

2020 **A YEAR OF RESILIENCE**

ANNUAL REPORT



MISSION

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

VISION

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

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The 2020 story of Houston Airports is not one of suffering, misfortune or pity. It's a story of overcoming, never giving up, finding hope in the smallest victories and emerging resilient.

2020 > A YEAR OF RESILIENCE

"THE GREATEST GLORY OF LIVING LIES NOT IN NEVER FALLING, BUT IN RISING EVERY TIME WE FALL." — NELSON MANDELA

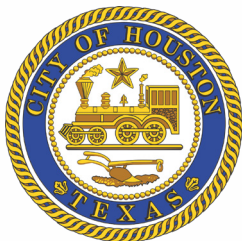
This annual report chronicles the unprecedented year that pushed our airport system, city, economy and world to the brink. The content in this annual report is layered with a timeline of important COVID-19 events that gives perspective to the stories told.

For Houston Airports, 2020 was a year that started with a fierce tailwind — thrusting Houston Airports into a record-breaking year. The year was on track to break an all-time high of 60 million passengers, until a cascade of news about a virus called COVID-19 commanded the world's attention. The public health emergency forced Houston Airports leadership to take quick action to preserve and protect its essential workforce, passengers, stakeholders, partners and investments.

The hardships didn't come without an outpouring of accolades that replenished our team's drive for excellence.



Despite the historic and prolonged decline in passenger traffic, Houston Airports' strategic focus on safety and partnerships opened the door to a promising rebound in the final months of 2020. In 2021, Houston Airports remains focused on its four strategic priorities: making our passengers happy; acting responsibly to achieve social, environmental and economic sustainability; building platforms for future success; and investing in our partnerships and employees.



A MESSAGE FROM MAYOR SYLVESTER TURNER

Dear Residents of Houston,

In 2020, the City of Houston's airport system started the new year with firm goals and expectations, only to have them quickly tempered by the unanticipated and extraordinary COVID-19 pandemic. But the full strength and character of any institution are often revealed during times of great adversity, and such was the case for the Houston Airport System.

George Bush Intercontinental Airport, William P. Hobby Airport and Ellington Airport/Houston Spaceport all have invaluable roles in maintaining the Houston Airport System's stature as a global gateway and a catalyst for the city's growth. That is why, when the impact of the pandemic became clear to us, we extended a lifeline by approving deferments for the Houston Airport System's commercial airline partners, concessionaires, and rental car tenants. The once-thriving businesses all suffered financial setbacks that inevitably produced a troubling ripple effect, and we wanted to help sustain their operations during the global pandemic.

I am optimistic that we will begin to recover from the pandemic's economic damage in 2021 and that our airport system will continue to rank among the best in the world. Despite the turbulence, Houston's Airports shined once again at the Skytrax World Airport Awards by earning a long list of honors in various categories, including the highest-ranking among U.S. Airports in the World's Top 100 Airports category and recognition as second-best airport in North America. Houston remains the only city in the Western Hemisphere to have two 4-star Skytrax rated airports. Our goal is to become a 5-star airport system.

It is my pleasure to introduce this in-depth retrospective of how our airport system responded to its challenges in 2020 and what it accomplished despite significant obstacles.



A MESSAGE FROM HOUSTON AIRPORTS DIRECTOR MARIO DIAZ

Dear Houston Airports Partners,

Shared commitment and sheer resolve were Houston Airports most vital resources in 2020. The COVID-19 pandemic's horrific impact forced millions of people worldwide to make sudden — and often drastic— adjustments in their personal and professional lives. But I will remember 2020 as a year in which Houston Airports entered a great struggle, found hope in small victories and emerged resilient.

As the pandemic's global impact materialized, passenger numbers fell fast as restrictions and flight suspensions grew. Our airfields began to look like aircraft parking lots. Inside our airports, some terminals looked deserted. As a result, other revenue generators were also negatively impacted. About 80 percent of our concessionaires and retailers closed, and only about 50 storefronts remained open. Parking was decimated. This was our rock bottom. Yet, this also was the moment when we found our greatest strength in ourselves, in our essential team and in our leadership.

In spite of the dark cloud of COVID-19, 2020 was a groundbreaking year for Houston Airports — both literally and figuratively. Our flagship IAH Terminal Redevelopment Program, ITRP, continued to advance with few international passengers and fewer aircraft to hold up construction. United Airlines opened its 305,000-square-foot Technical Operations Center at Bush Airport, among the largest for United in the country. Southwest Airlines unveiled its 240,000-square-foot Aircraft Maintenance Complex at Hobby — a game-changer that can house six 737s inside — and at least eight more outside.

In 2020, Hobby became the first airport in Texas to have fully biometric boarding and international entry. We also fast-tracked our biometric program at Bush Airport and began testing out other touchless technology to incorporate in the airport experience — touchless bag drops, kiosks, and the like.

In response to the pandemic, we created the award-winning FlySafe Houston, a program which greatly enhanced already-stringent safety measures and created ease of mind and comfort for passengers and staff alike. We reached out to our communities — handing out masks to the most vulnerable and lending our parking lots as food distribution sites where the jobless and hungry could come and collect groceries to feed their families. In short — we were undeterred in our service!

Through it all, from a budget perspective, years of fiscal responsibility positioned us to absorb some of the massive economic effects of COVID-19.

The pandemic has become an unforgettable lesson learned and a powerful reminder that surrounding oneself with colleagues who exemplify the highest standards of quality and integrity is crucial — in the best or worst of times. For that, I am grateful.

SENIOR STAFF



MARIO DIAZ
Director of Aviation



SABA ABASHAWL
Chief External Affairs Officer



TANYA ACEVEDO
Chief Technology Officer



STEVEN ANDERSEN
Executive Program Manager,
IAH Terminal Redevelopment
Program



ROBERT "BOB" BARKER
Chief Development Officer -
Infrastructure



J'MAINE CHUBB
Chief Financial Officer



STEVEN HENNIGAN
Chief of Operations



HARLEEN HINES-SMITH
Chief Human Resources Officer



JOCELYN LABOVE
Chief Aviation Risk and
Regulatory Compliance
Officer



ARTURO MACHUCA
General Manager,
Ellington Airport and
Houston Spaceport



LILIANA RAMBO
Chief Terminal
Management Officer



IAN WADSWORTH
Chief Commercial Officer



MOLLY WAITS
Chief Marketing, Air
Service Development and
Communications Officer

HOUSTON AIRPORTS STRATEGIC PLAN »

In early 2020, Houston Airports developed and adopted a five-year strategic plan that was grounded in five foundational priorities. Experience, service, efficiency capacity and safety are the foundation upon which we have built our strategic priorities. Each successive competency builds on the next, allowing Houston Airports to deliver on our preeminent goal — an excellent customer experience.

FOUNDATION FOR OUR PRIORITIES



Houston Airports’ strategic priorities guide the direction of the organization in support of our vision to establish Houston Airports as a 5-star global air service gateway where the magic of flight is celebrated. Each division within Houston Airports develops objectives and action plans (initiatives) which align the strategic priorities, making the strategy actionable. These action items help guide business and resource planning through our Strategy-to-Budget process.

HOUSTON AIRPORTS STRATEGIC PRIORITIES



MAKE OUR PASSENGERS HAPPY

Houston Airports views the traveling passenger as a customer. Therefore, Houston Airports must be focused on continually providing an excellent customer experience at all touchpoints.



ACT RESPONSIBLY TO ACHIEVE SOCIAL, ENVIRONMENTAL, AND ECONOMIC SUSTAINABILITY

Houston Airports has determined three key areas that are critical to the system’s sustainability — People (Social), Planet (Environmental) and Profit (Economic). The intersection of these areas will be at the heart of how Houston Airports operates.



BUILD PLATFORMS FOR FUTURE SUCCESS

Houston Airports is working to ensure that the physical, human, financial and system resources are in place to meet future demand. Houston Airports continues to implement systems and programs to manage our airports responsibly and enable us to exceed customer expectations.



INVEST IN OUR PARTNERSHIPS AND OUR EMPLOYEES

To provide a world-class customer experience, Houston Airports must continue to invest in its employees — the pillars of Houston Airports’ success and the front line in the effort to improve the customer experience.



FAST FACTS»

HOU

William P. Hobby Airport (HOU)



6.5MIL

40th busiest airport in the U.S. for passenger totals in 2019; nearly 6.5 million passengers traveled through the airport in 2020



Biometrics

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



83 Total Destinations

Airline service to 71 domestic and 12 international destinations within U.S., Mexico, Latin America and the Caribbean (2019)



Active Hub

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



36K Jobs

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



1937

Acquired by the City of Houston in 1937

IAH

George Bush Intercontinental Airport (IAH)



18.2MIL

In 2020, more than 18.2 million passengers traveled through the five-terminal, five-runway airport.



6 Continents

Provides service to all 6 inhabited continents, and offers more Latin American destinations than any other airport in the U.S. (2019)



187 Total Destinations

Nonstop service to more than 118 domestic destinations and 69 direct and nonstop international destinations (2019)



Largest Hub

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



141K Jobs

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



16th

16th busiest airport in North America based on flight operations, according to ACI-NA (2019)

EFD

Ellington Airport / Houston Spaceport (EFD)



Commercial Spaceport

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



75K

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



Space Training

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



Disaster Relief

Home to the regional headquarters of the United States Coast Guard



13K Jobs

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



Military Operations

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



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to watch the video.



