authority's lease receivable at December 31, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 8,567,607	\$ 7,003,959	\$ 15,571,566
2024	6,871,935	6,730,016	13,601,951
2025	6,855,072	6,484,964	13,340,036
2026	7,062,348	6,233,828	13,296,176
2027	6,498,401	5,982,080	12,480,481
2028-2032	19,333,845	27,126,218	46,460,063
2033-2037	15,285,202	24,366,583	39,651,785
2038-2042	11,141,844	21,693,091	32,834,935
2043-2047	8,607,664	20,021,506	28,629,170
2048-2052	11,911,237	18,162,880	30,074,117
2053-2057	14,849,328	15,640,881	30,490,209
2058-2062	19,051,150	12,570,108	31,621,258
2063-2067	23,815,488	8,510,117	32,325,605
2068-2072	12,610,583	4,962,715	17,573,298
2073-2077	8,287,767	3,172,422	11,460,189
2078-2082	12,965,315	1,379,267	14,344,582
Total	\$ 193,714,786	\$ 190,040,635	\$ 383,755,421

December 31, 2022**Note 13 - Leases (Continued)*****Regulated Leases***

The Authority is party to certain regulated leases, as defined by GASB Statement No. 87. The leased assets include contracts with airlines and are regulated under the Federal Aviation Administration. Certain gates, baggage claim areas, passenger hold areas, and ticket counter and office space are subject to preferential or exclusive use by the airlines and represent 22.5 percent of the square feet of the airport. In addition, airlines have preferential use of 34.4 percent of aircraft parking position and 40.34 percent of jet bridges.

During the year ended December 31, 2022, the Authority recognized the following from regulated leases:

Lease revenue	\$ 3,361,611
Revenue from variable payments excluded from the schedule of expected future minimum payments	51,267,392

Future expected minimum payments related to the Authority's regulated leases at December 31, 2022 are as follows:

<u>Years Ending</u>	<u>Future Minimum Lease Payments</u>
2023	\$ 3,366,585
2024	3,115,297
2025	<u>2,989,798</u>
Total	<u>\$ 9,471,680</u>

Required Supplemental Information

Allegheny County Airport Authority

Required Supplemental Information Schedule of the Authority's Proportionate Share of the Net Pension Liability Allegheny County Employees' Retirement System

	Last Nine Plan Years Years Ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	9.02480 %	7.45600 %	7.18430 %	7.61670 %	7.70030 %	7.49320 %	7.48040 %	7.77210 %	7.26080 %
Authority's proportionate share of the net pension liability	\$169,562,428	\$170,587,105	\$127,357,162	\$ 98,796,640	\$ 98,817,359	\$ 81,391,583	\$ 83,549,481	\$ 48,915,429	\$ 40,088,306
Authority's covered payroll	\$ 36,548,314	\$ 30,305,981	\$ 29,466,640	\$ 31,042,463	\$ 30,916,747	\$ 29,243,194	\$ 28,239,219	\$ 28,433,558	\$ 26,486,921
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	463.94 %	562.88 %	432.21 %	318.26 %	319.62 %	278.33 %	295.86 %	172.03 %	151.35 %
Plan fiduciary net position as a percentage of total pension liability	33.26 %	32.44 %	36.14 %	42.75 %	40.56 %	46.41 %	43.44 %	56.62 %	60.26 %

Notes to Schedule

Benefit Changes

None noted

Change of Assumptions

2022 - Increase in discount rate from 3.46 percent at December 31, 2021 to 5.08 percent at December 31, 2022

2021 - Decrease in discount rate from 3.80 percent at December 31, 2020 to 3.46 percent at December 31, 2021

Mortality rates updated from RP-2000 basis to Society of Actuaries study (Pub-2010) of public retirement plans published in 2019

Active participant load - A 10 percent load was added to the active participants to account for the difference between calculating final average salary based on annual compensation for valuation purposes and the monthly formula used for calculating actual retirement benefits.

2020 - Decrease in discount rate from 5.22 at December 31, 2019 to 3.80 percent at December 31, 2020

2019 - Decrease in discount rate from 5.31 percent at December 31, 2018 to 5.22 percent at December 31, 2019

Other Notes

The amounts presented for each fiscal year were determined as of December 31 (measurement date).

10 years of information is required to be disclosed and will be added as the information becomes available.

Allegheny County Airport Authority

Required Supplemental Information Schedule of Pension Contributions Allegheny County Employees' Retirement System

	Last Nine Fiscal Years Years Ended December 31								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 3,837,573	\$ 3,182,128	\$ 2,946,664	\$ 3,104,246	\$ 2,937,091	\$ 2,631,887	\$ 2,541,530	\$ 2,559,020	\$ 2,245,908
Contributions in relation to the statutorily required contribution	3,837,573	3,182,128	2,946,664	3,104,246	2,937,091	2,631,887	2,541,530	2,559,020	2,245,908
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's Covered Payroll	\$ 36,548,314	\$ 30,305,981	\$ 29,466,640	\$ 31,042,463	\$ 30,919,747	\$ 29,243,194	\$ 28,239,219	\$ 28,433,558	\$ 26,486,921
Contributions as a Percentage of Covered Payroll	10.50 %	10.50 %	10.00 %	10.00 %	9.50 %	9.00 %	9.00 %	9.00 %	8.48 %

The amounts presented for each fiscal year were determined as of December 31 (the Authority's most recent fiscal year end).

Note: 10 years of information is required to be disclosed and will be added as the information becomes available.

Statistical Section

This part of the annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

The statistical section is organized into the following main categories:

Financial trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. (Tables I through II)

Revenue capacity

These schedules contain information to help the reader assess the Authority's most significant local revenue sources. (Tables III through V)

Debt capacity

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future. (Tables VI through VII)

Operating information

These schedules are intended to provide contextual information about the Authority's operations and resources in order for readers to understand and assess its economic condition. (Tables VIII through X and narrative section entitled *Capital Asset and Other Airport Information*)

Demographic and economic information

These schedules help the reader understand the environment within which the Authority's financial activities take place. (Table XI through XII)

