# FY25
# Annual Comprehensive Financial Report

## The Airport System Fund
An Enterprise Fund of the City of Houston, Texas
(For the Fiscal Years Ended – June 30, 2025 and June 30, 2024)

HOUSTON AIRPORTS

**AIRPORT SYSTEM FUND**

An Enterprise Fund of the

City of Houston, Texas

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2025 and June 30, 2024

Prepared by:

Office of City Controller

**Chris Hollins**
City Controller

**William Jones**
Deputy City Controller

Houston Airport System

**Clint Stephen**
Chief Financial Officer

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## STATISTICAL SECTION (UNAUDITED)



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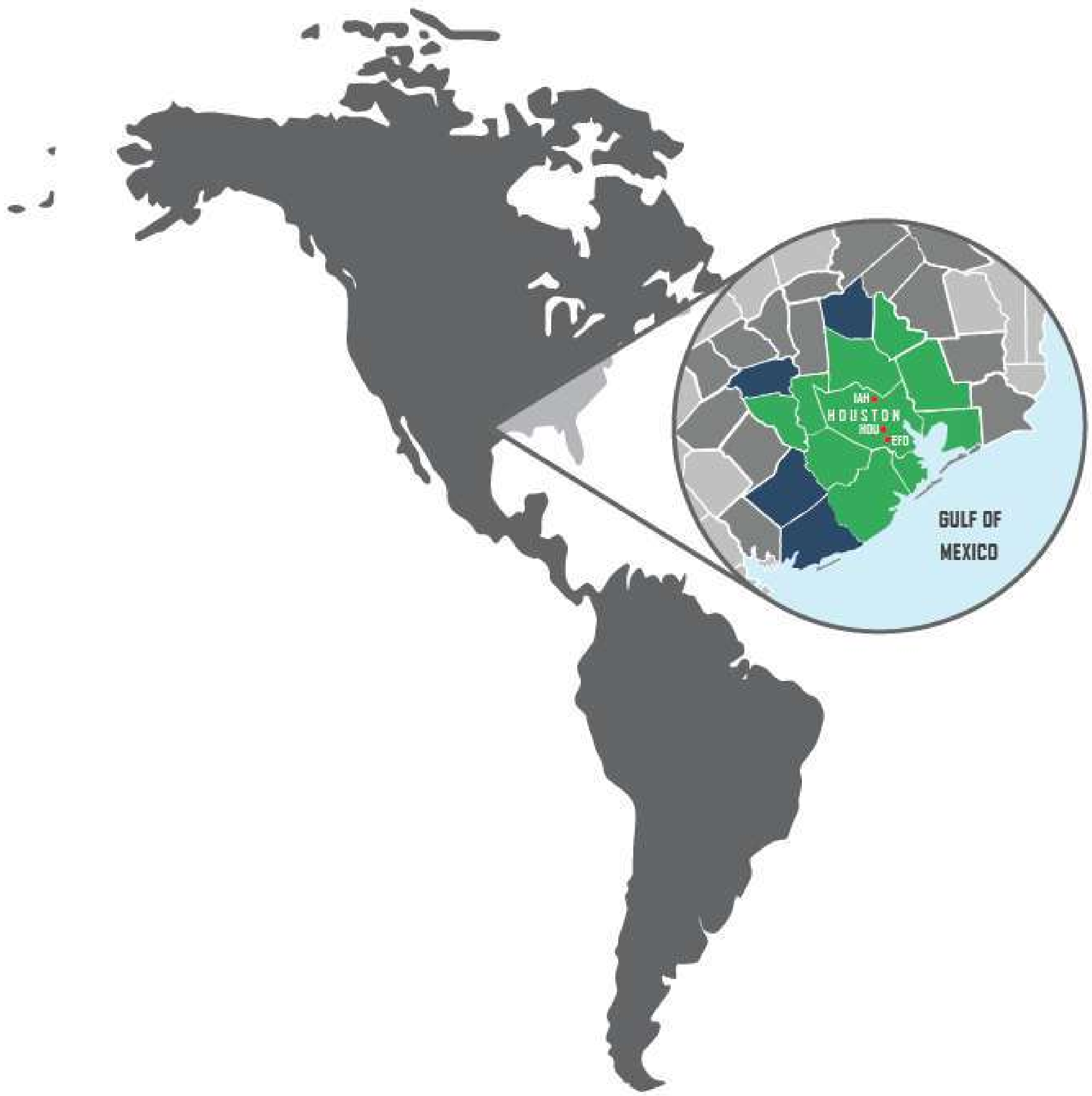
# Introduction

CITY OF HOUSTON
TEXAS

# HOUSTON AIRPORT SYSTEM




Metropolitan Statistical Area (MSA) of Houston-Pasadena-The Woodlands, TX includes 10 counties.

Consolidated Statistical Area (CSA) of Houston-Pasadena, TX adds Matagorda, Walker, Washington, and Wharton counties.

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Houston, Texas**
**Airport System Fund**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

# OFFICE OF THE CITY CONTROLLER

# CITY OF HOUSTON

# TEXAS

CHRIS HOLLINS

December 12, 2025

Citizens of Houston, Honorable Mayor and City Council Members:

I am pleased to present you with the Annual Comprehensive Financial Report (“ACFR”) for the City of Houston, Texas (the “City”), Airport System Fund (the “Fund”) for the fiscal year ended June 30, 2025 (“FY2025”), and June 30, 2024 (“FY2024”), including the independent auditor’s report. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions on the Fund’s basic financial statements as of and for the years ended June 30, 2025, and 2024. The City Controller’s Office and the Houston Airport System (“HAS”) share responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. 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 operations of the Fund.

The ACFR includes four sections: Introductory, Financial, Statistical, and Compliance. The Introductory Section includes this transmittal letter, a list of principal officials, and the HAS organizational chart. The Financial Section includes Management’s Discussion and Analysis (“MD&A”), financial statements with accompanying notes, required supplementary information, and the independent auditor’s report on the financial statements. The Statistical Section includes selected financial trends, revenue capacity, debt capacity, demographic, economic, and operating information, generally presented on a ten-year basis. The Compliance Section includes the independent auditor’s report on HAS’s compliance with the requirements of the Federal Aviation Administration (“FAA”) Passenger Facility Charge (“PFC”) Program.

The Financial Section, described above, is prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for governments as prescribed by the Governmental Accounting Standards Board. MD&A offers readers an overview and analysis of the financial activities of the Fund and should be read as an introduction to the financial statements. In addition, the notes to the financial statements offer additional important information and are essential to a full understanding of the financial statements.

## THE REPORTING ENTITY

The Fund is an enterprise fund of the City and is included in the City’s Annual Comprehensive Financial Report. An enterprise fund is used to account for services provided to the general public on a continuing basis with costs recovered primarily through user charges. HAS, under the administrative control of the Mayor, manages and operates the Fund. The City Controller, as the chief financial officer of the City, maintains the book of accounts, prepares financial statements, and, with the Mayor, co-signs all warrants, contracts, and orders for payment of any public funds or money relating to the Fund.

## HAS OVERVIEW

HAS encompasses three airports: George Bush Intercontinental Airport (“IAH”), William P. Hobby Airport (“HOU”), and Ellington Airport (“EFD”). George Bush Intercontinental Airport serves as a major hub for United Airlines (“United”), and William P. Hobby Airport is predominantly operated by Southwest Airlines (“Southwest”). IAH ranks as the 15th-busiest airport in North America (United States and Canada), as measured by enplaned passengers in calendar year 2024, and is classified as a “large hub airport” by the FAA. IAH serves as an international gateway airport and a primary connecting point in the national air transportation system. In 2025, IAH was the third-largest hub for United based on number of scheduled flights as of March 2025. There were a total of 29 mainline carrier airlines and 6 regional carrier airlines that operated scheduled passenger service at IAH and HOU.