JANUARY 8

SOUTHWEST AIRLINES OPENS ITS LARGEST-EVER HANGAR FACILITY FOR TECHNICAL OPERATIONS AT WILLIAM P. HOBBY AIRPORT

Southwest Airlines opened a new \$125 million maintenance facility at Hobby Airport January 8, highlighting the importance Houston holds for the nation's largest domestic airline and underscoring its commitment to safety while investing in the Bayou City.

The 240,000 square-foot-maintenance facility, now the largest in the airline's network, includes offices, training facilities, warehouse space and a 140,000 square-foot hangar. This allows for the nearly 400 Houston-based Technical Operations employees to work simultaneously on up to six 737 aircraft indoors and has space for an additional eight aircraft outside the hangar bays. It replaces Southwest's smaller Technical Operations facility at Hobby Airport, which opened in 1988.



JANUARY 22

CDC CONFIRMS THE FIRST CASE OF COVID-19 IN THE UNITED STATES

The U.S. Centers for Disease Control and Prevention confirms the first case of coronavirus in the United States. The man traveled from Wuhan, China, January 15 and was diagnosed with COVID-19 January 22.



→ **JANUARY 31**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES DECLARES A PUBLIC HEALTH EMERGENCY

The U.S. Department of Health and Human Services declared a public health emergency. Nationwide travel restrictions from China took effect. Non-U.S. citizens who had been in China within the last 14 days and were not the immediate family member of U.S. citizens or/and permanent residents were not admitted travel into the U.S. This was the first such travel restriction by the U.S. in more than 50 years.

Any U.S. citizen returning to the U.S. who had been in Hubei Province in China in the previous 14 days would be subject to mandatory quarantine and health screening.

→ **FEBRUARY 13**

WAYFINDING SIGNAGE UPGRADED AT BUSH AIRPORT TO IMPROVE PASSENGER EXPERIENCE

Signage at Bush Airport was updated to improve customer service and enhance the customer wayfinding experience. Houston Airports developed new wayfinding and signage standards and guidelines that address signage airport wide, inclusive of roadways, terminals, parking and ground transportation. After a thorough examination of available options, a retrofit of the existing signage employing the new Bush Airport signage elements moved forward.



→ **FEBRUARY 19**

HOBBY AIRPORT BECOMES FIRST AIRPORT IN TEXAS TO OFFER FULL FACIAL COMPARISON TECHNOLOGY

Hobby Airport became the first in Texas to have full facial comparison technology for both entry and exit for passengers traveling internationally. The enhanced entry process complements the biometric exit process that U.S. Customs and Border Protection (CBP), Houston Airports and Southwest Airlines introduced in November 2018.

When international travelers arrive at the airport, they will pause for a photo at the primary inspection point. CBP's biometric facial matching service will compare the new photo of the traveler to images that the traveler previously provided to the government, such as passport and visa photos. If a traveler cannot be matched to a photo on record, the CBP officer will process the traveler manually.

This service will cut wait times in half for more than a million international passengers traveling through Hobby Airport every year.



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FEBRUARY 20

UNITED AIRLINES UNVEILS \$200 MILLION TECHNICAL OPERATIONS CENTER AT BUSH AIRPORT

On February 20, United Airlines opened a nearly \$200 million, 375,000-square-foot facility that includes additional hangar capacity for maintaining widebody aircraft, a new warehouse distribution center, a technical service building and administrative offices.

More than three years in the making, it allows United to consolidate its Houston maintenance facilities. Engineers can now work in the hangars adjacent to technicians and aircraft.

The facility is one of many investments United Airlines continues to make at Bush Airport.



Scan this QR code with phone camera to watch the video.



FEBRUARY 29

U.S. FIRST REPORTED COVID-19 DEATH

MARCH 16

PRESIDENT TRUMP ADDS BRITAIN AND IRELAND TO EUROPEAN TRAVEL BAN

MARCH 13

PRESIDENT TRUMP RESTRICTS TRAVEL FROM SCHENGEN AREA (26 EUROPEAN COUNTRIES)

MARCH 7

SOUTHWEST AIRLINES ENHANCES CONNECTION TO MEXICO WITH NEW FLIGHT TO COZUMEL

Southwest Airlines launched nonstop service between Houston and Cozumel, Mexico March 7. Cozumel is Southwest Airlines' fourth destination in Mexico and the 11th international market served nonstop from Hobby. From Houston, Southwest offers up to nearly 200 departures a day to more than 65 destinations across the United States, Latin America and the Caribbean.



MARCH 2020

HOUSTON AIRPORTS' PASSENGER TRAFFIC IN MARCH FELL BY 50%



→ **MARCH 16**

HOUSTON AIRPORTS LAUNCHES COVID-19 INFORMATION CENTER

Located at fly2houston.com, Houston Airports launched a web page March 16 dedicated to information relating to the ever-changing landscape of COVID-19, including travel restrictions, the most recent Centers for Disease Control and Prevention guidelines, and the latest cleaning and health standards at Houston's airports.



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→ **MARCH 16**

**FIRST U.S.
EXPERIMENTAL
COVID-19 VACCINE
TRIAL BEGINS**

→ **MARCH 20**

**U.S. ANNOUNCES PLANS
TO CLOSE THE BORDER
WITH MEXICO TO ALL
"NONESSENTIAL TRAVEL"**

→ **MARCH 24**

STAY-AT-HOME WORK ORDER

Mayor Sylvester Turner joined Harris County Judge Lina Hidalgo and local health officials to issue a "Stay Home, Work Safe" Order. Harris County residents were required to remain at home or a place of residence, with exceptions for essential work and activities.

→ **MARCH 24**

CITY OF HOUSTON APPROVES TELECOMMUTING POLICY

Houston Airports' technology division deployed more than 300 laptops and tablets within a short time frame to enable employees to work from home effectively. Houston Airports' human resources team made online training available to enhance the skill set of employees. By the end of 2020, 5,118 distance learning hours of online training were completed.

→ **MARCH 24**

**TOKYO 2020 OLYMPICS
POSTPONED**



→ **MARCH 26** →

**TEXAS GOVERNOR
GREG ABBOTT'S
EXECUTIVE ORDER
FOR AIR TRAVELER
QUARANTINE**

→ **MARCH 27** →

CARES ACT IS SIGNED INTO LAW

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress with overwhelming bipartisan support and signed into law by President Trump March 27. This \$2 trillion economic relief package included much needed relief for U.S. airports.

Houston Airports applied for and received \$200M in CARES Act funds. Houston Airports publicly thanked U.S. senators, congressional representatives, the Federal Aviation Administration and the federal government for the critical lifeline that kept Houston Airports operational and provided job security for nearly 1,100 hard-working and essential Houstonians.

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→ **APRIL 3** →

**THE WHITE HOUSE
AND THE CDC
RECOMMENDED
AMERICANS WEAR
FACE COVERINGS
IN PUBLIC**

APRIL 2

**THE NUMBER OF
CORONAVIRUS
CASES WORLDWIDE
SURPASSES 1 MILLION**

APRIL 2020

**HOUSTON AIRPORTS'
PASSENGER TRAFFIC
IN APRIL FELL BY 95%**



APRIL 7

BUSH AIRPORT WINS GOLD IN AIR CARGO WORLD AWARD

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

The awards are based on the impartial Air Cargo Excellence Survey which was established in 2005 by Air Cargo World magazine. They are presented annually to airports and cargo airlines achieving the highest survey scores based on several performance factors, including customer service, performance and value. Bush Airport obtained third place in its category behind Dallas/Fort Worth International and Luxembourg airports, respectively. Houston Airports' partner Southwest Airlines was selected as a Diamond winner in the Airlines Carrying Up to 999,999 Tons category.

Bush Airport's cargo operations include two separate cargo areas and cargo operations have access to the airport's five runways which can accommodate any cargo aircraft, including the world's largest, the Antonov AN-225 Mriya.





APRIL 20

UNITED AIRLINES CONVERTS CARGO FACILITY INTO HOUSTON FOOD BANK DISTRIBUTION CENTER

In April, United Airlines transformed one of its cargo facilities at Bush Airport into a food distribution center to aid the Houston Food Bank's efforts. Hundreds of United employees from all departments sorted, packaged and distributed up to 6,000 relief packages to families in need in Houston every day.

Much of the food was used at a new large-scale distribution model called a "Neighborhood Super Site," which expects to see 3,000 to 5,000 vehicles each event. Volunteers also received product at the cargo center to then make safe, no-contact deliveries to households.



APRIL 23

HOUSTON AIRPORTS PARTNERS WITH LONE STAR COLLEGE TO PROVIDE ESSENTIAL SUPPLIES TO THE COMMUNITY

Houston Airports partnered with Lone Star College-Houston North to distribute food, face masks, gloves, hand sanitizer and soap to the residents of the Acres Homes community. The mask drive was held in partnership with Houston Airports, Houston Food Bank, Avenue 360 Health and Wellness and the City of Houston.

On April 23, Mayor Sylvester Turner and the rest of the team handed out 400 boxes of food, 6,400 face masks, 1,600 bottles of hand sanitizer, 1,000 sets of gloves and 1,600 bars of soap to help residents protect themselves against the ongoing COVID-19 pandemic.