Table I

Statements of Revenues, Expenses, and Changes in Net Position Information

Last Ten Fiscal Years
December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Revenues										
Landing fees	\$ 19,764,353	\$ 15,407,701	\$ 11,842,189	\$ 17,279,723	\$ 15,251,639	\$ 14,365,250	\$ 13,470,508	\$ 12,448,844	\$ 14,361,523	\$ 16,175,824
Terminal area airline rentals and fees	34,416,329	33,760,990	35,314,364	41,775,380	45,229,579	59,801,919	57,810,845	57,159,010	58,931,950	58,843,123
Other aeronautical revenue	7,896,013	8,561,005	8,797,493	8,908,660	11,164,643	8,820,789	8,633,244	8,695,472	19,765,780	8,361,062
Parking revenues	43,337,837	28,847,944	13,711,988	41,631,005	36,925,829	33,895,240	31,417,166	30,554,032	29,964,552	28,319,696
Rental car revenues	13,941,324	11,906,074	7,933,045	12,510,219	12,714,616	11,891,053	11,460,088	11,519,067	12,117,122	11,229,331
Terminal concessions	11,033,171	10,208,269	8,281,487	10,707,375	10,577,565	8,028,157	7,890,938	7,455,056	7,261,383	7,084,889
Other nonaeronautical revenue	8,233,096	9,489,811	9,088,397	8,938,623	8,194,466	7,166,081	6,203,074	6,414,724	5,975,443	6,472,957
Pittsburgh International Airport revenues	138,622,123	118,181,794	94,968,963	141,750,985	140,058,337	143,968,489	136,885,863	134,246,205	148,377,753	136,486,882
Allegheny County Airport revenues	2,596,417	2,666,777	2,542,728	2,811,510	3,025,549	3,049,570	2,995,960	2,980,767	2,948,259	2,791,541
Total operating revenues	141,218,540	120,848,571	97,511,691	144,562,495	143,083,886	147,018,059	139,881,823	137,226,972	151,326,012	139,278,423
Operating Expenses										
Salaries, wages, and benefits	70,378,920	63,302,220	54,764,544	53,700,238	54,194,079	48,904,569	47,003,628	39,943,997	38,706,910	37,787,004
Utilities	11,392,806	10,887,662	9,086,233	10,860,849	11,006,346	10,216,075	10,355,357	10,596,853	11,173,533	10,867,128
Cleaning and maintenance services	17,635,063	16,870,532	18,171,130	18,917,978	18,358,894	16,807,122	17,143,416	16,479,835	16,134,004	15,863,165
Professional services	33,834,076	28,876,231	24,662,534	23,445,358	23,374,131	20,818,792	18,949,222	17,468,184	16,392,772	15,203,481
Other	16,458,412	7,995,308	11,218,139	13,291,357	15,701,447	9,802,286	9,627,834	9,387,942	8,597,630	8,433,613
Pittsburgh International Airport expenses	149,699,277	127,931,953	117,902,580	120,215,780	122,634,897	106,548,844	103,079,457	93,876,811	91,004,849	88,154,391
Allegheny County Airport expenses	3,542,971	2,496,366	2,504,576	2,594,279	3,060,064	3,281,416	2,808,271	2,917,479	2,964,068	2,761,368
Depreciation	52,943,562	59,119,359	60,417,786	56,981,022	55,786,882	55,642,763	56,805,124	56,782,417	54,781,801	54,065,640
Total operating expenses	206,185,810	189,547,678	180,824,942	179,791,081	181,481,843	165,473,023	162,692,852	153,576,707	148,750,718	144,981,399
Income (Loss) From Operations	(64,967,270)	(68,699,107)	(83,313,251)	(35,228,586)	(38,397,957)	(18,454,964)	(22,811,029)	(16,349,735)	2,575,294	(5,702,976)

Table I

Statements of Revenues, Expenses, and Changes in Net Position Information (Continued)

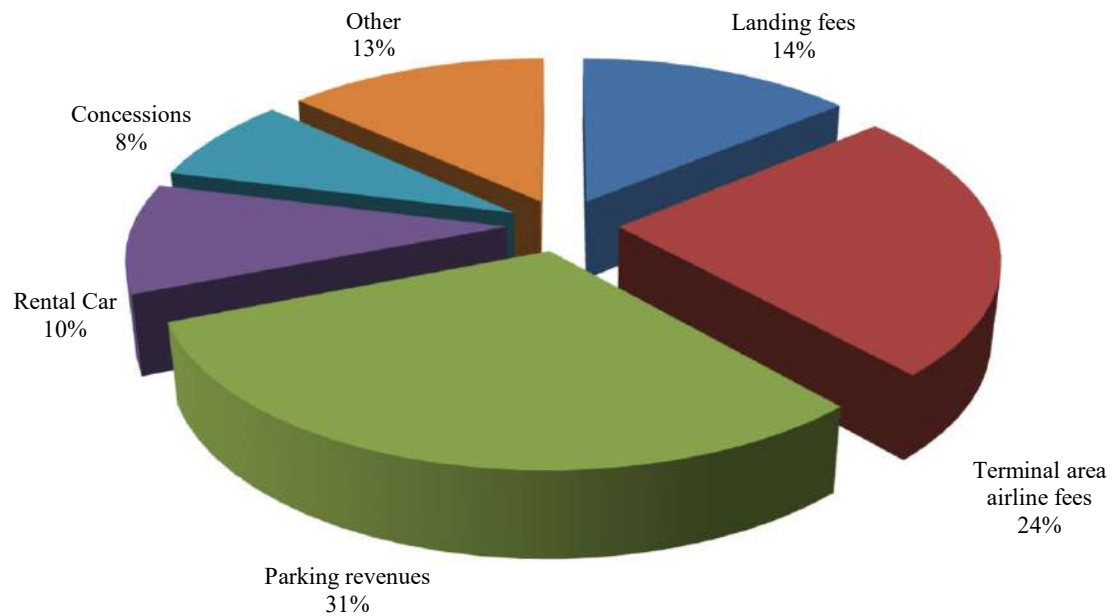
Last Ten Fiscal Years
December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Nonoperating Revenue (Expense)										
Interest expense	\$ (28,085,474)	\$ (10,558,701)	(881,263)	(3,537,841)	(4,320,322)	(7,100,150)	(9,901,627)	(12,769,066)	(15,278,047)	(18,070,409)
Investment income	7,139,253	449,723	725,293	4,641,026	2,667,551	1,869,435	841,899	559,527	2,803,774	1,048,441
Customer facility charges	9,573,786	7,706,289	4,585,923	9,536,624	5,928,821	4,893,987	4,990,737	5,030,877	4,982,379	5,060,175
Passenger facility charges	15,867,688	13,145,575	6,945,191	18,979,556	19,023,229	17,794,862	16,176,674	15,856,825	15,561,599	15,546,574
Gain (loss) on disposal of capital assets	(41,682)	(2,072)	1,550,691	(7,732)	(12,504)	-	(1,088,113)	39,551	(10,499)	(45,525)
Lease interest revenue - GASB 87	6,788,935	-	-	-	-	-	-	-	-	-
Gaming act revenues	12,400,000	12,400,000	12,400,003	12,400,000	8,000,000	8,000,000	12,400,000	12,400,000	12,400,000	12,400,000
Gas drilling revenues	12,205,005	8,509,477	5,559,879	10,121,571	19,266,592	25,983,025	13,918,971	10,192,316	9,072,202	7,143,289
Grant revenues	13,310,283	19,580,305	13,091,912	-	-	-	-	-	-	-
Miscellaneous revenue	204,712	207,231	263,582	203,669	322,646	2,498,496	894,399	599,277	1,136,594	395,709
Miscellaneous expense	-	-	(318,579)	-	-	-	-	-	-	-
Bond issuance costs	-	(3,903,044)	-	-	-	-	-	-	-	-
Loss on in-substance debt defeasance	-	-	-	(3,635,528)	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(6,029,257)	(418,261)	(113,508)	386,528	203,976	(483,433)	(49,040)	35,676	64,730	(9,173)
Total nonoperating income (expense)	43,333,249	47,116,522	43,809,124	49,087,873	51,079,989	53,456,222	38,183,900	31,944,983	30,732,732	23,469,081
Income (Loss) Before Capital Contributions and Grants	(21,634,021)	(21,582,585)	(39,504,127)	13,859,287	12,682,032	35,001,258	15,372,871	15,595,248	33,308,026	17,766,105
Capital Contributions and Grants	30,838,294	39,813,845	19,962,114	8,175,418	29,836,954	9,349,376	23,400,937	14,759,396	20,144,222	3,219,515
Increase (Decrease) in Net Position	9,204,273	18,231,260	(19,542,013)	22,034,705	42,518,986	44,350,634	38,773,808	30,354,644	53,452,248	20,985,620
Net Position, Beginning of Year, As Previously Reported	654,093,619	635,862,359	655,404,372	633,369,667	592,061,788	547,711,154	508,937,346	530,269,549	476,817,301	455,831,681
Change in Accounting Principle and Prior Period Adjustments (1)	-	-	-	-	(1,211,107)	-	-	(51,686,847)	-	-
Net Position, Beginning of Year, As Restated	654,093,619	635,862,359	655,404,372	633,369,667	590,850,681	547,711,154	508,937,346	478,582,702	476,817,301	455,831,681
Net Position, End of Year	\$ 663,297,892	\$ 654,093,619	\$ 635,862,359	\$ 655,404,372	\$ 633,369,667	\$ 592,061,788	\$ 547,711,154	\$ 508,937,346	\$ 530,269,549	\$ 476,817,301