Additionally, IAH is the primary air cargo airport for the region and ranked 19th in the United States in 2024 based on cargo landed weight. IAH is a strategic hub for the importing and exporting of machinery, equipment, and parts for the oil and gas, aerospace, construction, and medical sectors, as Houston has a large manufacturing base of industrial machinery and chemicals needed worldwide. In 2025, IAH had 13 cargo airlines operating scheduled freighter service and/or ad hoc cargo charter flights.

HOU is the United States’ 36th-busiest airport in North America (US and Canada), as measured by enplaned passengers in calendar year 2024, and is classified as a “medium hub airport” by the FAA. HOU is one of the major operating bases for Southwest, which offers domestic and international service, including destinations in Mexico, Central America, and the Caribbean. Notably, HOU ranked seventh for the number of available seats and flight departures for Southwest last year. In 2024, seven mainline carrier airlines and three regional carrier airlines operated scheduled passenger service at HOU.

EFD is primarily used for general aviation, military, and the National Aeronautics and Space Administration’s (“NASA”) space operations, and currently has no commercial passenger service. In June 2015, HAS obtained a commercial spaceport license from the FAA for EFD, allowing EFD to accommodate horizontal-launch commercial spaceflight operations.

Houston's airports position the City of Houston as the international passenger and cargo gateway to the south-central United States and a primary gateway to Latin America. Houston Airports served more than 62.3 million passengers and handled over 558,132 metric tons of air cargo in FY2025. Thanks to our partner airlines, together, we foster economic vitality for the transportation industry and facilitate a strong level of domestic and global connectivity for the diverse and growing population living in the greater Houston region.

## ECONOMIC CONDITIONS AND MAJOR INITIATIVES

The city is the nation’s fourth-most populous and lies within the ten-county Houston-Pasadena-The Woodlands Metropolitan Statistical Area (the “MSA”), the fifth-largest metropolitan statistical area in the United States. The MSA continues to see year-over-year population growth. Based on the latest available data from 2024, the estimated population for the MSA increased from 7.60 million to 7.80 million. In addition, the overall business environment and available workforce in the State of Texas continue to attract multi-national enterprises and supporting industries to the region. The MSA was home to 26 Fortune 500 companies in 2024, including Phillips 66, Sysco Corp., ConocoPhillips, Enterprise Product Partners, Waste Management, and Occidental Petroleum, among others. As a result, the primary service region for HAS entertains a diverse economic base. Leading industries include energy, petrochemical, engineering and construction, real estate, aerospace, medicine and health care, transportation, biotechnology, and computer technology.

Widely recognized as the “Energy Capital of the World,” the city is a global center for virtually every segment of the oil and gas industry. The city is also home to the Texas Medical Center, the world’s largest concentration of biomedical research and healthcare institutions, and to the Lyndon B. Johnson Space Center, NASA’s center for human spaceflight training, research, and flight control. The deep-water Port of Houston is the nation’s busiest port as ranked by foreign tonnage and the fifth-busiest container port as ranked by total tonnage.

# FISCAL YEAR 2025 IN REVIEW

During FY2025, HAS systemwide passengers increased by 0.4% over FY2024 totals. IAH passengers increased 1.8% in total, including a domestic passenger increase of 1.8% and an international passenger increase of 1.7% over FY2024. At HOU, total passenger traffic decreased by 4.2%, consisting of a domestic decrease of 3.8% and an international decrease of 9.1%. HAS systemwide passenger volume totaled 104.6% of the pre-pandemic FY2019 traffic level, with IAH reaching 107.4% and HOU reaching 96.0%. HAS currently connects directly to 201 destinations, of which 129 are domestic and 72 are international.

Key factors that will affect future airline traffic and passenger volume at HAS include (1) the cost and availability of financing, labor, fuel, aircraft, and insurance; (2) regional, national, and international economic conditions; (3) international trade; (4) competitive considerations, including the effects of airline ticket pricing; (5) traffic and airport capacity constraints of the HAS airports and competing airports; and (6) passenger demand for air travel. The number of passengers at HAS airports depends partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly United and Southwest, to make the necessary investments to provide service.

EFD - Houston Spaceport has four prominent tenants. Collins Aerospace is now operational at its new eight-acre, approximately 120,000 square-foot campus that, among other activities, is working with NASA and other aerospace companies in the production and manufacturing of human spaceflight, life-support systems for Low Earth Orbit (“LEO”), and Lunar activities. Collins has also completed the 10,000 square-foot facility that will become Houston’s Aerospace Accelerator/Incubator facility at the Houston Spaceport.

Intuitive Machines, in addition to its existing 125,000-square-foot facility now fully operational at the Houston Spaceport, expanded its footprint on October 1, 2025, by subleasing a 116,000-square-foot facility from Hamilton Sunstrand Corporation. This facility was previously occupied by Collins Aerospace, also located at the Houston Spaceport. Earlier in February 2025, Intuitive Machines launched its second Nova-C lunar lander. The company is now actively preparing for a third lunar mission, targeted for the first half of 2026. Nova-C is part of NASA’s Commercial Lunar Payload Services (CLPS) initiative, which supports the deployment of multiple lunar landers and advances in deep space communications. Additionally, the company executed a ground lease on a three-acre site next to its original facility, enabling the development of an additional 60,000 square feet of office and manufacturing space.

Axiom Space, the first commercial space station builder, operates a 105,000-square-foot facility—Phase One of its planned global headquarters at the Houston Spaceport. The campus includes:

- Employee offices
- Astronaut training facilities
- Mission control operations
- Engineering and testing labs
- A high bay production area for assembling commercial space station modules

Axiom Space is currently evaluating further expansion within this initial phase of development.

Venus Aerospace, a Houston-based startup pioneering hypersonic flight technology, has grown to over 100 employees at Ellington Field (EFD). Following a successful first round of financing, the company is negotiating a ground lease for a five-acre site at EFD. This site will host a new testing facility funded by a $4 million grant from the Texas Space Commission awarded in 2025.

## CAPITAL IMPROVEMENT PROGRAM

The HAS five-year Capital Improvement Plan (“CIP”) for Fiscal Years 2026-2030 calls for $2.7 billion to expand, update and maintain the airport system. This CIP was developed in connection with master planning studies for all three system airports. Future improvements will be funded with airport earnings, proceeds from new bond issues, proceeds from the FAA and other grantors, and PFCs. The CIP excludes projects funded by airline tenants under the terms of special facilities leases. HAS continually reviews and updates its CIP to address changing economic conditions, air traffic demand levels, changing operating conditions, and facility conditions.

At IAH, HAS is partnering with United Airlines for Terminal B Modernization, in which HAS will fund up to $624 million for enabling projects. The $2.5 billion modernization will include 40 new gates that can service domestic and international flights. In addition, the customer experience will be improved by creating state of the art restaurants, retail shops, passenger lounges and a multi-media interactive park. The Domestic Redevelopment Program (“DRP”) slated to begin in 2029 will expand IAH domestic gate capacity for non-hub airlines while also positioning IAH as a preferred service destinations for all airline partners. In addition, DRP will include increased airfield capacity, expanded parking facilities and upgraded concession and retail options. The IAH Central Utility Plant is also in the process of being upgraded in order to provide the necessary ambient temperature control to support future terminal expansion and development.

At HOU, HAS is partnering with Southwest Airlines to expand the West Concourse, which HAS will fund up to $470 million. The concourse expansion includes the construction of 7 additional gates that can service both domestic and international flights. In addition, the project includes renovating and expanding the baggage claim system and taxi lane and taxiway modifications. The HOU CIP also addresses infrastructure upgrades (HVAC, sewer, water) and other capital improvements planned for the airfield as required by the FAA, as well as normal pavement management and customer service enhancements for the HOU Central Concourse.