MAY 13

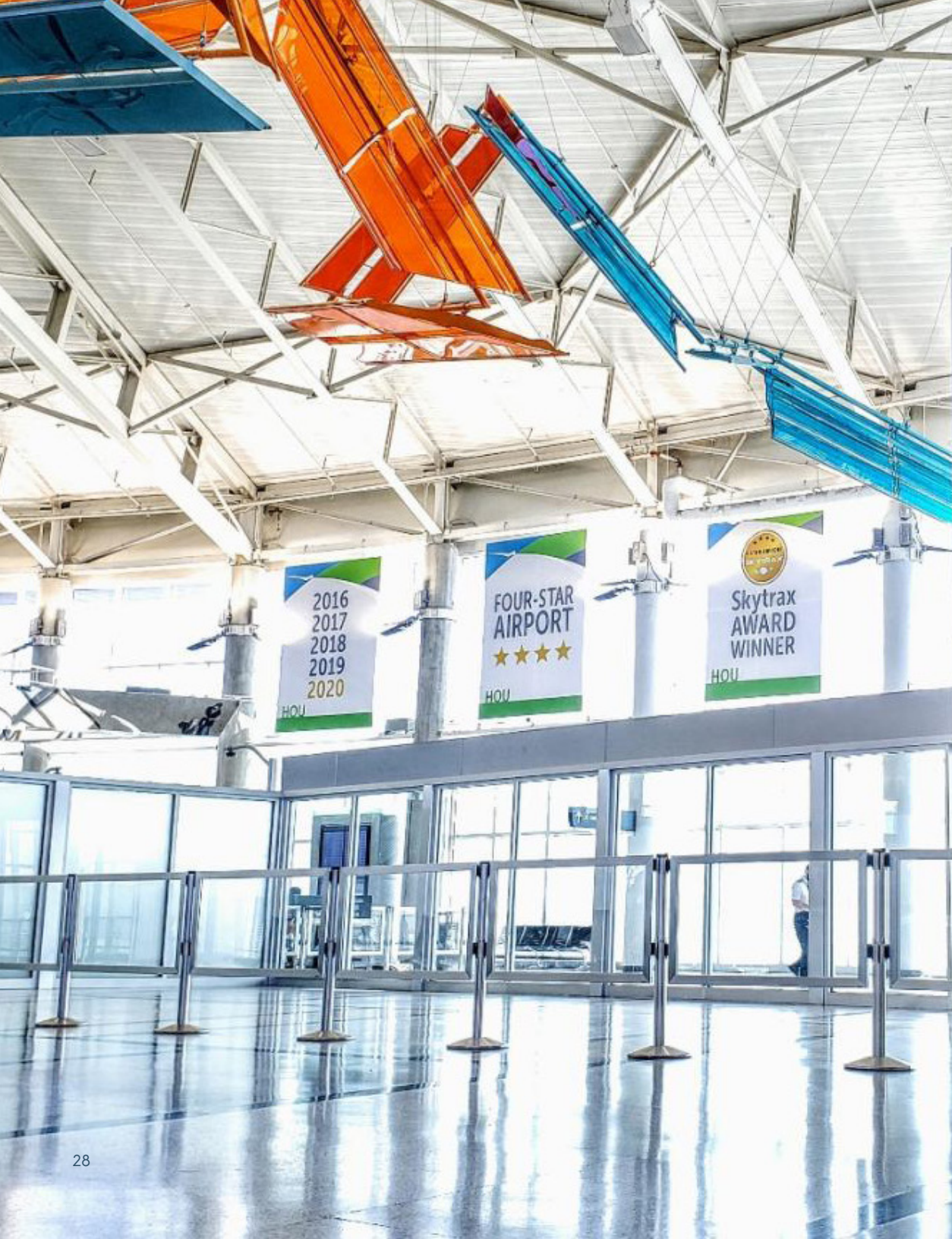
HOUSTON AIRPORTS UTILIZES ECOPARK LOTS FOR HOUSTON FOOD BANK FOOD DISTRIBUTION



Houston Airports converted some of its ecopark outdoor parking lot into a food distribution site to aid the Houston Food Bank's efforts to feed families in need during the COVID-19 crisis. The distribution site opened in May and served Houstonians until just after the Thanksgiving holiday. Residents from nearby communities safely waited in their cars as the National Guard helped to load food supplies into their vehicles. The distribution site was a lifeline for thousands of families. The Houston Airports' distribution site was one of many in the Houston area.

Houston Food Bank and its 1,500 or so partners in the 18-county southeast Texas region distribute about 450,000 pounds of food per day. That need rose to 800,000 pounds per day due to the pandemic. The need for volunteers, donations and space became a necessity, and Houston Airports was quick to answer the call for help.





MAY 13

HOUSTON REMAINS ONLY CITY IN THE WESTERN HEMISPHERE WITH TWO FOUR-STAR RATED AIRPORTS

Houston's Airports shined once again at the 2020 Skytrax World Airport Awards by earning a long list of honors in various categories including World's Top 100 Airports, Best Airport Dining, Best Airport Staff and World's Best Website and Digital Services. Houston remains the only city in the Western Hemisphere to have two four-star Skytrax rated airports.

The top honors went to Bush Airport which received the highest ranking among U.S. airports in the World's Top 100 Airports category and placed as second-best airport in North America. Bush Airport climbed seven spots in rank to No. 31 among the top world airports, up from No. 38 in 2019. Bush Airport also ranked fourth in the World's Best Airport Dining Experience category and finished sixth in the rankings for Best Airport Staff in North America.

Hobby Airport received noteworthy accolades as well, finishing third among Best Regional Airports in North America. Hobby Airport ranked sixth for best airports with 10-20 million passengers. Globally, Hobby Airport finished at No. 67, up from No. 85 in 2019.

Houston Airports' website, fly2houston.com, and digital services were named World's Best — for the second year in a row.

This was the fifth year in a row that Hobby received a four-star rating and the third straight year Bush Airport received the same distinction from Skytrax, a leading global air transport rating organization.



MAY 21

**TEXAS GOVERNOR
ABBOTT LIFTS AIR TRAVEL
QUARANTINE MANDATE**

MAY 21

“HOUSTON IS” COMMUNITY ART EXHIBIT CELEBRATES INCLUSIVITY AND DIVERSITY BY HOUSTONIANS OF ALL ABILITIES

Artists of all abilities had their inspiring artwork showcased in the terminal lobbies at both Bush and Hobby airports. These artists interpreted the theme “Houston Is” and created an inspiring collection of art that decorated the Houston Airports’ terminals.

The project was unveiled May 21, which is also Global Accessibility Awareness Day, a day dedicated to recognizing the advancement of digital technology, and the importance of making this technology available to people with disabilities.

The exhibit celebrated the artists and showcases the inclusivity and diversity that make up Houston. More than 180 entries were submitted from artists of all ages and walks of life. Students and clients of the following organizations participated in the “Houston Is” exhibit: Down Syndrome Association of Houston, Home Place of Texas, Reach Unlimited, Rita Drabek Elementary School Art Club, nonPareil Institute, The Arc of Fort Bend County, The Arc of Greater Houston and The Center for Pursuit.

Due to the COVID-19 pandemic, only artists and their family members attended the unveiling of the exhibit.



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to watch the video.



MAY 28

**PRESIDENT TRUMP ISSUES
BRAZIL TRAVEL BAN**



→ JUNE 1

ALLEGiant AIR BEGINS FLYING OUT OF HOBBY AIRPORT

Despite the challenges presented for air travel due to the global pandemic, Allegiant Airlines considered the benefits of serving the Houston community and began seasonal nonstop flights from Houston to Knoxville, Tennessee; Asheville, North Carolina; Savannah, Georgia; and Fort Walton Beach, Florida. The nonstop, twice-weekly flights operate from Hobby Airport. The first Allegiant flight was welcomed with a water arch salute at Hobby Airport. Allegiant joins Southwest Airlines, American Airlines, and Delta Air Lines that serve passengers from Hobby Airport.



→ JUNE 1

GALAXY FBO OPENS NEW STATE-OF-THE-ART FACILITY AT HOBBY AIRPORT

Galaxy opened a new state-of-the-art Fixed Based Operation corporate and general aviation facility at Hobby Airport. The new Galaxy FBO facilities feature a two-story 23,000-square-foot building with more than 2,000 square feet of additional turn-key office space for lease and two 38,000-square-foot hangars.

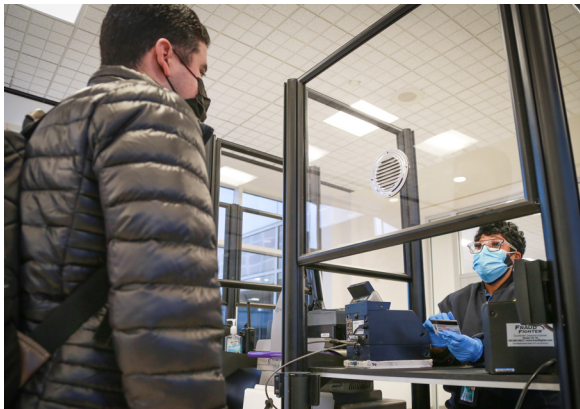
The \$20 million facility, the sixth FBO on the field, is located on 19 acres on the south side of the airport, adjacent to the U.S. Customs facility at the end of Runway 4.

It features a two-story 23,000-sq-ft terminal with pilot and passenger lounges, concierge, snooze rooms, shower facilities, four conference rooms, on-site car rental, crew cars and more than 2,000 square feet of tenant office space.