(1) - Note that only 2018 and 2015 respective amounts have been restated for these items.

Operating Revenue by Category

For the Year Ended December 31, 2022



Operating Expenses by Business Unit

For the Year Ended December 31, 2022

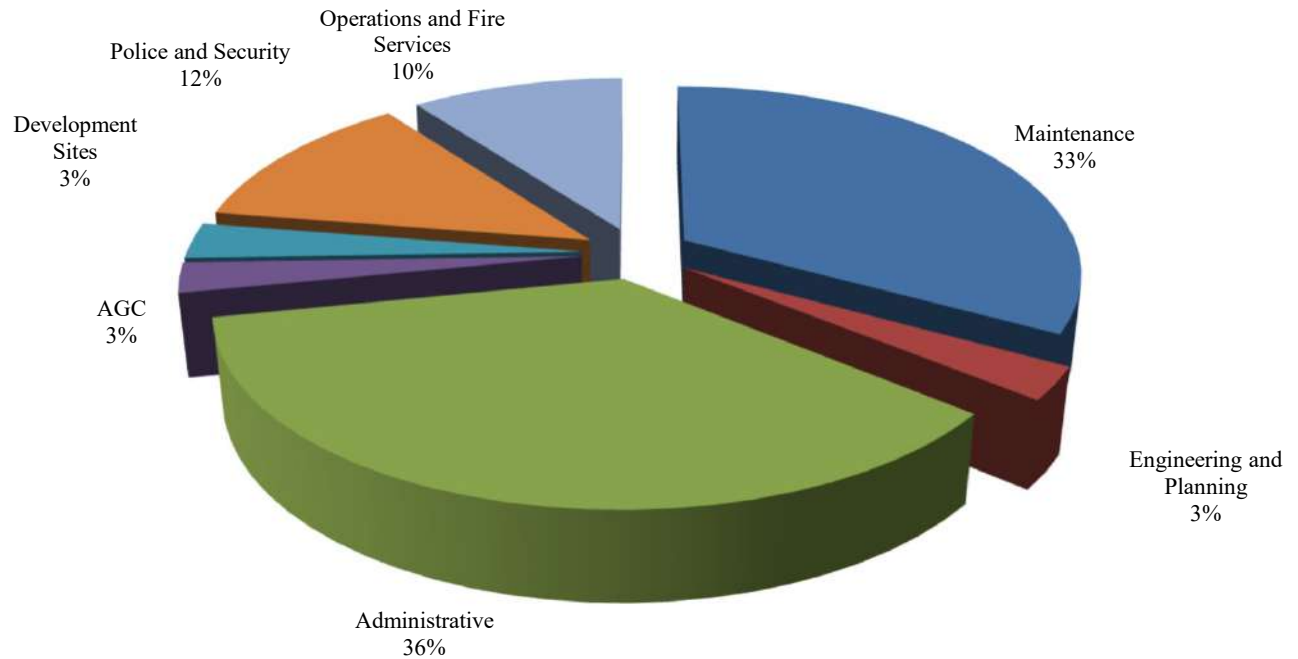


Table II
Net Position by Component

Last Ten Fiscal Years
December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net investment in capital assets	\$ 602,987,861	\$ 558,844,307	\$ 595,209,963	\$ 600,732,387	\$ 537,519,690	\$ 523,445,000	\$ 492,846,022	\$ 453,272,524	\$ 432,654,829	\$ 401,875,598
Restricted net position										
Capital	12,666,688	47,146,954	32,852,772	39,871,240	53,764,257	47,545,824	44,539,284	45,164,846	41,551,209	37,423,426
Debt service, Operations and Maintenance	20,418,556	17,817,421	7,393	208,207	17,261,196	19,718,004	19,458,747	19,978,735	19,685,858	19,840,923
Total restricted net position (expendable)	33,085,244	64,964,375	32,860,165	40,079,447	71,025,453	67,263,828	63,998,031	65,143,581	61,237,067	57,264,349
Unrestricted (deficit) net position	27,224,787	30,284,937	7,792,231	14,592,538	24,824,524	1,352,960	(9,132,899)	(9,478,759)	36,377,653	17,677,354
Total net position	\$ 663,297,892	\$ 654,093,619	\$ 635,862,359	\$ 655,404,372	\$ 633,369,667	\$ 592,061,788	\$ 547,711,154	\$ 508,937,346	\$ 530,269,549	\$ 476,817,301

Note: 2018 reflects the impact of adoption of GASB Statement 75. 2015 and forward reflects the impact of adoption of GASB Statement 68.