HAS will continue to review the CIP for changes necessary to “right-size” its facilities and to accommodate the growth in passenger volume at its airports. Management has committed to financial targets intended to optimize the use of resources and to expand facilities in a financially responsible manner. More specifically, the financial target set in the strategic plan for Fiscal Years 2026-2030 include the following:

| Financial Metric | Target | | FY25 Actual |
|---|---|---|---|
| Total debt per enplaned passenger | $120 or less | * | $84.91 |
| Debt service coverage ratio (net of PFC offset) | 1.5 or greater | | 2.16 |
| Days of cash on-hand for operations | 450 or greater | | 409 |

*Note - Total debt excludes special facility debt.

## FINANCIAL INFORMATION

The Fund’s financial accounting system utilizes the accrual basis of accounting. Management of HAS and the City are responsible for establishing and maintaining internal controls designed to ensure that the assets of the Fund are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of the ACFR in conformity with GAAP. HAS controls current expenses at all division levels. HAS’s Deputy Directors are responsible for the expenses approved by the Division Managers reporting to them; in turn, Division Managers are responsible for budgetary items that are controllable at their organizational level.

Budgetary control is maintained at the expenditure category level (e.g., personnel services, supplies, other services, and capital outlay) through the encumbrance of estimated purchase amounts prior to the release of purchase orders or contracts to the vendors. This is accomplished primarily through an automated encumbrance and accounts payable system.

However, the Fund as a whole is not budgeted. The City Council approves the Fund’s annual budget for operational expenses and authorizes capital project expenditures through individual appropriation ordinances based on a five-year CIP that is proposed by the Mayor and HAS Director. City Council can legally appropriate only those amounts of money that the City Controller has certified to be available for appropriation.

# OTHER INFORMATION

## Independent Audit

Weaver and Tidwell, L.L.P. and a joint venture of two independent accounting firms, McConnell & Jones, LLP and Banks, Finley, White & Co., performed the audits of the Fund's financial statements for the years ended June 30, 2025, and 2024, respectively. The financial section of this report includes the independent auditor's report on the basic financial statements. The compliance section of this report includes the independent auditor's report on HAS' compliance and internal control over compliance, applicable to the PFC Program instituted by the FAA.

The City, as a whole, is also required to undergo an annual compliance audit in conformity with the provisions of Title 2 of the U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State of Texas Uniform Grants Management Standards. This audit is conducted in conjunction with the City's annual financial statements audit. Information related to this compliance audit, including the schedule of expenditures of federal and state awards and related notes, and the schedule of findings, and questioned costs, are included in the City's Single Audit Report.

## Awards/Acknowledgments

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting ("COA") to the City of Houston, Texas, Airport System Fund for its Financial Report submitted for the fiscal year ended June 30, 2024. This was the 31st consecutive year that the Fund has achieved this prestigious award. In order to be awarded a COA, a governmental unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements. A COA is valid for a period of one year. We believe our current ACFR continues to conform to the COA program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this ACFR was made possible by the dedicated service of the Finance Department of HAS and the City Controller's Office.

Respectfully submitted,


**Chris Hollins, City Controller**

## AS OF JUNE 30, 2025

**JOHN WHITMIRE**
MAYOR

**CHRIS HOLLINS**
CONTROLLER

**AMY PECK**
DISTRICT A

**TARSHA JACKSON**
DISTRICT B

**ABBIE KAMIN**
DISTRICT C

**CAROLYN EVANS-SHABAZZ**
DISTRICT D

**FRED FLICKINGER**
DISTRICT E

**TIFFANY D. THOMAS**
DISTRICT F

**MARY NAN HUFFMAN**
DISTRICT G

**MARIO CASTILLO**
DISTRICT H

**JOAQUIN MARTINEZ**
DISTRICT I

**EDWARD POLLARD**
DISTRICT J

**MARTHA CASTEX-TATUM**
DISTRICT K

**JULIAN RAMIREZ**
AT-LARGE POSITION 1

**WILLIE DAVIS**
AT-LARGE POSITION 2

**TWILA CARTER**
AT-LARGE POSITION 3

**LETITIA PLUMMER**
AT-LARGE POSITION 4

**SALLIE ALCORN**
AT-LARGE POSITION 5

## AS OF JUNE 30, 2025

**Saba Abashawl**
Chief External Affairs Officer

**Fletcher Clark III**
Interim General Manager of Hobby Airport

**Francisco Cuellar**
Chief Commercial Officer

**Darryl Daniel**
Chief Technology Officer

**Gary High**
Chief of Large Capital Projects

**Jim Szczesniak**
Director of Aviation

**Scott Hill**
Chief of Infrastructure

**Julie Landry**
Chief Workforce Innovation and Development Officer

**Arturo Machuca**
Director
Ellington Airport & Houston Spaceport

**Steve Runge**
Chief of Operations

**Clint Stephen**
Chief Financial Officer

**Molly Waits**
Chief of Marketing ,Communications, and Customer Experience

**Kelly Woodward**
Chief Operating Officer

# 2025 SKYTRAX WORLD AIRPORT AWARDS

Hobby Airport became the first and only 5-Star Skytrax airport in North America in 2022. Today, Hobby Airport is among 22 airports worldwide, and the only airport in North America with an overall 5-Star Skytrax rating. Bush Airport maintains its 4-Star Skytrax rating for an eighth consecutive year.

## Houston Airports was awarded 2025 World's Best Airport Art & Entertainment Program

Houston Airports boasts one of the aviation industry's largest civic art collections while featuring temporary works through cultural collaborations with NASA, the Houston Livestock Show and Rodeo and the Orange Show. The nearly 400-piece collection is set to grow in 2027 when more than $20 million is invested in art for the new IAH Terminal B and the newly expanded HOU West Concourse. Houston Airports employs more than 75 local professional musicians through its performing arts program, Harmony in the Air. Houston Airports is also home to the longest-running airport artist-in-residence program in the U.S. The Art Ambassador programs create direct engagement with passengers through interactive experiences. The program is funded by the City of Houston ordinance that allocates 1.75% of eligible capital improvement dollars for public art, administered in partnership with the Houston Arts Alliance and the Mayor's Office of Cultural Affairs.

## Other notable wins at the 2025 World Airport Awards:

### IAH

**Bush Airport ranks among the Top 10 World's Best Airport Dining Experiences**

**Bush Airport Ranks 33rd in the Top 100 Best Airports in the World**

**Ranks as the 3rd Best Airport by passenger numbers in the 40 to 50 million passengers category**

### HOU

**Hobby Airport Ranks 27th in the Top 100 Best Airports in the World**

**Hobby Airport is the 4th Best Regional Airport in the World**

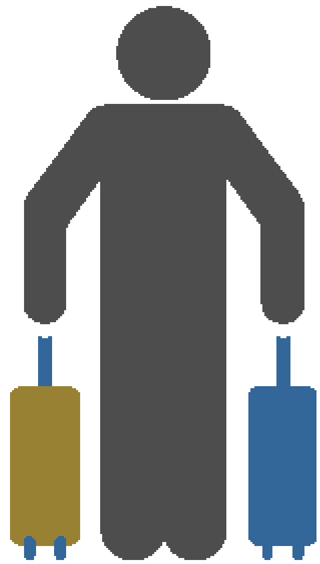
**Hobby Airport ranked 7th in Best Airport Staff in North America**

## GOVERNMENT FINANCE OFFICERS ASSOCIATION

The City of Houston Airport System Fund was awarded the Certificate of Achievement for Excellence in Financial Reporting for the 31st consecutive year for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024.