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FLYSAFE HOUSTON



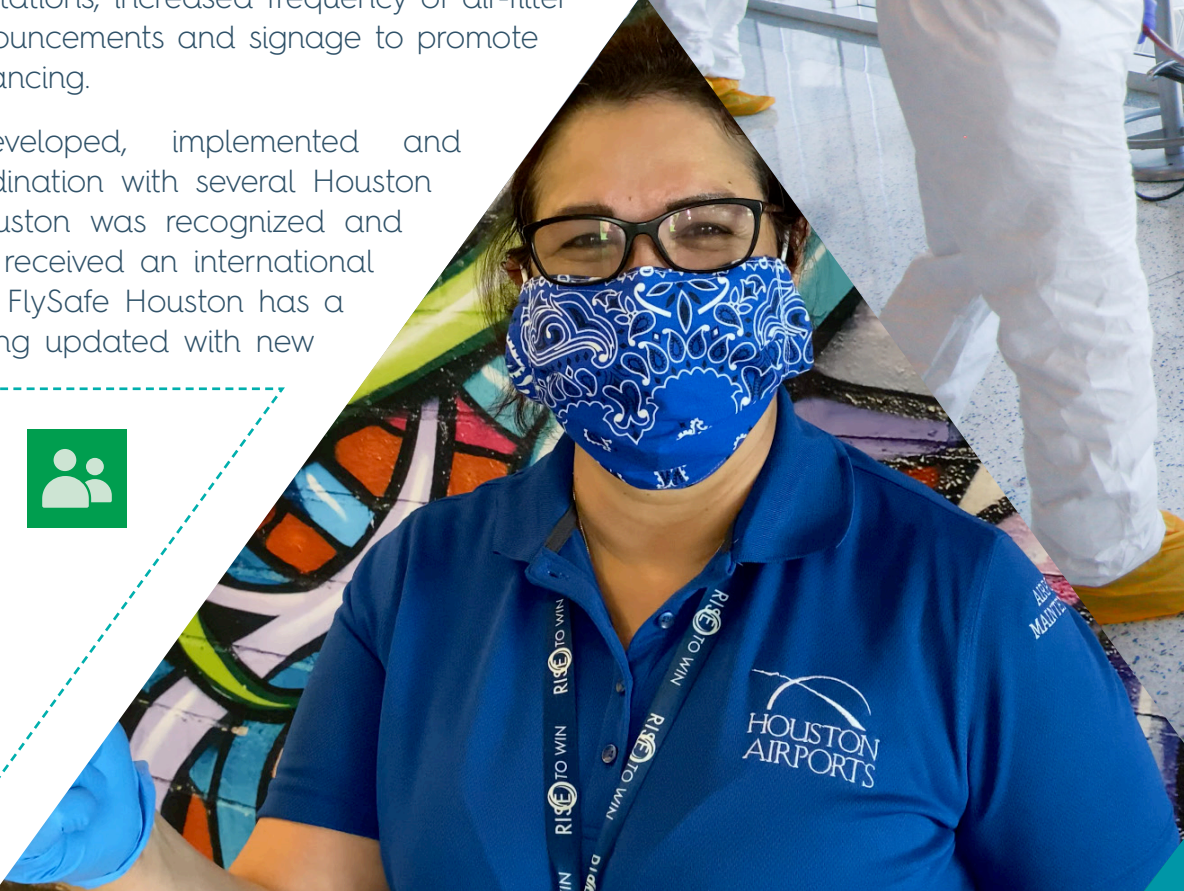
included in the Houston Clean initiative. In November, FlySafe Houston received an international health accreditation by Airports Council International – North America. FlySafe Houston has a dedicated web page, www.fly2houston.com/flysafe, that’s constantly being updated with new health and safety additions and information.



In June, Houston Airports activated FlySafe Houston – an internationally accredited passenger and employee-focused safety and health initiative that aims to reduce the spread of COVID-19 at every corner of Houston’s airports. The initiative was developed to work in unison with airline partners’ existing health and safety programs to create a “curb to sky” safety promise.

The new safety measures include mandatory masks/face coverings, touchless kiosks at select airline ticketing counters, facial comparison technology at select departing and immigration entry points, deep cleanings, social distancing markers in queues, safety shields at counters, additional installment of hand sanitizer stations, increased frequency of air-filter replacements and public announcements and signage to promote good hygiene and social distancing.

FlySafe Houston was developed, implemented and communicated in close coordination with several Houston Airports divisions. FlySafe Houston was recognized and



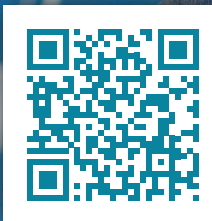
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→ JUNE 22

CITY OF HOUSTON PROCLAIMS JUNE 22 AS HOUSTON AIRPORTS DAY

On June 22, Houston Airports was acknowledged as a vital economic engine to the City of Houston and surrounding areas. Mayor Turner commended the 1,000 dedicated airport staff members and recognized accomplishments made at the 2020 World Airports Awards. He then proclaimed June 22, 2020, as Houston Airports Day.



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with phone camera
to watch the video.

JUNE 29

HARMONY IN THE AIRSM RETURNS WITH DAILY PERFORMANCES

After a brief hiatus due to the global pandemic, the highly rated Houston Airports' "Harmony in the Air" performing arts program returned June 29 to the delight of passengers. Year after year, Skytrax cites "Harmony in the Air" as a 5-star feature at both airports. Harmony in the Air is one of several initiatives that Houston Airports has undertaken to create an elevated travel experience.



JULY 15

NEW ART ACQUISITION WILL ADD TO AIRPORT'S PUBLIC ART COLLECTION

In July, Houston Airports, in partnership with the Mayor's Office of Cultural Affairs and the Houston Arts Alliance, facilitated a call for new art from the Texas wide art community, many of whom have lost wages and opportunities due to this global health crisis. When complete in 2021, the art initiative will add 100 new art pieces to the collection from 97 new Texas-based artists that will enhance the terminals of Houston Airports. The airport system owns one of the largest public art collections in Texas.



Scan this QR code
with phone camera
to watch the video.



JULY 15

HOBBY AIRPORT ADDS NEW AMENITIES

In July, Hobby Airport added a children's play area and two mother's nursing rooms. The new amenities are a great enhancement to the family-friendly passenger experience.

A space-themed 450-foot children's play area is located across from Gate 4 in the west concourse. It offers a rocket slide, comet climbing structure, interactive light board and bench space for parents who need to take a break. The area is cleaned often using hospital grade disinfectants.

Each new mother's room is private and equipped with an AC and USB power outlets, a changing table, and nursing glider chairs for the comfort of mothers and babies. The new mother's rooms are located near Gates 4 and 46. Additionally, a third private mother's nursing room opened in August and is located near Gate 24.



JULY 20

MASKS ARE MANDATORY AT HOUSTON AIRPORTS

In light of COVID-19, and for the safety of customers and staff, wearing masks at Houston Airports became mandatory in July. For the convenience of customers, masks were available and distributed — at no charge — as needed at each terminal main entrance. In addition, personal protective equipment was available for purchase at kiosks throughout Bush and Hobby airports.



→ **AUGUST 5**

HOUSTON AIRPORTS JOINS CITY-WIDE ‘CLEAN’ TASK FORCE



Houston Clean

In August, Houston Airports joined Houston Clean — a campaign that helps people easily identify COVID-19 safety measures that are in place at Houston venues and events. The Houston Clean campaign marked a significant step in addressing safety concerns related to the COVID-19 crisis.

The campaign unified Houston’s hospitality, sports, entertainment and transportation industries around a clear benchmark for health and safety standards. Participating task force members used Houston Clean’s health and safety guidelines—which aligned with orders issued by federal, state and local officials, as well as the Centers for Disease Control and Prevention, CDC — as a baseline for reopening and welcoming back patrons.

A Houston Clean logo can be found on all participating partner websites. If a business is identified with the Houston Clean logo, it means the business has taken the pledge, which includes a commitment to the safety and well-being of their visitors, workforce, and community.

The Houston Clean Hotels Task Force was developed in association with the Hotel and Lodging Association of Greater Houston. The Houston Clean Theaters Task Force was developed in association with the Theater District Houston. The Houston Clean Museums Task Force was developed in association with the Houston Museum District. The Houston Clean Airports Task Force is now fully integrated within Houston Airports’ FlySafe program.



→ **AUGUST 16**

TEXAS AIRPORT DIRECTORS ANNOUNCE FLYSAFE TEXAS INITIATIVE

COVID-19 had a devastating effect on the tourism and travel industry, but through it all Texas airports remained open.

In August, Houston Airports and the Texas Commercial Airport Association, TCAA, joined together to spread the word about new safety protocols and enhanced health procedures implemented at airports around the Lone Star State. The campaign was designed to restore consumer confidence in air travel and to remind travelers that Texas airports were ready for passengers’ return.

Senior executives from Houston Airports, Austin Bergstrom International, Corpus Christi International, Dallas/Fort Worth International, Dallas Love Field, El Paso International, Lubbock Preston Smith International and San Antonio International airports created a special video pledge promoting the health and safety message. The video was published on each airport’s social media platforms and websites with the hashtag #FlySafeTexas to remind passengers the number one priority for all Texas airports is safety.

In addition to the video, an educational coloring and activity book was created just in time for back to school. The book targeted primary students and is also accessible on social media and airport websites.