Table III
Summary of Airline Rate Base Fees

Last Ten Fiscal Years

December 31, 2022

Airline Group	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
American	\$ 11,799,220	\$ 10,663,933	\$ 10,886,918	\$ 13,218,040	\$ 18,294,407	\$ 26,777,240	\$ 25,787,789	\$ 25,847,593	\$ 27,451,129	\$ 28,674,840
Southwest	8,193,783	7,823,839	7,596,123	9,153,211	7,528,484	7,243,540	6,978,846	7,590,483	8,674,778	8,613,629
Delta	7,082,417	6,578,882	6,129,846	8,329,580	7,311,514	7,739,515	7,524,428	7,311,689	7,896,444	8,354,040
United	7,357,237	6,803,779	6,445,602	8,157,134	7,280,370	7,825,091	7,523,024	7,426,050	7,967,974	8,502,783
Other signatories	7,109,649	5,984,768	5,244,541	7,224,379	5,944,189	5,119,148	3,252,934	2,314,704	2,219,936	2,114,305
Total signatory airlines	41,542,306	37,855,201	36,303,030	46,082,344	46,358,964	54,704,534	51,067,021	50,490,519	54,210,261	56,259,597
Other passenger carriers	1,347,964	1,195,429	914,338	1,609,264	3,434,097	2,657,432	2,325,699	1,752,589	1,441,706	1,178,110
Total rate base fees <A>	<u>\$ 42,890,270</u>	<u>\$ 39,050,630</u>	<u>\$ 37,217,368</u>	<u>\$ 47,691,608</u>	<u>\$ 49,793,061</u>	<u>\$ 57,361,966</u>	<u>\$ 53,392,720</u>	<u>\$ 52,243,108</u>	<u>\$ 55,651,967</u>	<u>\$ 57,437,707</u>
Total rate base fees	\$ 42,890,270	\$ 39,050,630	\$ 37,217,368	\$ 47,691,608	\$ 49,793,061	\$ 57,361,966	\$ 53,392,720	\$ 52,243,108	\$ 55,651,967	\$ 57,437,707
Cargo landings and rents	3,366,530	3,446,961	2,357,515	1,983,312	1,785,438	1,648,031	1,612,284	1,495,458	1,622,521	1,622,009
Other terminal and hangar fees	16,043,938	14,055,047	15,378,934	16,316,709	20,067,362	23,977,962	24,909,592	24,564,760	35,784,767	24,320,792
Concession revenues	67,130,488	49,790,928	28,787,311	63,604,379	63,619,256	52,293,056	49,345,717	48,142,557	48,001,577	45,313,542
Other operating revenues	11,277,813	11,838,232	11,227,833	12,154,977	9,293,999	8,687,474	7,625,550	7,800,322	7,316,921	7,792,832
Total PIT operating revenues 	<u>\$ 140,709,039</u>	<u>\$ 118,181,798</u>	<u>\$ 94,968,961</u>	<u>\$ 141,750,985</u>	<u>\$ 144,559,116</u>	<u>\$ 143,968,489</u>	<u>\$ 136,885,863</u>	<u>\$ 134,246,205</u>	<u>\$ 148,377,753</u>	<u>\$ 136,486,882</u>

<A> Includes both signatory and nonsignatory landing, terminal, and ramp fees, as well as gate usage fees for all fiscal years.

 PIT is Pittsburgh International Airport.

Note: United includes Continental and Southwest includes Airtran for all years due to mergers between these airlines, which were fully effective for fiscal year 2014. American includes USAirways for all years due to merger effective for fiscal year 2015.