**$638M**

OPERATING REVENUE



**62.3**

MILLION PASSENGERS

**48** (A)

AIRLINES

**201** (B)

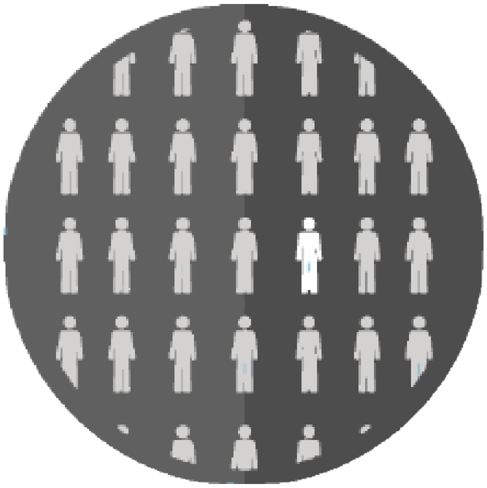
NON-STOP DESTINATIONS

**41** (B)

COUNTRIES

**(A) Consists of 29 mainline carriers, 6 regional carriers, and 13 cargo carriers operating at Intercontinental Airport and Hobby Airport**

**(B) Data presented for the Houston Airport System as a whole, not by airport; for fiscal year 2025**



# 7.8 MILLION

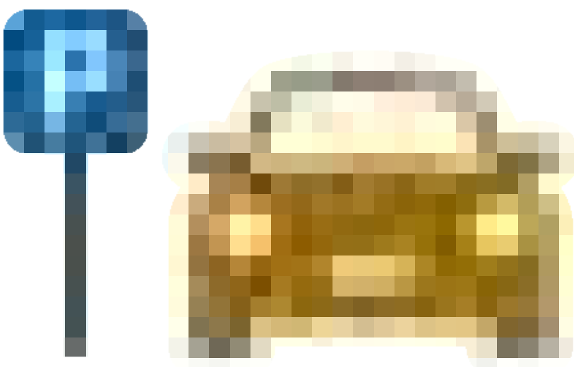
POPULATION SERVICE AREA*

*MSA

# 746 (B)

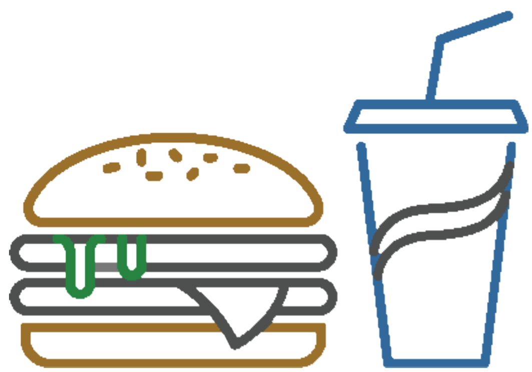
DAILY DEPARTURES*

*AVG flights



# 28,511

PUBLIC PARKING SPACES



# 243,098 sq ft

CONCESSION SPACE

**(B) Data presented for the Houston Airport System as a whole, not by airport; for fiscal year 2025**

# MISSION

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

# VISION

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

# STRATEGIC PRIORITIES

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

# HOUSTON SPACEPORT

Houston Spaceport is a state-of-the-art commercial spaceport located in Houston, Texas. Intuitive Machines, Collins Aerospace, Venues Aerospace and Axiom Space are major tenants of the Houston Spaceport. As an FAA-licensed facility, it provides a unique platform for aerospace companies to conduct a variety of operations, including launching and landing suborbital, reusable launch vehicles.

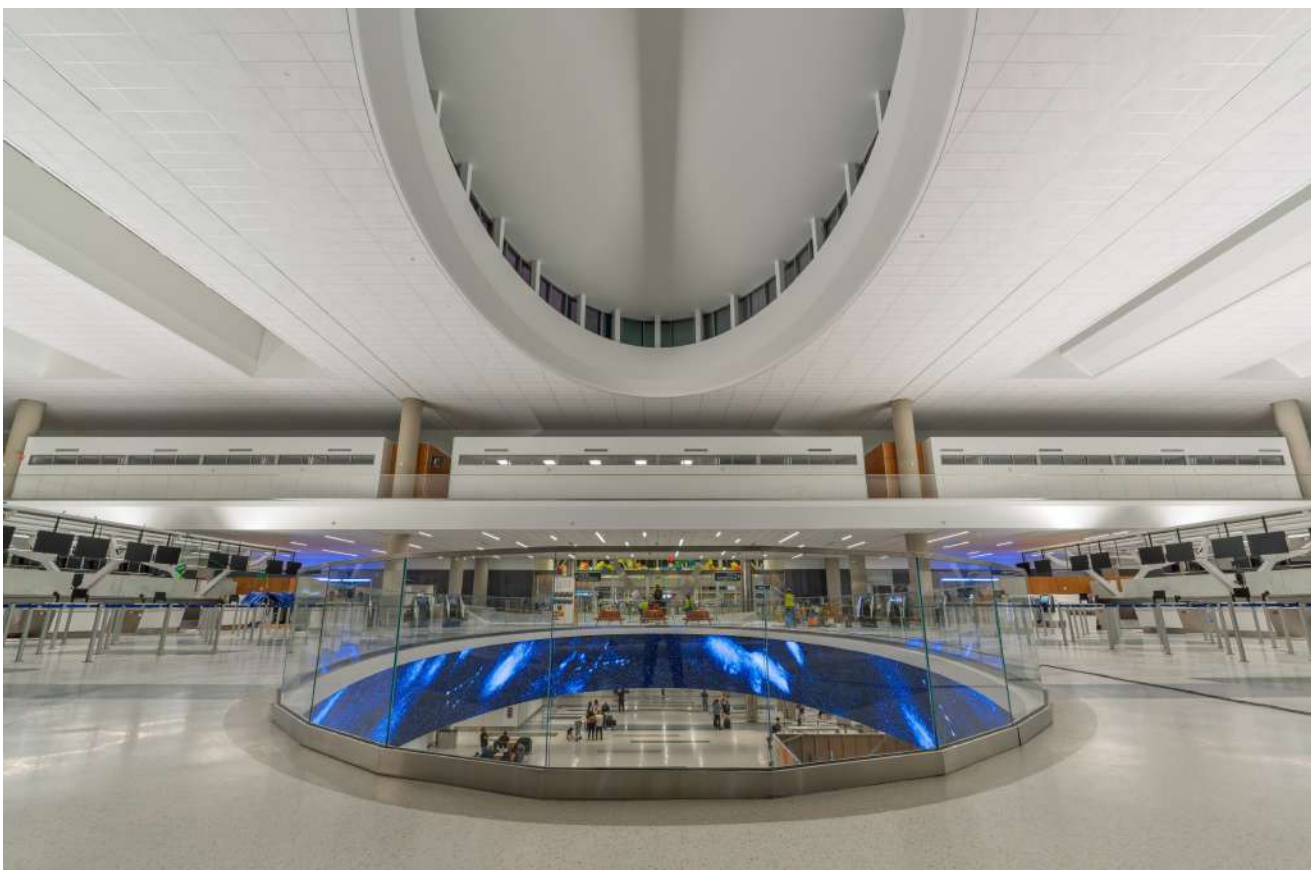
Houston Spaceport offers a range of essential facilities and services, such as laboratory office space and large-scale hardware production facilities. This comprehensive ecosystem fosters innovation, collaboration, and growth within the aerospace industry. The Spaceport's partnership with San Jacinto College’s EDGE Center ensures a steady supply of skilled technicians, further enhancing its appeal to aerospace businesses seeking to establish or expand their operations in the region.