AUGUST 16

NASA ASTRONAUTS RETURN TO EARTH, FLY TO ELLINGTON AIRPORT TO REUNITE WITH FAMILY

After more than two months in orbit aboard the International Space Station, ISS, NASA astronauts Bob Behnken and Doug Hurley made their way back to earth in a SpaceX Dragon capsule named Endeavor. On August 2, the crew of two splashed in the Gulf of Mexico, just three miles off the coast of Pensacola, Florida.

Behnken and Hurley were then taken to a nearby medical facility before being flown to the Pensacola Naval Air Station. The two astronauts were then flown in a NASA plane to Ellington Airport to be reunited with their families. The astronauts reside in the Clear Lake area, near the airport. The area has long been home to NASA astronauts, engineers and other personnel.

Behnken and Hurley are now a part of history as the first to blast off on May 30 and return to earth in the private SpaceX Dragon capsule. The mission set the tone for a brand-new day in space exploration and travel.



Scan this QR code
with phone camera
to watch the video.



SEPTEMBER 1

INTERNATIONAL AIR SERVICE REBOUNDS IN HOUSTON

More than a dozen air carriers restarted international service to Houston following the unprecedented COVID-19 travel decline. In September, air carrier service restorations from Air France, Qatar Airways, Emirates and United Airlines on September 2 marked Houston's significant rebound in connectivity to European, Middle Eastern and Latin American destinations. Nearly two-thirds of the airlines providing international service at Bush and Hobby airports were restored following a sharp decline due to the COVID-19 pandemic.

Mexico remained a strong air service destination for carriers in Houston. Some airlines — VivaAerobus and Volaris — added new service to select destinations they had not previously served from Houston.

Mayor Sylvester Turner said the international air service rebound was a significant step in restoring Houston's economy. Turner also made clear the air-service restorations were being matched with a strong emphasis on safety.



-----> **SEPTEMBER 9**

MOODY'S ASSIGNS A1 RATING TO HOUSTON AIRPORTS

Moody's Investors Service assigned an A1 rating to the City of Houston, Airport Enterprise's approximately \$863.7 million – CAFR Subordinate Lien Revenue Refunding Bonds, Series 2020A (AMT), Series 2020B (Non-AMT) and Series 2020C (Taxable). Moody's also affirmed the A1 rating on \$1.10 billion outstanding subordinate lien bonds and Aa3 on senior lien bank bonds. The ratings reflected Houston Airports control over air travel in the ninth-largest population center in the US and a geographic location that supports international connecting facilities for both United Airlines Holdings, Inc. (Ba2 negative) and Southwest Airlines Co. (Baa1 negative) under long-term agreements.

Houston Airports' ample liquidity, measured at 950 days cash on hand of operating expense, would cover more than 24 months of operating expense and post-refunding debt service with no revenue. Houston Airports will use \$96 million of its CARES act proceeds to pay debt service in fiscal 2021, which is considered in Moody's calculations of liquidity and demonstrates active management to mitigate costs increases to airlines.

Ample liquidity provides a material offset against enplanement risk. The stable outlook reflected the strong liquidity available to withstand a recovery that was slower than the system's expectations and Moody's expectation that enplanements would recover enough over the next 24–26 months to maintain historic financial metrics.

\$\$\$

-----> **SEPTEMBER 14**

HOUSTON'S \$863.7 MILLION BOND SALE WILL HELP LOWER DEBT SERVICE OUTLAYS

Houston Airports continued to overcome the financial adversity posed by the COVID-19 pandemic with a successful \$863.7 million bond sale that was highlighted by Morgan Stanley at the heart of New York City in Times Square.

Houston Airports' bond sale helped minimize risks to the continued operations of its three airports. The September bond sale resulted in savings of \$32.5M and \$37.8M in Fiscal Year 2021 and FY2022, respectively, thereby providing cash flow relief and allowing time for air traffic demand to recover from the COVID-19 pandemic. The bonds carry ratings of A1 from Moody's Investors Service and A from S&P Global Ratings.

The strong investor response in the bond offering would not have been possible without the dedication of the Houston Airports' finance team, led by Chief Financial Officer J'Maine Chubb.

\$\$\$

→ **SEPTEMBER 21** ----->

NEW AIRPORT PARKING SYSTEM GIVES TRAVELERS MORE FLEXIBILITY

In September, Houston Airports launched a new and more flexible online parking reservation system, powered by Goairport. The system, which integrates with fly2houston.com, gives more control to travelers by allowing them to pre-book, adjust, cancel and request a refund for a(n) ecopark, terminal garage and valet reservation. The new system also provides travelers with a more touchless experience, since all parking transactions can now be conducted at home or on a mobile.



-----> **SEPTEMBER 25** ----->

HOUSTON'S AIRPORTS SCORE AMONG THE BEST IN J.D. POWER 2020 NORTH AMERICA AIRPORT SATISFACTION STUDY

Houston's two commercial airports scored among the best in North America, according to the 2020 J.D. Power North America Airport Satisfaction Study released in September. Both Bush and Hobby airports noted double-digit scoring improvements from 2019. Most notably, Hobby's score climbed by more than 30 points from 2019 to finish in fourth place in the large airports category—up from 10th place in 2019. IAH also saw a double-digit scoring increase to finish in 13th place in the mega airports category.

Houston Airports Director of Aviation Mario Diaz attributed the customer satisfaction improvements to the dedication and commitment shown by Houston Airports' essential workers.

The J.D. Power 2020 North America Airport Satisfaction Study measures overall traveler satisfaction with mega, large and medium North American airports by examining six factors (in order of importance): terminal facilities; airport arrival/departure; baggage claim; security check; check-in/baggage check; and food, beverage and retail. Mega airports are those with 33 million or more passengers per year; large airports with 10 to 32.9 million passengers per year; and medium airports with 4.5 to 9.9 million passengers per year.



Scan this QR code
with phone camera
to watch the video.



-----> **OCTOBER 2** ----->

ALL NIPPON AIRWAYS RELAUNCHES NONSTOP SERVICE BETWEEN HOUSTON AND TOKYO

In October, Houston's direct service to Japan's Haneda International Airport — which was in service for just a few days in March before suspending service due to COVID-19 — returned to Bush Airport, with additional comfort and safety protocols from All Nippon Airways, ANA.

Japan is an important economic and cultural mecca for Houston. ANA provides Houston-Haneda service three times a week. Prior to Haneda, ANA provided service to Japan's Narita Airport directly to and from Houston.



→ **OCTOBER 12**

SOUTHWEST AIRLINES PLANS SERVICE TO BUSH AIRPORT

During the last quarter of 2020, carriers began adjusting their business strategies for 2021. In October, Southwest Airlines announced that it would continue operations at Hobby Airport while expanding its service offerings out of Bush Airport in the first half of 2021.

Southwest Airlines has a long history with Bush Airport. Bush served as one of three airports where Southwest operated on its first day in operation, June 18, 1971. The carrier moved to Hobby Airport shortly thereafter, though it operated service from both airports between 1980 and 2005. Southwest remains a key employer in the City of Houston, providing nearly 4,000 jobs.

In December, Southwest announced it would serve five destinations from Bush Airport starting April 12, 2020: Chicago, Dallas, Denver, Nashville and New Orleans.



→ **OCTOBER 15**

HOUSTON AIRPORTS CELEBRATES 5-YEAR ANNIVERSARY OF INTERNATIONAL TERMINAL AT HOBBY AIRPORT

A 280,000-square-foot international terminal opened at Hobby Airport on Oct. 15, 2015, with a Southwest Airlines flight bound for Cancun, Mexico. Now in its fifth year of operation, the international terminal at Hobby has received many awards and accolades. The complex includes a five-gate concourse, a Federal Inspection Service facility, a Southwest Airlines ticketing hall and an expanded security checkpoint. Hobby Airport is rated four stars by Skytrax, an international air transport rating organization.



-----> **OCTOBER 19**

ELLINGTON HOSTS WINGS OVER HOUSTON AIRSHOW – DRIVE-IN STYLE



Houston’s biggest conventions and events were either canceled or altered due to the COVID-19 pandemic and that included the Wings Over Houston Airshow. The airshow welcomed spectators in a “drive-in” only capacity at Ellington Airport.

Upon arrival, every spectator had to answer several health screening questions. To maintain space between others, spectators were permitted to set chairs and tables only on one side of their vehicle. Some spectators viewed the “parade in the sky” from atop their vehicles while others stood in front of their vehicles. Regardless of the viewing angle, the results were the same — spectacular.

Among the show highlights were the U.S. Air Force F-35A Lightning II Demo, marking the first time that all the Air Combat Command, ACC, single-ship demonstration teams were flying in the same show in the United States. The F-35A Lightning II, the U.S. Air Force’s latest fifth-generation fighter, features incredible aerodynamic performance and next-generation stealth capabilities. Joining them from Air Combat Command, and flying full demonstrations, were the A-10 Thunderbolt II Demo, F-16 Viper Demo and F-22 Raptor Demo. Adding a “heavy” to the demonstration list, the C-17 Globemaster out of Washington state came and wowed the audience with its impressive performance.

One of the top air shows in the country, Wings Over Houston at Ellington Airport showcased the thrills of modern aviation and supports a variety of local and national charities.



Scan this QR code
with phone camera
to watch the video.