Airline Revenue Derived by Carrier

For the Year Ended December 31, 2022

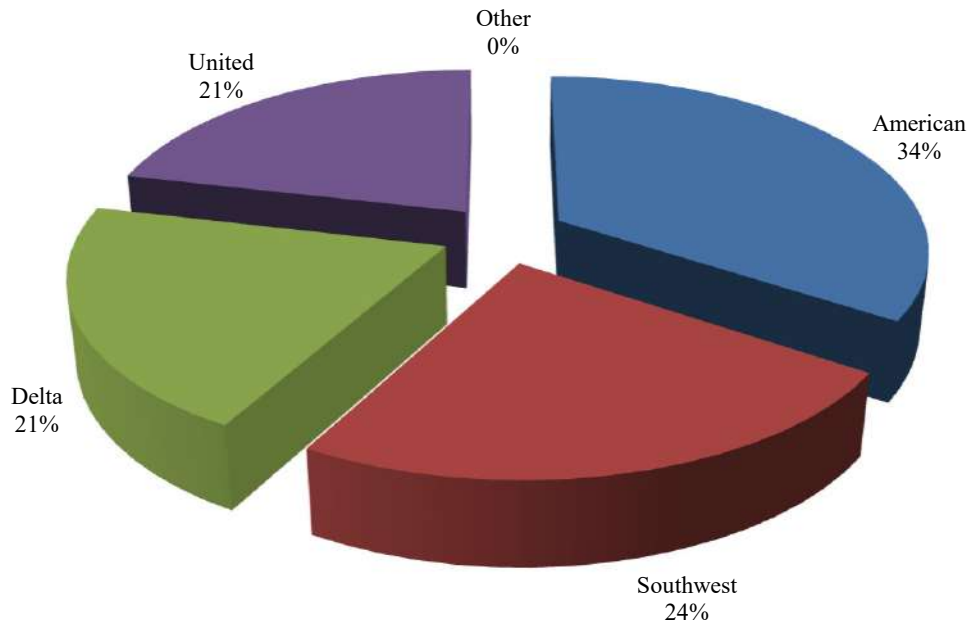


Table IV
Rates and Cost Per Enplaned Passenger

Last Ten Fiscal Years
January 1, 2023

	<u>2022 Actual</u>	<u>2021 Actual</u>	<u>2020 Actual</u>	<u>2019 Actual</u>	<u>2018 Actual</u>	<u>2017 Actual</u>	<u>2016 Actual</u>	<u>2015 Actual</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Landing fee rate	\$ 3.4000	\$ 3.0621	\$ 3.0100	\$ 2.6055	\$ 2.3030	\$ 2.3971	\$ 2.4240	\$ 2.2239	\$ 2.6063	\$ 2.9068
Terminal fee rate	147.84	158.29	161.67	179.61	145.67	139.90	133.42	132.61	136.04	140.32
Ramp fee rate	n/a	n/a	n/a	266.17	204.24	192.25	192.80	196.19	191.86	229.90
Operating expenses	123,732,357	103,080,417	98,523,291	107,045,661	109,461,863	99,934,480	96,447,247	93,079,111	90,560,685	87,806,989
Debt service	-	-	-	21,190,890	24,812,266	58,580,713	66,040,592	65,698,295	66,453,095	66,865,521
Nonrate base revenues	(90,322,659)	(71,561,210)	(51,083,457)	(87,317,539)	(87,182,388)	(83,539,654)	(86,202,047)	(84,416,245)	(94,214,399)	(78,223,979)
Debt service and operating expense offset	(12,957,283)	(18,183,300)	(12,934,912)	(5,545,000)	(9,200,000)	(27,402,477)	(32,964,368)	(31,864,241)	(16,653,372)	(27,903,808)
Airline capital fund deposits	23,755,272	28,709,094	4,758,828	13,799,380	13,038,513	10,529,788	11,009,655	10,591,738	10,433,599	9,933,170
Other, primarily cargo landing fees	<u>(1,317,417)</u>	<u>(2,994,371)</u>	<u>(2,046,382)</u>	<u>(1,481,784)</u>	<u>(1,137,193)</u>	<u>(740,884)</u>	<u>(938,359)</u>	<u>(845,550)</u>	<u>(927,641)</u>	<u>(1,040,186)</u>
Total rate base costs	<u>\$ 42,890,270</u>	<u>\$ 39,050,630</u>	<u>\$ 37,217,368</u>	<u>\$ 47,691,608</u>	<u>\$ 49,793,061</u>	<u>\$ 57,361,966</u>	<u>\$ 53,392,720</u>	<u>\$ 52,243,108</u>	<u>\$ 55,651,967</u>	<u>\$ 57,437,707</u>
Total enplaned passengers	<u>4,053,690</u>	<u>3,168,029</u>	<u>1,815,361</u>	<u>4,881,951</u>	<u>4,834,085</u>	<u>4,495,180</u>	<u>4,151,628</u>	<u>4,053,880</u>	<u>4,000,461</u>	<u>3,943,152</u>
Cost per enplaned passenger	<u>\$ 10.58</u>	<u>\$ 12.33</u>	<u>\$ 20.50</u>	<u>\$ 9.77</u>	<u>\$ 10.30</u>	<u>\$ 12.76</u>	<u>\$ 12.86</u>	<u>\$ 12.89</u>	<u>\$ 13.91</u>	<u>\$ 14.57</u>

Table V
History of Total Concessions Per Enplanement

Last Ten Fiscal Years
December 31, 2022

	2022 Actual	2021 Actual	2020 Actual	2019 Actual	2018 Actual	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Parking	\$ 43,337,837	\$ 28,847,944	\$ 13,711,988	\$ 41,631,005	\$ 36,925,829	\$ 33,895,240	\$ 31,417,166	\$ 30,554,032	\$ 29,964,552	\$ 28,319,696
Rent-A-Car	13,941,324	11,906,074	7,933,045	12,510,219	12,714,616	11,891,053	11,460,088	11,519,067	12,117,122	11,229,331
AirMall Concessions	8,889,248	7,836,435	5,804,834	7,925,137	8,901,724	5,957,342	5,926,912	5,553,241	5,372,968	5,194,833
Hotel/ConvCenter	526,046	556,928	534,024	616,152	576,308	549,420	541,551	516,217	546,935	569,682
Total passenger concessions	<u>\$ 66,694,456</u>	<u>\$ 49,147,381</u>	<u>\$ 27,983,891</u>	<u>\$ 62,682,513</u>	<u>\$ 59,118,477</u>	<u>\$ 52,293,055</u>	<u>\$ 49,345,717</u>	<u>\$ 48,142,557</u>	<u>\$ 48,001,577</u>	<u>\$ 45,313,542</u>
Total enplaned passengers	<u>4,053,690</u>	<u>3,168,029</u>	<u>1,815,361</u>	<u>4,881,951</u>	<u>4,834,085</u>	<u>4,495,180</u>	<u>4,151,628</u>	<u>4,053,880</u>	<u>4,000,461</u>	<u>3,943,152</u>
Concessions per enplaned passenger	<u>\$ 16.45</u>	<u>\$ 15.51</u>	<u>\$ 15.42</u>	<u>\$ 12.84</u>	<u>\$ 12.23</u>	<u>\$ 11.63</u>	<u>\$ 11.89</u>	<u>\$ 11.88</u>	<u>\$ 12.00</u>	<u>\$ 11.49</u>

Table VI
Outstanding Debt by Type and Revenue Bond Debt Service Ratios

Last Ten Fiscal Years
December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Outstanding Debts										
Revenue bonds	\$ 1,004,331,344	\$ 1,015,338,667	\$ -	\$ -	\$ 71,511,923	\$ 88,589,194	\$ 174,972,222	\$ 229,952,019	\$ 282,405,082	\$ 333,672,158
Loans and other										
credit facility agreements	37,365,505	4,011,552	76,822,324	43,148,234	-	-	3,050,178	4,237,142	4,679,259	5,112,209
Obligations under capital lease	4,958,472	3,696,058			-	1,108,506	2,183,208	3,225,137	4,235,292	5,214,642
Total Outstanding Debt	\$ 1,046,655,321	\$ 1,023,046,277	\$ 76,822,324	\$ 43,148,234	\$ 71,511,923	\$ 89,697,700	\$ 180,205,608	\$ 237,414,298	\$ 291,319,633	\$ 343,999,009
Outstanding Debt Per Capita	\$ 833.31	\$ 843.00	\$ 63.24	\$ 35.48	\$ 58.69	\$ 73.34	\$ 146.47	\$ 192.95	\$ 236.60	\$ 279.33
Total Enplaned Passengers	4,057,550	3,173,664	1,822,219	4,894,337	4,834,085	4,495,180	4,151,628	4,053,880	4,000,461	3,943,152
Outstanding Debt/Enplaned Passenger	\$ 257.95	\$ 322.35	\$ 42.16	\$ 8.82	\$ 14.79	\$ 19.95	\$ 43.41	\$ 58.56	\$ 72.82	\$ 87.24
Outstanding Debt as % of Personal Income	Not Available	Not Available	0.92%	0.05%	0.09%	0.13%	0.27%	0.36%	0.44%	0.52%
Revenue Bond Debt Service										
Principal	\$ -	\$ -	\$ -	\$ 19,024,760	\$ 16,860,000	\$ 85,520,000	\$ 53,990,000	\$ 51,130,000	\$ 49,535,000	\$ 47,495,000
Interest	10,326,956	10,326,956	-	3,635,528	4,090,908	8,274,802	10,923,357	13,441,080	15,790,882	18,243,304
Total Revenue Bond Debt Service	\$ 10,326,956	\$ 10,326,956	\$ -	\$ 22,660,288	\$ 20,950,908	\$ 93,794,802	\$ 64,913,357	\$ 64,571,080	\$ 65,325,882	\$ 65,738,304
Total Expenses (Less Depreciation)	\$ 153,242,248	\$ 130,428,319	\$ 120,407,156	\$ 122,810,059	\$ 122,810,059	\$ 125,694,961	\$ 109,830,260	\$ 105,887,728	\$ 96,794,290	\$ 93,968,917
Revenue Bond Debt Service/Total Expenses	6.74%	7.92%	0.00%	18.45%	17.06%	74.62%	59.10%	60.98%	67.49%	69.96%
Revenue Bond Debt Service/Enplaned Passenger	\$ 2.55	\$ 3.25	\$ -	\$ 4.63	\$ 4.33	\$ 20.87	\$ 15.64	\$ 15.93	\$ 16.33	\$ 16.67