# IAH TERMINAL REDEVELOPMENT PROGRAM

The Houston Airport System is in the final stages of completing an ambitious project to modernize the George Bush International Airport's international terminal and further cement Houston as a global city. The IAH Terminal Redevelopment Program, also known as ITRP, is the largest expansion program in the 54-year history of Bush Airport and builds on a series of pervious renovation programs. The program budget is approximately $1.5 billion and will reach substantial completion by the end of 2025. Foreign flag airlines will begin utilizing the new Terminal E International Central Processing facilities in the first quarter of 2026.

The ITRP effort was undertaken to develop additional facilities in support of aging infrastructure and unprecedented growth in international traffic at IAH. The program will support international flight operations for United Airlines and more than a dozen foreign flag carriers. Additional international gates will accommodate continued international airline growth and larger widebody aircraft.

The program will improve current and future roadway and curbside capacity constraints in the central terminal area, improve baggage handling system capacity and reliability challenges, and significantly improve the overall guest experience for every international passenger.



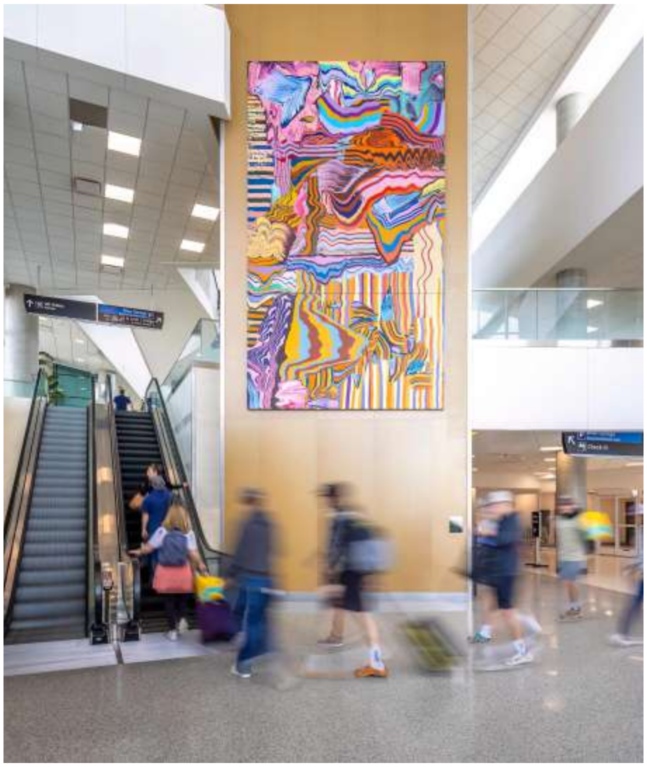
# IAH TERMINAL B TRANSFORMATION

The Terminal B Transformation at IAH is a groundbreaking initiative representing United Airlines' and the Houston Airport System's joint commitment to revolutionizing the passenger experience. A new Terminal B will triple the capacity on curbs and roads and provide safe, clean and world-class facilities. The $2.55 billion project includes 40 new gates for domestic and international travel, a new processor for ticketing, upgraded baggage handling systems and state of the art food, retail and club space. With a projected completion in 2027, the new terminal will create a world class experience for the traveling public.

# HOU WEST CONCOURSE SEVEN GATE EXPANSION

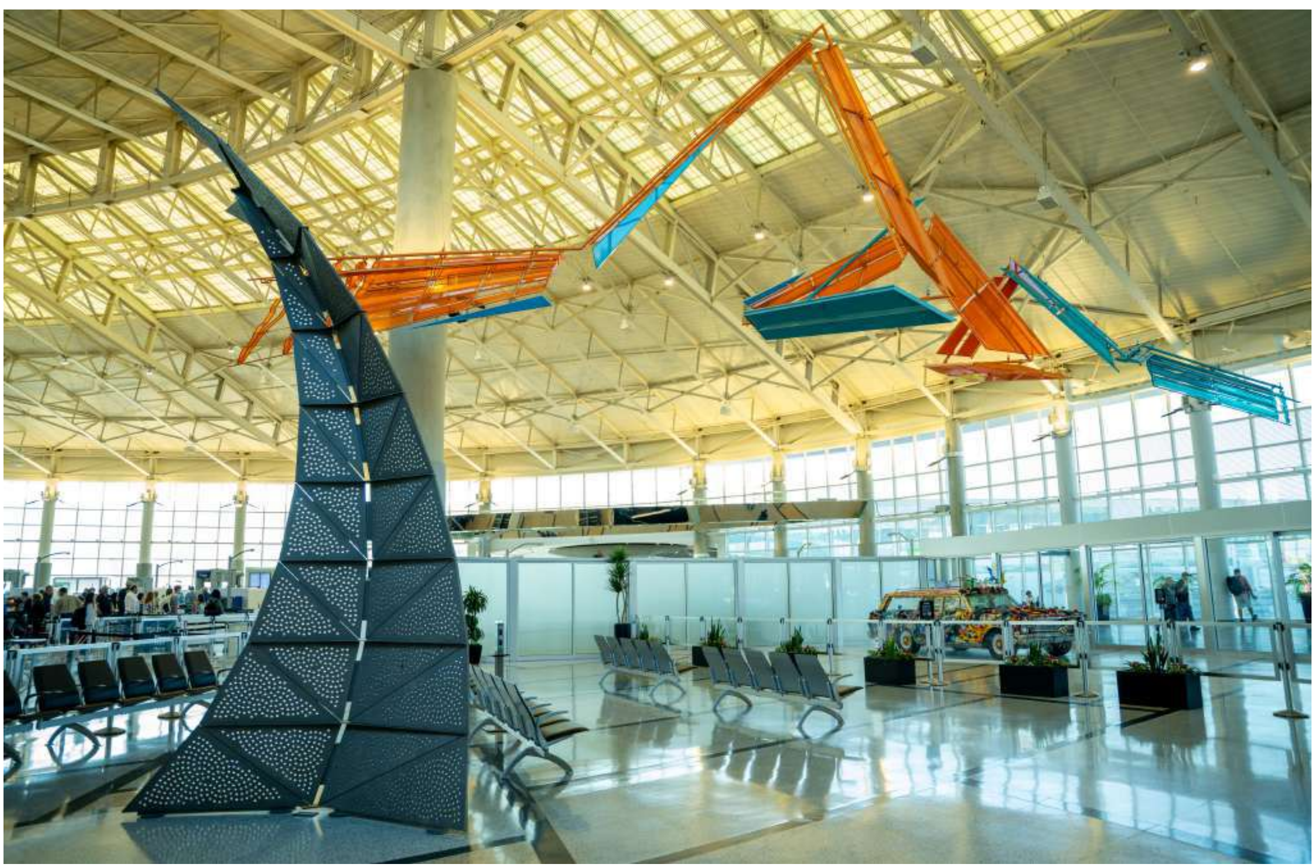
The $470 million expansion of the West Concourse at HOU will support increased passenger demand by constructing 7 new gates that will be able to service domestic and international flights with six gates given preferential use status to Southwest Airline. In addition, the project will expand and renovate the existing baggage handling system and baggage claim area and upgrade existing infrastructure to be able to support increased passenger counts. The expansion will create space for more restaurants, retail establishments, and art. The West Concourse Expansion Project is projected to be complete in 2027.