HOBBY AIRPORT UPGRADES CENTRAL CONCOURSE FLOORING

Reduced passenger traffic allowed for Houston Airports to expedite some airport improvement projects. At Hobby Airports, crews upgraded the flooring in the central concourse with new quartz tile and upgraded carpeting. The project started on Oct. 28 and was completed in mid-December. The budget for this project was about \$4 million.



→ **NOVEMBER 16**

HOUSTON HOLIDAY AIR TRAVEL EXPECTED TO REACH NEW PEAK SINCE APRIL

After unprecedented declines in passenger traffic for most of 2020, the Thanksgiving holiday travel season revealed a promising air travel rebound with nearly a million people departing, arriving or connecting through Houston's airports. Safety measures activated through Houston Airports' FlySafe Houston program remained a key focus as more passengers took to the skies.

Bush and Hobby Airports served more than 800,000 passengers during the 11-day Thanksgiving travel period — starting the Friday before Thanksgiving to the Monday following the holiday. While passenger traffic was still down about 50% from the same period last year, air travel was steadily increasing since the lowest point of the pandemic in April. Overall, November passenger numbers in Houston saw a recovery of nearly 40% compared to April — a promising new peak.



→ **NOVEMBER 17**

HOUSTON, THE MOONWALKER HAS LANDED

In November, the beloved Moonwalker sculpture returned to its rightful place at Bush Airport after a much-needed restoration. "The Space Cow" is actually the more commonly used term of endearment for Moonwalking Cow — a towering sculpture that's a part of Houston Airports' public arts collection in the Bush Airport Terminal A ticketing lobby. The art piece was donated to Houston Airports by Marc Ostrofsky in 2001. The rebranded Space Cow has long been a fan favorite.

The sculpture's popularity led to it being in a state of disrepair about a year ago, with the eight-foot-tall cow often being played with and climbed upon.

The Mookwalker is the most photographed sculpture at Bush Airport.



Scan this QR code
with phone camera
to watch the video.





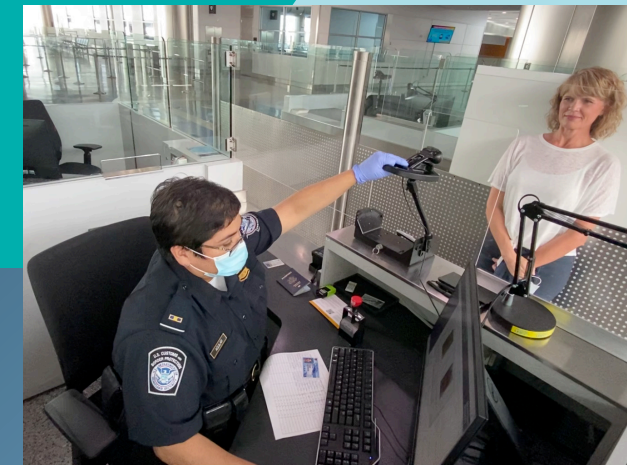
→ **NOVEMBER 17**

IAH TERMINAL REDEVELOPMENT PROGRAM'S SAFETY SURPASSES NOTABLE MILESTONE WITH OUTSTANDING RECORD

The IAH Terminal Redevelopment Program, ITRP, reached another significant milestone in October, surpassing more than 1 million man hours since its inception in 2015.

Another notable safety stat was the program's recordable incident rate of 0.17. The industry average is 3.1. The incident rate is calculated based on multiplying 100 people working the average work year of 2,000 hours for each individual — 200,000 hours. Success was possible due to one secret ingredient: working together.

The ITRP lost-time incident rate is 0.00, the highest achievable metric. The lost-time incident rate is an OSHA metric that calculates the number of incidents that result in time away from work.



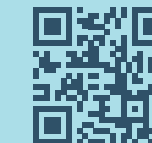
→ **NOVEMBER 19**

HOUSTON AIRPORTS REACHES TECHNOLOGY MILESTONE

The COVID-19 pandemic provided a competitive opportunity for Houston Airports to accelerate its touchless international boarding and entry program at Bush Airport. In November, Houston reached a technological milestone as the only U.S. city to have two airports equipped with facial comparison technology at international arrivals checkpoints.

The facial comparison or "Simplified" program is in coordination with U.S. Customs and Border Protection, CBP, and participating airline partners. In February, Hobby Airport was the first airport in Texas to use facial comparison technology for all international arrivals and departures. The technology — in addition to providing faster processing of passengers — also reduces touchpoints.

Mayor Sylvester Turner said by achieving this milestone, Houston is sending a message to the nation that the city is a center for innovation and technology.



Scan this QR code
with phone camera
to watch the video.

→ **NOVEMBER 23**

HOUSTON'S AIRPORTS RECEIVE INTERNATIONAL HEALTH ACCREDITATION



The designation was based on a thorough assessment of our airports. The results were then compared to ACI Aviation Business Restart and Recovery guidelines, International Civil Aviation Organization Council's Aviation Restart Task Force recommendations and industry best practices. It is clear that Houston Airports, along with its partners and stakeholders, is committed to providing a safe and clean environment for customers and employees throughout the entire air travel journey.

Houston Airports voluntarily chose to participate in this assessment.



Scan this QR code
with phone camera
to watch the video.



Houston Airports became the first airport system in Texas to receive an international health accreditation from Airports Council International (ACI).

The accreditation is an important endorsement of Houston Airports' FlySafe Houston program, which was developed at the start of the COVID-19 pandemic. FlySafe Houston includes dozens of enhanced safety measures that promote a healthy airport experience for all passengers. The program complements safety initiatives that airline partners and stakeholders have activated in response to the pandemic. Both George Bush Intercontinental and William P. Hobby airports received the accreditation.



→ **NOVEMBER 30**

DOCU-CLIPS PROMOTE HOUSTON AIRPORTS' PUBLIC ART COLLECTION

In November, Houston Airports launched a series of webisodes featuring Alton DuLaney, Houston Airports Curator of Public Art. The "Houston Airports Art" episodes promote the airport system's extensive public art collection. Each webisode, typically two minutes or less, highlighted a specific piece of art from the collection. Follow #HoustonAirportsArt on social media to dive into our vast and wonderful public art collection.



Scan this QR code
with phone camera
to watch the video.



DECEMBER 1

BUSH AIRPORT'S EXPANSION PROGRAM MOVES FORWARD

In spite of the unprecedented air travel challenges fueled by the coronavirus pandemic, construction at Bush Airport on the IAH Terminal Redevelopment Program, ITRP, moved forward at pace. ITRP is a billion-dollar, multi-year expansion program that will upgrade and modernize several areas of Bush Airport including the construction of the new Mickey Leland International Terminal, MLIT. The new terminal will consolidate what is known today as Terminals D and E into one centralized ticketing, departures and arrivals hall.

Construction and design crews are able to take advantage of reduced passenger traffic at the airport and revise the phasing of certain works to maximize efficiency in order to make even more progress.



DECEMBER 8

DEVELOPMENT OF HOUSTON SPACEPORT CONTINUES

Houston Spaceport's phase 1 development was completed in December 2020. The 150-acre, \$21 million build-out included streets, water, wastewater, electrical power and distribution, fiber optics and communications facilities. The first phase also included 53,000 square feet of lab, manufacturing and office space.

Houston Spaceport also unveiled its new monument sign, which took four months to complete and is highly fitting to denote the spaceport as a center for collaboration and innovation.



DECEMBER 8

HOUSTON AIRPORTS CONTINUES TO TACKLE ANTI-HUMAN TRAFFICKING

In 2020, Houston Airports continued its commitment to combating human trafficking through training of employees and contractors and participation in a national virtual forum.

Houston Airports was the first airport system in the country to partner with the Department of Transportation and the Department of Homeland Security's Blue Lightning Initiative, BLI, a public

outreach campaign to combat human trafficking. BLI is the launch pad for training that provides Airport staff information on what to look for, what to do when we see it, and who to call. Since Houston Airports became a partner in BLI, 1,052 direct employees and an additional 1,139 concessions, airline and other employees have been trained in recognizing and reporting human trafficking — totaling 2,891 staff.

In December, Houston Airports participated in "Combating Human Trafficking in Transportation," a virtual forum hosted by the U.S. Department of Transportation. The stakeholder event included 700 people with representation from 47 states and 10 countries, including many transportation and nongovernmental organization leaders. U.S. Secretary of Transportation Elaine Chao opened the forum with introductory remarks. Houston Airports' Chief External Affairs Officer Saba Abashawl discussed the airport system's continuing efforts to combat human trafficking through prevention, protection and partnership with an emphasis on awareness through education.



DECEMBER 10

PARKING SAFETY ROBOT

A new customer care and safety autonomous robot is patrolling the Terminal C parking garage at George Bush Intercontinental Airport. In addition to its safety role, the approachable and friendly robot interacts with customers and assist them with vehicle issues such as dead batteries, flat tires and lockouts. The robot, a Knightscope K5 Autonomous Data Machine, is currently patrolling between 1 to 3 miles per hour in the Terminal C garage 24 hours a day, 7 days a week as a part of a pilot program.



Scan this QR code with phone camera to watch the video.



DECEMBER 10

BUSH AIRPORT NAMED TSA'S 2020 AIRPORT OF THE YEAR

The Transportation Security Administration named Bush Airport as its 2020 Airport of the Year, the second consecutive year that Bush Airport received the outstanding recognition. The award recognizes the best of TSA with outstanding team achievements in key operations and mission support functions. The work will have resulted in measurable improvements, superior performance, notable innovation, and significant operational improvements in support of TSA's mission. Awardees demonstrate a clear commitment to improving workforce engagement and morale.