Table VII
Revenue Bond Debt Service Coverage

Last Ten Fiscal Years
January 1, 2023

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Pledged Revenues										
Landing fees	\$ 19,764	\$ 15,408	\$ 11,842	\$ 17,280	\$ 14,854	\$ 14,365	\$ 13,471	\$ 12,449	\$ 14,362	\$ 16,175
Terminal area airline fees	34,416	33,761	35,314	41,758	44,798	59,719	57,728	57,076	58,849	60,112
Other aeronautical revenue	8,216	8,561	8,798	8,297	8,770	7,818	7,691	7,808	7,736	7,499
Parking revenues	43,338	28,848	13,712	41,631	36,926	32,289	29,796	29,156	28,092	26,337
Rent-A-Car revenues	13,980	11,906	7,933	12,510	12,715	11,891	11,460	11,519	12,117	11,229
Terminal concessions	11,173	10,208	8,282	10,707	10,578	7,584	7,446	7,010	6,817	5,288
Other non-aeronautical revenue	9,594	28,266	21,748	12,821	22,519	34,433	44,742	43,235	38,564	37,029
AGC revenues	2,962	2,794	2,775							
Total pledged revenues	143,443	139,752	110,404	145,004	151,160	168,099	172,334	168,253	166,537	163,669
Operation and Maintenance Expenses										
Salaries, wages and related expenses	53,320	44,764	41,985	32,699	26,854	26,823	26,502	25,084	25,144	24,547
Cost allocations				44,664	51,471	43,540	40,697	38,713	35,827	34,891
Utilities	11,789	11,211	9,430	9,480	9,122	8,384	8,595	8,681	9,129	8,832
Cleaning and maintenance services	17,665	16,899	18,200	16,640	18,059	16,499	16,798	16,213	15,841	15,548
Professional services	35,135	28,954	24,719	187	340	553	236	285	256	261
Other	13,710	7,448	10,052	2,641	3,181	3,744	3,248	3,713	3,944	3,315
Total operation and maintenance expenses	131,619	109,276	104,386	106,311	109,027	99,543	96,076	92,689	90,141	87,394
Net Revenues	11,824	30,476	6,018	38,692	42,133	68,556	76,258	75,564	76,396	76,275
Plus: Other Available Funds	13,105	16,332	16,332	16,332	16,332	16,332	16,332	16,332	16,332	16,332
Total Net Revenues and Other Available Funds	<u>\$ 24,929</u>	<u>\$ 46,808</u>	<u>\$ 22,350</u>	<u>\$ 55,024</u>	<u>\$ 58,465</u>	<u>\$ 84,888</u>	<u>\$ 92,590</u>	<u>\$ 91,896</u>	<u>\$ 92,728</u>	<u>\$ 92,607</u>
Deposit Requirement Payments										
Deposits for debt service - Airport Revenue Bonds	\$ -	\$ -	\$ -	\$ 15,161	\$ 16,686	\$ 57,453	\$ 64,914	\$ 64,571	\$ 65,326	\$ 65,738
Funding deposit requirement	-	385	198	429	410	174	598	301	311	266
Total deposit requirement payments	<u>\$ -</u>	<u>\$ 385</u>	<u>\$ 198</u>	<u>\$ 15,590</u>	<u>\$ 17,096</u>	<u>\$ 57,627</u>	<u>\$ 65,512</u>	<u>\$ 64,872</u>	<u>\$ 65,637</u>	<u>\$ 66,004</u>
Coverage Ratio	N/A	121.47	112.77	3.53	3.42	1.47	1.41	1.42	1.41	1.40

Table VIII
Enplaned Passengers by Airline Group

Last Ten Fiscal Years
December 31, 2022

Group	2022 Actual	2021 Actual	2020 Actual	2019 Actual	2018 Actual	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
American	977,947	764,238	431,438	1,136,330	1,156,825	1,169,648	1,157,703	1,347,399	1,380,672	1,325,803
Southwest	995,256	865,760	478,707	1,231,855	1,257,464	1,211,828	1,134,880	1,025,342	1,062,692	1,073,403
Delta	683,146	534,738	279,350	921,353	848,698	768,660	750,335	753,924	741,023	704,436
United	594,498	396,612	243,810	763,085	713,564	650,645	624,348	628,187	650,568	688,264
Other signatories	727,470	564,008	358,437	626,942	692,307	508,889	304,687	156,338	112,301	113,635
Total signatory airlines	3,978,317	3,125,356	1,791,742	4,679,565	4,668,858	4,309,670	3,971,953	3,911,190	3,947,256	3,905,541
Scheduled nonsignatory	72,772	40,722	20,662	195,464	141,007	163,218	161,700	101,910	37,972	22,452
Nonscheduled	6,461	7,586	9,815	19,308	24,220	22,292	17,975	40,780	15,233	15,159
Total enplaned passengers	4,057,550	3,173,664	1,822,219	4,894,337	4,834,085	4,495,180	4,151,628	4,053,880	4,000,461	3,943,152

Note: United includes Continental and Southwest includes Airtran for all years due to mergers between these airlines, which were fully effective for fiscal year 2014. American includes US Airways for all years due to merger effective for fiscal year 2015.

Source: Monthly Analysis of Scheduled Airline Traffic Report

Table IX
Activity Statistics

Last Ten Fiscal Years

January 1, 2023

Fiscal Year	Total Passengers	<A> Aircraft Operations	Landed Weight (1,000 Lbs.)	Cargo Volume (1,000 Lbs.)
2022	8,114,028	121,650	5,411,732	185,725
2021	6,354,770	108,464	4,662,435	209,700
2020	3,649,270	91,803	3,703,501	157,603
2019	9,779,024	148,119	6,263,255	165,517
2018	9,658,897	151,414	6,196,005	156,219
2017	8,988,016	148,681	5,762,766	148,343
2016	8,309,754	141,630	5,387,059	150,239
2015	8,128,187	141,674	5,347,849	138,324
2014	7,998,970	135,293	5,233,428	135,840
2013	7,884,170	139,300	5,259,149	142,631

<A> An operation is any aircraft landing or takeoff.