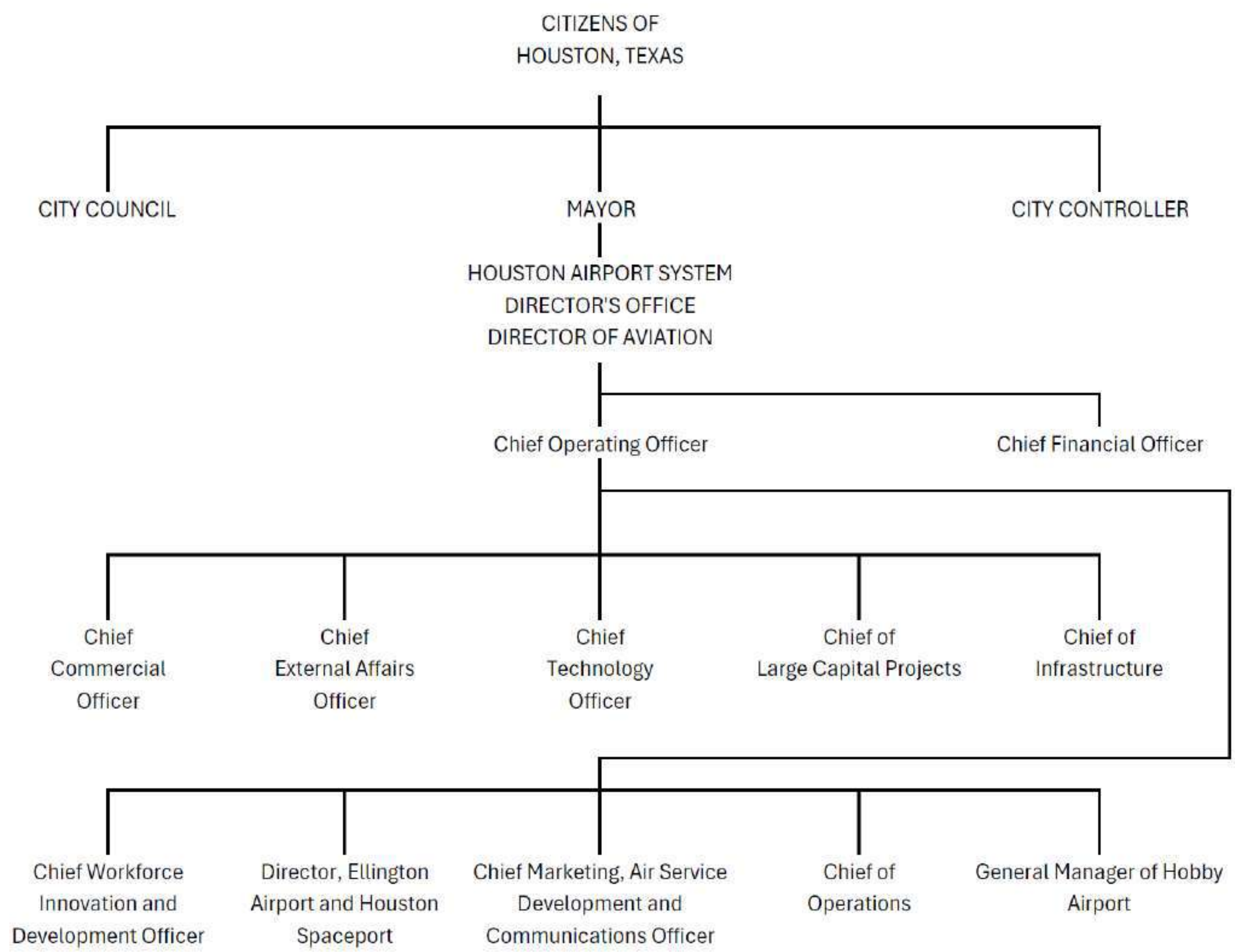

# ART IN THE AIRPORT



Houston Airports has a dynamic visual and performing Public Art Program, which has proudly claimed the prestigious Skytrax "Best Art in the Airport" award for three consecutive years, a testament to our exceptional commitment to enriching the passenger experience through the arts. The airport's extensive art collection, featuring nearly 400 pieces, showcases the work of local and international artists. From stunning murals to thought-provoking sculptures, the art seamlessly integrates into the airport's architecture, creating a visually captivating environment. Additionally there are over a dozen temporary exhibitions presented through the Cultural Collaboration program, reflecting the city's vibrant cultural scene.

Complementing the visual arts displays is robust programming including the longest running Artist In Residence program at an airport in the country, and the renowned Harmony in the Air program, which brings live music from more than 75 local professional musicians to the terminals. This initiative features diverse performances in multiple genres, providing travelers with a unique opportunity to experience the visual and performing arts.




CITIZENS OF
HOUSTON, TEXAS
CITY COUNCIL
MAYOR
CITY CONTROLLER
HOUSTON AIRPORT SYSTEM
DIRECTOR'S OFFICE
DIRECTOR OF AVIATION
Chief Operating Officer
Chief Financial Officer
Chief Commercial Officer
Chief External Affairs Officer
Chief Technology Officer
Chief of Large Capital Projects
Chief of Infrastructure
Chief Workforce Innovation and Development Officer
Director, Ellington Airport and Houston Spaceport
Chief Marketing, Air Service Development and Communications Officer
Chief of Operations
General Manager of Hobby Airport

# FINANCIAL SECTION

CITY OF HOUSTON
TEXAS

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

**Independent Auditor's Report**

The Honorable Mayor, Members of City Council and
City Controller of City of Houston, Texas

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of the Airport System Fund, an enterprise fund of the City of Houston, Texas (the "Fund"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Fund'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 respective financial position of the Fund, as of June 30, 2025, and the respective changes in financial position and its cash flows 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 Fund, 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 Matters***

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Houston, Texas, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2025, the Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. This is included in Note 1 to the financial statements.

Our opinion is not modified with respect to these matters.

***Other Matter***

The financial statements of the Fund for the year ended June 30, 2024 were audited by other auditors whose report dated November 18, 2024, expressed an unmodified opinion on those statements. Their report includes an Emphasis of Matter paragraph stating that the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City of Houston, Texas, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

**CPAs AND ADVISORS | WEAVER.COM**

The Honorable Mayor, Members of City Council and City Controller
City of Houston, Texas

***Responsibilities of Management for the Financial Statements***

The Fund's 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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***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 Fund'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 Fund'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 Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Fund's Proportionate Share of Net Pension Liability and Related Ratios, Schedule of the Fund's Contributions for Municipal Pension Plans, Schedule of the Fund's Investment Returns, Schedules of the Fund's Proportionate Share of OPEB Liability and Related Ratios, and related Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary information in accordance with GAAS, 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.

The Honorable Mayor, Members of City Council and City Controller
City of Houston, Texas

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The Schedules of Passenger Facility Charge Revenues and Disbursements and related Notes (the "Schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information Included in the Annual Comprehensive Financial Report (ACFR)***

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section and statistical section but does not include the 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.

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 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 December 12, 2025, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 the Fund's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 12, 2025

The Houston Airport System ("HAS") is an independent, financially self-sufficient department of the City of Houston, Texas (the "City") that owns George Bush Intercontinental Airport ("IAH"), William P. Hobby Airport ("HOU"), and Ellington Airport ("EFD"). The Airport System Fund (the "Fund") is an enterprise fund of the City. HAS, under the administrative control of the Mayor, manages and operates the Fund. Management of HAS offers readers of the Fund's financial statements this overview and analysis of the financial activities for the fiscal years ended June 30, 2025 ("FY2025"), and June 30, 2024 ("FY2024"). This discussion and analysis should be read in conjunction with the Fund's financial statements that begin on page 16.

## Financial Highlights

The Fund's net position increased by $110.2 million or 5.1% during FY2025 and increased by $179.2 million or 9.1% for FY2024.