The TSA team in Houston consists of more than 1,100 employees from frontline TSA officers to inspectors, canine handlers, explosives experts, managers, program analysts and a host of others who work together every single day of the year to ensure that we protect the traveling public to ensure freedom of movement for people and commerce.



DECEMBER 14

FIRST PFIZER COVID-19 VACCINE GIVEN TO PATIENTS IN AMERICA





-----> **DECEMBER 22**

HOUSTON SPACEPORT TO BECOME HOME TO THE WORLD'S FIRST COMMERCIAL SPACE STATION BUILDER

Houston Spaceport, the nation's 10th commercially licensed Spaceport, will be home to the world's first commercial space station builder, Axiom Space. The aerospace company announced plans to create a 14-acre headquarters campus to train private astronauts and begin production of its Axiom Station—the world's first free-flying, internationally available private space station that will serve as humanity's central hub for research, manufacturing and commerce in low Earth orbit. Axiom Space's flight training and assembly headquarters will bring more than a thousand jobs to the greater Houston area.

The announcement was made during a press conference at City Hall which included Mayor Sylvester Turner, Houston Airports Director Mario Diaz, Axiom Space CEO Michael Suffredini, Greater Houston Partnership CEO Bob Harvey and Bay Area Houston Economic Partnership President Bob Mitchell.

Mayor Turner said the new development will energize Houston's workforce by adding more than 1,000 high-quality jobs and engage our communities that are focused and dedicated to the STEM fields.

Houston Spaceport will bring together a cluster of aviation and aerospace enterprises that will support the future of commercial spaceflight and serve as an urban center for collaboration and ideation

Axiom Space's Houston Spaceport headquarters campus will include the construction of approximately 322,000 square feet of facility space to accommodate Axiom Station modules and terminal building space to house private astronauts, operations, engineering and other requirements.



Scan this QR code with phone camera to watch the video.



HOUSTON SPACEPORT

AXIOM SPACE

NOTABLE ITRP MILESTONES

(among other activities):

- **JANUARY** – Interior demolition of Old C North Pier began
- **FEBRUARY** – Schematic design for the MLIT North Concourse was completed and issued while interior demolition of Old C North continued among other activities
- **MARCH** – Demolition of Old C North Pier began
- **APRIL** – Design Development Phase for the International Central Processor & Federal Inspection Services Project began, which included early works scope
- **MAY** – Structural demolition activities of Old C North pier continued and multiple construction design, planning and procurement moved forward
- **JUNE**– Proposals were submitted for key enabling projects through the procurement process for the International Central Processor & Federal Inspection Services project
- **JULY** – Structural demolition activities of Old C North Pier was completed
- **AUGUST** – Construction activities commenced for Terminal D/E Garage Helix demolition
- **SEPTEMBER** – Completed the demolition activities for Terminal D/E Garage Helix
- **OCTOBER** – 100% design development phase of the MLIT Project North Concourse was completed and other significant design development milestones were met
- **NOVEMBER** – Construction activities commenced on enabling utilities works, traffic bypass lanes at the North Terminal Road and Toll Plaza C Garage Traffic Reroute
- **DECEMBER** – Program continues to make great progress on key activities, with 100% design forecast to be complete for the new International Hall construction by February 2021.

The next major upcoming milestone for the Federal Inspection Service area and the new international ticketing, departures and arrivals hall is the demolition of the Terminal D and E garage, which has a projected start date of second quarter 2021.

At present, the new international terminal complex construction start, including the arrivals/departures curb, is slated for May 2022, following completion of the demolition of the existing Terminal D and E parking garage.



RESILIENCE BY THE NUMBERS

PASSENGER TRAFFIC »

TRAFFIC DOWN
-90%
MAY
2020

TRAFFIC DOWN
-82%
JUNE
2020

TRAFFIC DOWN
-75%
JULY
2020

TRAFFIC DOWN
-70%
AUGUST
2020

TRAFFIC DOWN
-61%
SEPTEMBER
2020

TRAFFIC DOWN
-59%
OCTOBER
2020

TRAFFIC DOWN
-55%
NOVEMBER
2020

TRAFFIC DOWN
-55%
DECEMBER
2020



FINANCIAL HIGHLIGHTS

(UNAUDITED)



FINANCIAL HIGHLIGHTS (Unaudited)

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

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

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

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

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

The Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 68 at the start of Fiscal Year 2015, to record a net pension liability based on the City’s legal funding requirement, but on an actuarial calculation of total pension liability less the fiduciary net position of the Houston Municipal Employee Pension System (HMEPS). This resulted in unrestricted net position deficits of \$(178.0) million as of June 30, 2015 and 2016. The unrestricted net position as of June 30, 2017 was improved to \$(126.9) million due to cost savings included in pension reforms implemented by the City. Beginning in Fiscal Year 2018, the Airport System set its rates and charges to recover this deficit over thirty years.

See the Houston Airport System’s Comprehensive Annual Financial Report as of June 30, 2020 for complete and audited financial statements and related disclosures.

CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

NET POSITION

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

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

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

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

CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

CHANGES IN NET POSITION

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

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

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

In addition, the Fiscal Year 2020 parking rates remained at \$24 per day in the garages until April when it was decreased to \$5 per day and increased to \$10 per day in May, following Fiscal Year 2019's 9% increase from \$22 to \$24. Rental revenues increased 5.7% in 2020 while concessions decreased 20.9% due to the pandemic. In Fiscal Year 2019, rentals decreased 4.0%, while concessions increased 2.5%.

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

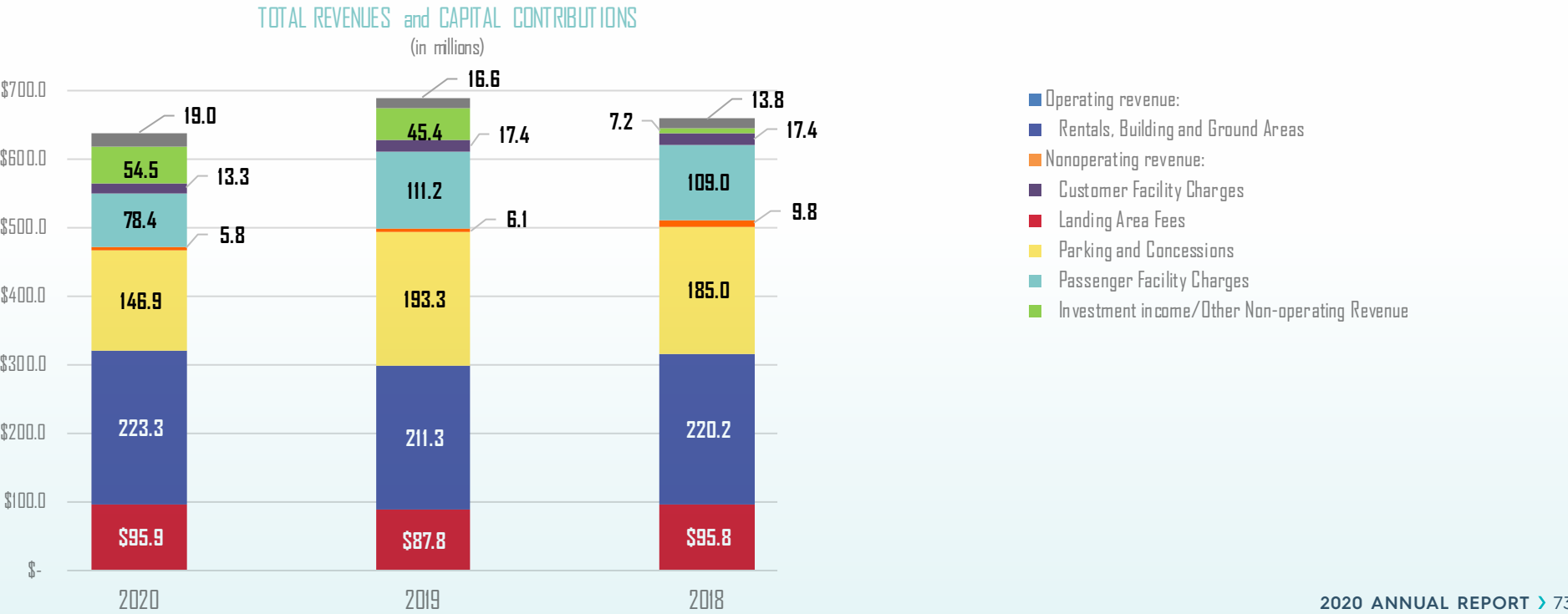
In Fiscal Year 2020, nonoperating revenues decreased \$27.7 million or 15.9% due to a \$32.7 million decrease in Passenger Facility Charge (PFC) revenue, a \$4.1 million decrease in Customer Facility Charge (CFC) revenue, and a \$1.4 million decrease in investment income, partially offset by a \$10.6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