Sources: Federal Aviation Administration Tower Reports and Airline Self Reporting

Table X
Count of Employees by Department

Last Ten Fiscal Years
December 31, 2022

Bus Unit	Description	Year End 2022	Year End 2021	Year End 2020	Year End 2019	Year End 2018	Year End 2017	Year End 2016	Year End 2015	Year End 2014	Year End 2013
1100	Administration	13	14	8	7	8	8	4	6	16	9
1200	Human Resources	10	9	8	8	8	10	9	10	6	4
1300	Finance	16	14	14	15	17	16	15	16	16	15
1400	Information Technology	14	16	14	13	12	7	4	5	5	5
1530	Engineering/Construction	11	11	9	8	12	7	7	7	8	8
1540	Planning	7	3	2	4	8	6	5	5	5	4
1700	Business Development	5	8	7	7	7	8	5	5	9	9
1850	Field Maintenance	83	91	84	107	110	114	116	114	118	113
1810	Facilities Maintenance	76	72	72	85	81	84	82	84	86	87
1860	Airfield Operations	31	26	20	19	30	33	39	48	42	43
1870	Emergency Planning	10	7	7	8	11	12	10	10	10	12
	PSOM Admin	3	3	9	9	-	-	-	-	-	-
1830	Fire Services	52	46	50	39	53	49	42	48	50	54
2300	Air Service Development	4	4	4	3	4	5	2	2	2	3
2400	Marketing & Communications	15	20	19	25	28	21	18	15	3	12
1820	Airline Services	54	54	52	58	61	63	67	66	65	68
1520	Facilities/Engineering/Maintenance	2	5	3	4	6	10	6	6	-	-
2410	Government and Community Affairs	4	3	3	-	-	-	-	-	-	-
2440	Terminal Operations	10	-	-	-	-	7	5	-	-	-
1310	Legal	8	3	3	3	-	-	-	-	-	-
1510	TMP	9	6	3	11	-	-	-	-	-	-
9100	Allegheny County Airport	13	13	9	19	14	21	20	15	17	16
	Totals	450	428	400	452	470	481	456	462	458	462

Source: Allegheny County Airport Authority Human Resources Executive Summary of Employment Transactions

Allegheny County Airport Authority

Capital Asset and Other Airport Information

Pittsburgh International Airport (PIT) is located in Southwestern Pennsylvania approximately 15 miles west of downtown Pittsburgh. PIT occupies approximately 8,800 acres and is situated in Moon and Findlay Townships in Allegheny County. Access to PIT is provided via Interstate 376. The volume, usage and nature of the Authority's most significant capital assets is discussed below and on the following five pages.

Airfield

PIT has four runways, consisting of one crosswind runway (oriented northwest to southeast) and three parallel runways (oriented east to west) of which one is immediately north of the passenger terminal complex and the other two are south of the terminal:

Runway 10R/28L	11,500 feet long, 200 feet wide
Runway 10C/28C	10,775 feet long, 150 feet wide
Runway 10L/28R	10,502 feet long, 150 feet wide
Runway 14/32	8,100 feet long, 150 feet wide

The separation between the runways permits the capability of conducting dual landings and dual takeoffs in all weather conditions. All of PIT's runways can accommodate air carrier aircraft and are equipped with instrument landing systems, lighting systems and other air navigation aids, permitting PIT to operate in virtually all-weather conditions. Precision instrument approach capability is provided to Runways 10R, 10L, 28R, 28L and 32. In addition, Runways 10R and 10L can handle Category II/III instrument landing systems (ILS).

Passenger Terminal

The Midfield Terminal opened on October 1, 1992 and consists of approximately 1.7 million square feet of enclosed space. The Midfield Terminal consists of a four-level landside terminal, a four-level airside terminal connected to the landside terminal by an automated underground people-mover system, a two-level central service building and a commuter terminal. The landside terminal houses pre-security and ground transportation operations (passenger drop-off, ticketing/check-in, baggage claim and the security checkpoint).

The "X-shaped" airside terminal has two major elements - a central "core" and four concourses. The Midfield Terminal with 75 gates was originally constructed to function as a major hub facility for the former US Airways to support a major connecting hub operation. As a result of de-hubbing in 2002, and in anticipation of future changes, the Authority removed gates from service. New common use technology and equipment also reduced the number of gates necessary for daily airline operations, so that 59 gates are currently available for use. The Midfield Terminal also originally included a commuter terminal. However, due to the reduction in connecting traffic and the discontinuation of service to many smaller communities, the commuter terminal was closed for operations and currently serves as an alternative security check point to help alleviate congestion during peak throughput times at the main security check point.

Arriving international passengers clear immigration and customs through a Federal Inspection Services ("FIS") facility comprising approximately 60,000 square feet, which can accommodate roughly 800 passengers per hour. The current FIS facility was designed primarily for connecting international passengers and is suboptimal for the needs of an O&D market.

Ground Access and Transportation

PIT can be accessed directly from the north or south via I-376, I-576, and Business I-376, which form a loop around the airport. The Midfield Terminal is served by a four lane, two-level roadway serving both sides of the landside terminal. One roadway serves the ticketing level and the other roadway serves the baggage claim level. Curb frontage on one side of the terminal is for private automobiles and curb frontage on the other side of the landside terminal is for commercial vehicles and ground transportation services including taxis, TNCs, limousines, private and public buses, and hotel courtesy shuttles.

The Airport's three-level parking garage contains approximately 2,100 public parking spaces, a rental car facility with 850 ready and return spaces, and 149 leased parking spaces for a total of approximately 3,099 parking spaces. The parking garage is connected to the landside terminal by an enclosed moving walkway and crosswalks that cross over the Airport's public arrivals roadways. Additionally, the Airport has 11,450 surface public parking spaces in its long-term, extended term and economy parking lots.

Allegheny County Airport Authority

Capital Asset and Other Airport Information (Continued)

Rental car ready/return stalls are located on level 1 of the garage. Hertz operates a quick turnaround area adjacent to the garage at grade level for stacking, cleaning, fueling, washing and staging cars prior to moving them into the ready car spaces in the garage and the other companies perform these functions on leased space in the vicinity of the landside terminal as part of the service facilities. Currently, six "companies" representing nine brands of rental car companies operate on-airport from the garage: (1) Avis, (2) Budget, (3) Dollar, (4) Enterprise, (5) Hertz, and (6) Vanguard (Alamo and National).