Operating revenues for FY2025 increased by $42.6 million or 7.2% compared to FY2024 primarily due to an increase in rental revenues of $21.4 million, an increase in parking revenues of $10.7 million, and an increase in concessions revenues of $5.2 million. In FY2024, operating revenues increased by $35.3 million or 6.3% compared to FY2023 primarily due to an increase in rental revenues of $15.6 million, an increase in concessions revenues of $8.6 million, and an increase of $6.0 million in landing fees. For FY2025, the increases were mainly due to increases in rental and parking rates. For FY2024, the increases were mainly due to an increase in the total number of passengers from 57.8 million in FY2023 to 62.0 million in FY2024 as both business and leisure travel continued to recover since the pandemic.

In FY2025, operating expenses increased by $83.3 million or 13.7% compared to FY2024, primarily due to an increase of $73.0 million in professional services and other operating costs for the ongoing planning efforts related to HAS five-year Capital Improvement Plan ("CIP"), which calls for $2.7 billion to expand, update, and maintain the airport system. At IAH, HAS is partnering with United Airlines for Terminal B Modernization, in which HAS will fund $624.0 million for enabling projects. Once completed, Terminal B will provide 40 new gates for domestic and international flights, improved curbsides, and roadway capacity. The future Domestic Redevelopment Program ("DRP") slated to begin in 2029 will expand IAH domestic gate capacity for non-hub airlines while also positioning IAH as a preferred service destinations for all airline partners. In addition, the DRP will include increased airfield capacity, expanded parking facilities and upgraded concession and retail options. At HOU, passenger traffic growth will be supported with a seven-gate expansion to the West Concourse. Other projects include baggage claim expansion, sewer system replacement, and other capital improvements planned for the airfield as required by the Federal Aviation Administration ("FAA"), as well as normal pavement management and customer service enhancements for the HOU Central Concourse. In FY2024, operating expenses increased by $36.0 million or 6.3% primarily due to an increase in professional services and other operating costs of $21.2 million and an increase in personnel costs of $13.9 million.

## Key Performance Indicators

The following table highlights changes in some of HAS' operating and financial key performance indicators for the years ended June 30, 2025, 2024, and 2023. Additional details can be found in the Statistical section of this Annual Comprehensive Financial Report in the Operational Information sub-section.

| For the Years Ended | June 30, 2025 | June 30, 2024 | June 30, 2023 |
|---|---|---|---|
| Total passengers (in millions) | 62.3 | 62.0 | 57.8 |
| Aircraft operations (in thousands) | 729.9 | 734.2 | 689.8 |
| Passenger landed weight (in million pounds) | 36,797.2 | 36,574.8 | 33,510.1 |
| Cargo landed weight (in million pounds) | 2,208.1 | 2,187.6 | 2,375.4 |
| Cargo metric tons (in thousands) | 531.2 | 539.7 | 519.5 |

## Overview of the Financial Statements

This discussion and analysis is an introduction to the Fund's financial statements, which consist of the following components: management's discussion and analysis ("MD&A"), financial statements, notes to the financial statements, and required supplementary information. The notes are essential to a full understanding of the financial statements. A statistical section is included for further analysis.

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. An enterprise fund is used to account for a business-like activity within a government. The Fund is an enterprise fund of the City; thus, it is included in the City's Annual Comprehensive Financial Report.

The Statements of Net Position present information on the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these sections reported as net position. Changes in net position from year to year may serve as useful indicators of whether the financial position of the Fund is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Fund's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

The financial statements also include note disclosures as well as required supplementary information that provide additional explanations and details on significant accounting policies and significant financial statement line items.

**NET POSITION**

**JUNE 30, 2025, JUNE 30, 2024, AND JUNE 30, 2023**

(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 673,946 | $ 785,544 | $ 597,426 |
| Noncurrent assets | 1,419,575 | 1,538,473 | 1,618,471 |
| Net capital assets | 3,632,959 | 3,432,998 | 3,197,399 |
| Total assets | 5,726,480 | 5,757,015 | 5,413,296 |
| **Deferred outflows of resources** | 30,254 | 34,418 | 38,591 |
| **Liabilities** | | | |
| Current liabilities | 435,814 | 399,446 | 438,856 |
| Noncurrent liabilities | 2,716,495 | 2,874,301 | 2,766,289 |
| Total liabilities | 3,152,309 | 3,273,747 | 3,205,145 |
| **Deferred inflows of resources** | 346,644 | 370,143 | 278,418 |
| **Net Position** | | | |
| Net investment in capital assets | 935,102 | 728,106 | 591,494 |
| Restricted net position | 1,387,545 | 1,391,866 | 1,444,873 |
| Unrestricted (deficit) surplus | (64,866) | 27,571 | (68,043) |
| Total net position | $ 2,257,781 | $ 2,147,543 | $ 1,968,324 |

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

Total net position at June 30, 2025, was $2,257.8 million, a $110.2 million or 5.1% increase from FY2024. Total net position at June 30, 2024, was $2,147.5 million, a $179.2 million or 9.1% increase from FY2023.

Approximately a third of the Fund's total net position, 41.4% and 33.9% as of FY2025 and FY2024, respectively, reflects net investment in capital assets (e.g., land, buildings, runways, equipment, and infrastructure), net of related outstanding debt used to acquire those assets, offset by bond proceeds remaining in cash and investment accounts at fiscal year-end. 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 net position surplus or deficit. The restricted net position in FY2025 was $1,387.5 million, a 0.3% decrease from FY2024. The restricted net position in FY2024 was $1,391.9 million, a 3.7% decrease from FY2023. The Restricted net position is 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 the 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 was $64.9 million as of June 30, 2025, and the unrestricted net position was $27.6 million as of June 30, 2024.

### FY2025

Total assets decreased by $30.5 million, or 0.5%, from $5,757.0 million in FY2024 to $5,726.5 million in FY2025. Unrestricted and restricted cash and cash & cash equivalents decreased by $34.4 million, or 7.6%, while investments decreased by $186.5 million, or 13.1%, compared to FY2024. The decreases in cash and investments were primarily due to increases in capital assets and operating expenses related to terminal redevelopment programs. Accounts receivable decreased by $5.6 million or 16.3% compared to the balance at the end of FY2024. The decrease was mainly due to the year-end rates and charges adjustment to airline customers' receivable balances. Restricted receivables for Passenger Facility Charges ("PFC") and Customer Facility Charges ("CFC") increased by $1.3 million or 6.8% due to an increase of $1.7 million in balances due from the airlines operating at HOU.

Balance due from other governments increased by $10.1 million or 24.8% compared to FY2024. The Fund received the final reimbursements from the FAA in FY2025 for eligible expenditures related to the pandemic under the Coronavirus Response and Consolidated Appropriations Act ("CCRSA") and American Rescue Plan Act ('ARPA"), which resulted in a decrease of $23.5 million in operating grants receivable. This decrease was offset by an increase of $33.5 million in capital grants receivable for eligible expenditures under the Airport Terminals Program and the Airport Infrastructure Grants authorized under the Infrastructure Investment and Jobs Act.

Capital assets, net of accumulated depreciation and amortization, increased by approximately $200.0 million or 5.8% compared to FY2024. The increase was primarily due to an increase of $591.2 million in buildings and improvements, offset by a decrease of $211.1 million in construction in progress for construction projects completed during FY2025. In addition, FY2025 depreciation expense totaled $182.9 million. HAS continues with its five-year CIP that will continue through FY2030, which calls for $2.7 billion to expand, update, and maintain the airport system. See the Capital Assets section in this MD&A for further discussion and analysis on current and future capital projects.

Deferred outflows of resources decreased by $4.2 million or 12.1% mainly attributable to a decrease of $1.2 million or 9.4% in debt refunding related deferred outflows and a decrease of $2.4 million or 22.3% in other postemployment benefit plans related deferred outflows. The decreases were mainly due to FY2025 amortization of prior year deferred amounts.