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

CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

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

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



CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

TOTAL EXPENSES

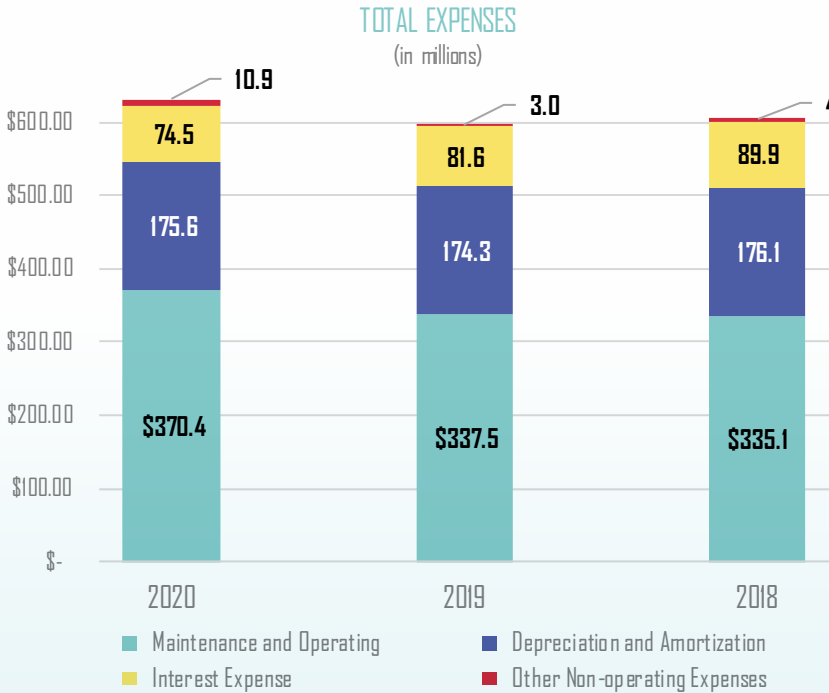
YEARS ENDED JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018 (in thousands)

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

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

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

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



CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

CAPITAL ASSETS

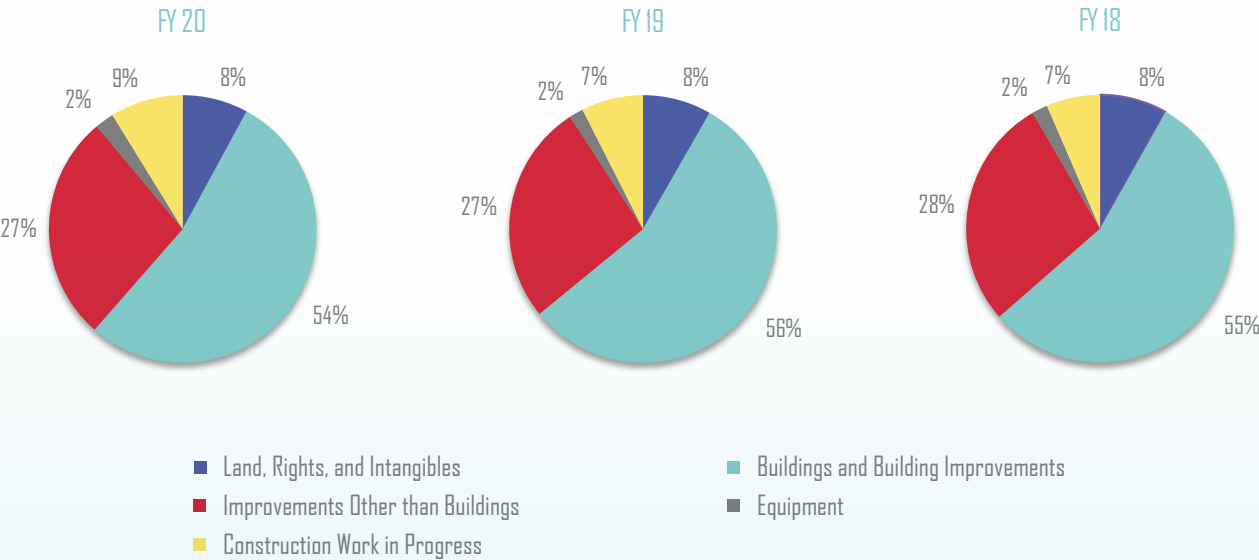
JUNE 30, 2020, JUNE 30, 2019, and JUNE 30, 2018 (Net of Depreciation and Amortization) (in thousands)

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

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

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

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



CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

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

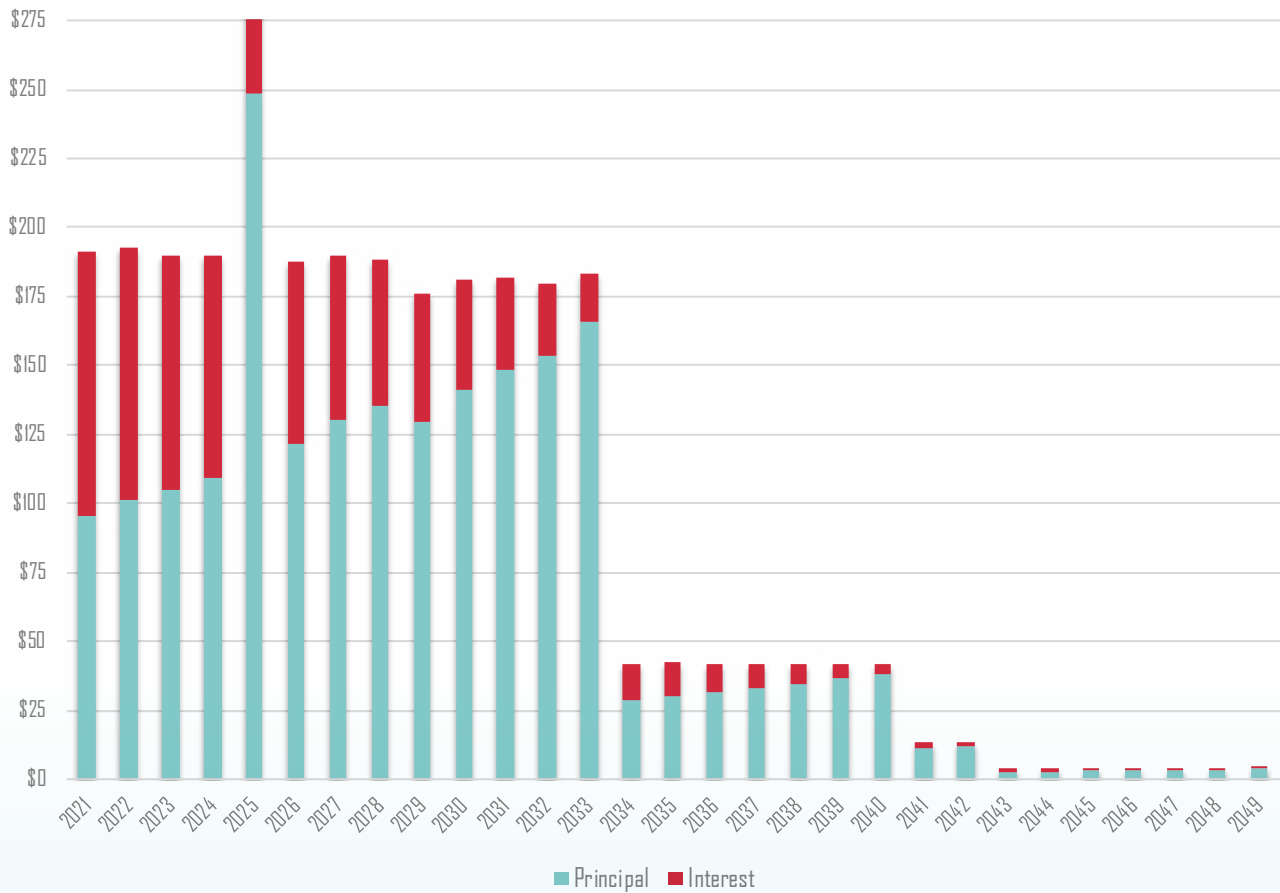
At the end of fiscal year 2020, the Airport System Fund has total debt of \$2.2 billion, which represents outstanding subordinate lien revenue bonds net of unamortized discounts and premiums, and senior lien commercial paper, both secured solely by Airport System Fund revenues. In addition, the Fund is responsible for \$2.0 million of taxable general obligation pension bonds and \$74.4 million of special facility revenue bonds (consolidated rental car facility). At the end of Fiscal Year 2019, the Fund had total debt of \$2.2 billion.

Total outstanding debt decreased \$18.2 million or 0.8% during Fiscal Year 2020. \$84.5 million in Commercial Paper Notes were drawn. \$81.1 million in subordinate lien bonds, and \$6.0 million in special facility revenue bonds matured and were paid this year. \$16.9 million in bond premiums, net of discounts, were amortized. \$324,000 in private placement debt was issued in Fiscal Year 2020. During Fiscal Year 2019, total outstanding debt decreased \$88.6 million or 3.8%.

CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited)

Debt Service Requirements to Maturity (in millions)

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



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

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

CONDENSED FINANCIAL STATEMENTS AND INFORMATION (Unaudited) >

IMPACT OF COVID-19 PANDEMIC ON THE HOUSTON AIRPORT SYSTEM

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

Houston Airport System requested reimbursement and received approximately \$8.0 million of CARES Act funds in Fiscal Year 2020, and expects to request grants in the approximate amounts of \$152.0 million during Fiscal Year 2021 and \$40.0 million in Fiscal Year 2022. The \$8.0 million of CARES Act funds received in Fiscal Year 2020 were used to make debt service payments on outstanding subordinate lien bonds. Actual CARES Act reimbursement requests by fiscal year are subject to change.

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

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

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

*Note – Total Debt excludes special facility debt.





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