Hotel

A Hyatt Regency Hotel, which opened in June 2001, is located adjacent to the parking garage and adjacent to the landside terminal building and is accessible via the enclosed moving walkways. The facility contains 331 hotel rooms and approximately 21,000 square feet of convention space. The hotel provides a restaurant, bar/lounge, and an indoor pool/health club facility.

Airline Support

The Authority leases land and buildings to airlines and others for activities supporting airline operations. An aboveground aircraft fuel farm supplies fuel to the aircraft hydrant fueling system, which serves all 59 jet gates and a fueling rack. An automotive fuel storage facility is located adjacent to the fuel farm.

American Airlines leases aircraft maintenance and parts facilities, which encompasses 473,529 square feet at PIT. American Airlines also leases a special service building at PIT.

LSG Sky Chefs leases a catering/food preparation facility containing 80,000 square feet that also serves as its North American frozen food kitchen and freezing facility.

In addition, the Authority constructed a wide body deicing facility at PIT, which is being managed by a third-party company. That company also operates the Authority's main deicing pads, which are boom and truck operated, and utilize hot air technology.

Six cargo carriers, FedEx, UPS, Sun Country, Mas Air, Cathay Pacific, and Qatar Cargo, are signatories to the Airfield Use Agreement relating to the use and lease of the airfield for cargo operations. (

The Authority is engaged in strategic planning to further increase cargo operations at the Airport. In November 2019, the Airport was awarded an \$18.7 million federal grant by the U.S. Department of Transportation ("USDOT") through the Better Utilizing Investments to Leverage Development program, to be used to build a 75,000 square foot cargo processing facility and an adjacent surface parking lot, which is set to open within the next three years. The new building will enable the Airport to serve additional cargo operations and offer opportunities for airlines that require varying levels of cargo handling and access for high volumes of trucks.

Republic Airways operates aircraft maintenance facilities at PIT in two hangars containing 99,625 square feet. Atlantic Aviation operates a fixed base operation ("FBO"), containing a terminal building, two hangars, a fuel farm, and an equipment maintenance building.

The Authority also owns and leases three corporate hangars that contain 114,000 square feet. MPAir leases 153,331 square feet of land from the Authority, which consists of a hangar and flight facility. The Authority has leased to FJ Turbine its jet engine test cell facility consisting of 14,985 square feet and prep room consisting of 12,400 square feet.

Also located at PIT is a full-service fixed base operator (FBO), Atlantic Aviation, which operates from the Business Aviation Center, and a limited FBO, Corporate Air, LLC, and L J Aviation which operates from corporate hangar facilities.

Commercial/Industrial Property Development

There are approximately 3,600 acres of land at the Airport available to the Authority for non-aviation development of which approximately 52% are developable. In addition, approximately 5,000 acres of land at the Airport are designated as a "Foreign Trade Zone".

Allegheny County Airport Authority

Capital Asset and Other Airport Information (Continued)

Significant development activities have been undertaken by the Authority to provide "pad ready" development sites, including the completion and continued development of infrastructure, including roadways and installation of utility services to develop further commercial office and industrial uses. Dick's Sporting Goods has located its corporate headquarters at the Airport; those facilities include one of the corporate hangars noted in the prior section. The Authority has entered numerous ground leases with major development companies for over 5,000,000 square feet of office park, flex space, distribution facilities and other similar uses. The Authority is also developing the Pittsburgh Airport Innovation Campus known as Neighborhood 91 to be a center for advanced manufacturing, particularly additive manufacturing and 3D-printing as mentioned in relation to the development of Neighborhood 91. The development has broken ground in 2020 and will add another 1,000,000 square feet among four new buildings. Revenues from the various developers and land tenants are utilized by the Authority for further investment in development activities.

In addition, the County relocated its emergency response and 911 call center to the Airport on property leased from the Authority. The call center provides centralized 911 emergency call and response services to the entire County.

Other Facilities

Aircraft rescue and firefighting (ARFF) services are provided from one fire station. The Authority also operates an aircraft rescue and firefighting training center at PIT, which includes a fire-training simulator as well as classrooms, a management center, a vehicle bay, trainee/equipment support areas and a visitor center.

PIT also accommodates airfield maintenance buildings, an FAA Airport traffic control tower, air navigation aids and guidance systems, and various other support facilities. It also serves as the home of the Pittsburgh Air Reserve Station and the Pennsylvania Air National Guard.

Sources: Planning Department of Allegheny County Airport Authority & Business Development

Table XI

Allegheny County - Demographic and Economic

For the Year Ended December 31, 2021

Year	Population	Personal Income (millions)	Per Capita Personal Income	Annual Average Unemployment Rate
2022	1,256,024	Not Available	Not Available	3.4%
2021	1,213,573	87,385	68,874	3.7%
2020	1,214,810	83,313	64,236	6.6%
2019	1,216,040	79,996	64,871	4.5%
2018	1,218,452	76,711	59,899	5.3%
2017	1,223,048	68,316	55,263	4.7%
2016	1,230,360	67,145	54,357	5.2%
2015	1,230,459	66,556	54,090	4.8%
2014	1,231,255	66,458	53,976	5.3%
2013	1,231,527	65,527	53,208	6.5%

n/a = information is not available

Table XII

Allegheny County - Principal Employers

**For the Year Ended 2022 and 2013
December 31, 2022**

2022 (1)		
Employer	Employees	Percentage of Total County Employment
University of Pittsburgh Medical Center	55,700	8.40%
United States Government	18,844	2.84%
Highmark Health	17,835	2.69%
Commonwealth of Pennsylvania	15,473	2.33%
University of Pittsburgh	13,538	2.04%
PNC Financial Services	11,300	1.70%
Giant Eagle, Inc.	11,226	1.69%
Wal-Mart Stores, Inc.	10,300	1.55%
BNY Mellon	7,000	1.06%
County of Allegheny	6,318	0.95%
Total	167,534	25.25%
Total Employees in County	663,253 (3)	
2013 (2)		
Employer	Employees	Percentage of Total County Employment
University of Pittsburgh Medical Center	43,000	6.57%
United States Government	18,328	2.80%
Commonwealth of Pennsylvania	13,298	2.03%
University of Pittsburgh	12,116	1.85%
Giant Eagle, Inc.	11,119	1.70%
West Penn Allegheny Health System	9,998	1.53%
The Bank of New York Mellon	7,600	1.16%
Allegheny County	6,728	1.03%
Westinghouse Electric	6,200	0.95%
Highmark, Inc.	5,600	0.86%
Total	133,987	20.48%
Total Employees in County	654,500 (2)	

Sources:

(1) Allegheny County Accounting Department

(2) City of Pittsburgh Comprehensive Annual Financial Report 2013

(3) Pennsylvania Department of Labor and Industry; Center for Workforce Information & Analysis