Total liabilities decreased by $121.4 million or 3.7% compared to FY2024 to $3,152.3 million, primarily due to a decrease of $143.2 million in subordinate lien revenue bonds and a decrease of $9.6 million in special facility bonds for principal payments made during FY2025. Net pension liability decreased by $21.8 million or 13.3% mainly due to an increase of $62.2 million in the Fund's proportionate share of the fiduciary net position as investment earnings increased significantly compared to FY2024. The increase was offset by an increase of $40.4 million in the Fund's proportionate share of the total pension liability. Total other post-employment benefit liabilities decreased by $6.2 million mainly due to a decrease of $6.3 million in other post-employment benefits - health benefit ("OPEB-HB"). The OPEB-HB decrease was due to valuation assumption changes related to raising the discount rate, updating the valuation for health costs and future trend costs, and an update in the actuarial spread factors. In addition, unearned revenue decreased by $7.5 million primarily due to pandemic related credits taken by the concessionaires during FY2025.

The decreases were offset by an increase of $11.0 million in accounts payable and an increase of $32.0 million in contracts and retainages payable due to ongoing construction work being performed at all HAS airports. In addition, general obligation bonds increased by $26.4 million due to the issuance of the Series 2024A General Obligation Bonds by the City. See the Debt section in this MD&A and Note 5 to the financial statements for additional discussion.

Total deferred inflows of resources decreased by $23.5 million or 6.3% primarily due to a decrease of $23.3 million in deferred inflows from leases. Deferred inflows from leases decreased due to normal lease amortization.

## FY2024

Total assets increased by $343.7 million, or 6.3%, from $5,413.3 million in FY2023 to $5,757.0 million in FY2024. Unrestricted and restricted cash and cash & cash equivalents increased by $122.5 million, or 37.2%, while investments increased by $122.0 million, or 7.9%, compared to FY2023. Accounts receivable increased by $23.5 million or 218.6% compared to the balance at the end of FY2023. Receivables from customers increased by $17.8 million while rates and charges resulted in a credit that was $6.5 million less compared to FY2023. Restricted receivables for PFC and CFC increased by $8.0 million or 67.8% due to the fact that both business and leisure travel exceeded pre-pandemic activity by 4.2%. The majority of this growth occurred at IAH, with a rise of 2.9% in domestic travel and a 9.3% rise in international travel. Travel activity at HOU returned to 100% of pre-pandemic levels in FY2024.

Balance due from other governments decreased by $17.1 million or 29.6% compared to FY2023 as HAS received reimbursements from the FAA under CCRSA and ARPA grant programs for eligible expenditures related to the pandemic. As of June 30, 2024, the remaining amounts for reimbursement are $18.6 million for CCRSA and $4.7 million for ARPA. Furthermore, construction in progress increased by $249.9 million or 28.8% due to costs capitalized for expansion and renovation projects during FY2024 as HAS continues with its five-year CIP that will continue through FY2029 which calls for $2.8 billion to expand, update, and maintain the airport system. There was also an increase in buildings and improvements of $144.6 million or 2.5%.

Deferred outflows of resources decreased by $4.2 million or 10.8% mainly attributable to a decrease of $4.4 million or 25.0% in debt refunding related deferred outflows and a decrease of $1.0 million or 8.7% in pension related deferred outflows.

Total liabilities increased by $68.6 million or 2.1% compared to June 30, 2023, primarily due to an increase of $477.7 million in subordinate lien revenue bonds payable in FY2024, partially offset by a decrease of $350.0 million in commercial paper due to the issuance of the Subordinate Lien Revenue and Refunding Bonds Series 2023A and 2023B. Contracts and retainages payable decreased by $56.4 million or 30.4% as significant construction work is being performed at all HAS airports. Net pension liability decreased by $15.0 million or 8.4% mainly due to an increase in HAS proportionate share based on contributions during the measurement period. Other post-employment benefits payable increased by $8.1 million or 14.9% mainly due to an increase of $8.1 million or 14.9% for OPEB-HB. The OPEB- HB increase is due to valuation assumption changes related to raising the discount rate, updating the valuation for health costs and future trend costs, and an update in the actuarial spread factors.

Total deferred inflows of resources increased by $91.7 million or 32.9% due to an increase of $82.3 million in deferred inflows from leases and an increase of $14.3 million in deferred inflows from debt refunding. Deferred inflows from leases increased due to normal lease amortization and deferred inflows from debt refunding increased as a result of the issuance of the Subordinate Lien Revenue and Refunding Bonds Series 2023A and 2023B.

## Changes in Net Position

For FY2025 and FY2024, the Fund's net position increased by $110.2 million or 5.1% and $179.2 million or 9.1%, respectively.

**CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2025, JUNE 30, 2024, and JUNE 30, 2023**

(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating revenues | $ 638,152 | $ 595,563 | $ 560,247 |
| Operating expenses | 691,224 | 607,925 | 571,878 |
| Operating loss | (53,072) | (12,362) | (11,631) |
| Nonoperating revenues | 234,739 | 238,303 | 224,081 |
| Nonoperating expenses | 91,993 | 53,230 | 78,938 |
| Nonoperating income | 142,746 | 185,073 | 145,143 |
| Income before capital contributions | 89,674 | 172,711 | 133,512 |
| Contributions to governmental activities | (27,017) | — | — |
| Capital contributions | 47,581 | 6,508 | 37,087 |
| Change in net position | 110,238 | 179,219 | 170,599 |
| **Total net position, July 1** | 2,147,543 | 1,968,324 | 1,797,725 |
| **Total net position, June 30** | $ 2,257,781 | $ 2,147,543 | $ 1,968,324 |

## TOTAL REVENUES AND CAPITAL CONTRIBUTIONS
## FOR THE YEARS ENDED JUNE 30, 2025, JUNE 30, 2024, and JUNE 30, 2023

(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Landing area fees | $ 101,145 | $ 98,556 | $ 92,601 |
| Rentals, building and ground areas | 271,795 | 250,353 | 234,751 |
| Parking and concessions | 254,799 | 238,920 | 225,151 |
| Other operating revenues | 10,413 | 7,734 | 7,744 |
| **Nonoperating Revenues** | | | |
| Passenger Facility Charges | 116,533 | 117,407 | 108,754 |
| Customer Facility Charges | 18,223 | 17,946 | 16,075 |
| Investment income | 87,606 | 91,803 | 38,706 |
| Gain on disposal of assets and incomplete projects | – | – | 405 |
| CARES Act/CRRSAA/ARPA grants | – | 46,736 | 50,230 |
| Other nonoperating revenues | 12,377 | 11,147 | 9,911 |
| Total revenues | 872,891 | 880,602 | 784,328 |
| Capital contributions | 47,581 | 6,508 | 37,087 |
| Total revenues and capital contributions | $ 920,472 | $ 887,110 | $ 821,415 |

### FY2025

Operating revenues increased by $42.6 million or 7.2% as total enplaned and deplaned passenger volume at IAH and HOU increased by 0.4% in addition to increases in various rates charged by HAS. Airline landing fees increased by $2.6 million or 2.6% compared to FY2024, and rental revenues increased by $21.4 million or 8.6%. In addition, parking revenues increased by $10.7 million or 8.7% compared to FY2024. Concession revenues also increased by $5.2 million or 4.4%. Of the $21.4 million increase in rental revenues, $17.2 million was related to terminal space rentals by the airlines. For rental revenues, airline terminal space rental increased by $15M but space leased decreased when looking at Note 4.

Nonoperating revenues decreased by $42.3 million or 22.9% primarily due to the expiration of ARPA grants in FY2024.

Capital contributions increased to $47.6 million in FY2025 from $6.5 million in FY2024 mainly due to fundings received from the FAA for eligible expenditures under the Airport Terminals Program and the Airport Infrastructure Grants authorized under the Infrastructure Investment and Jobs Act.

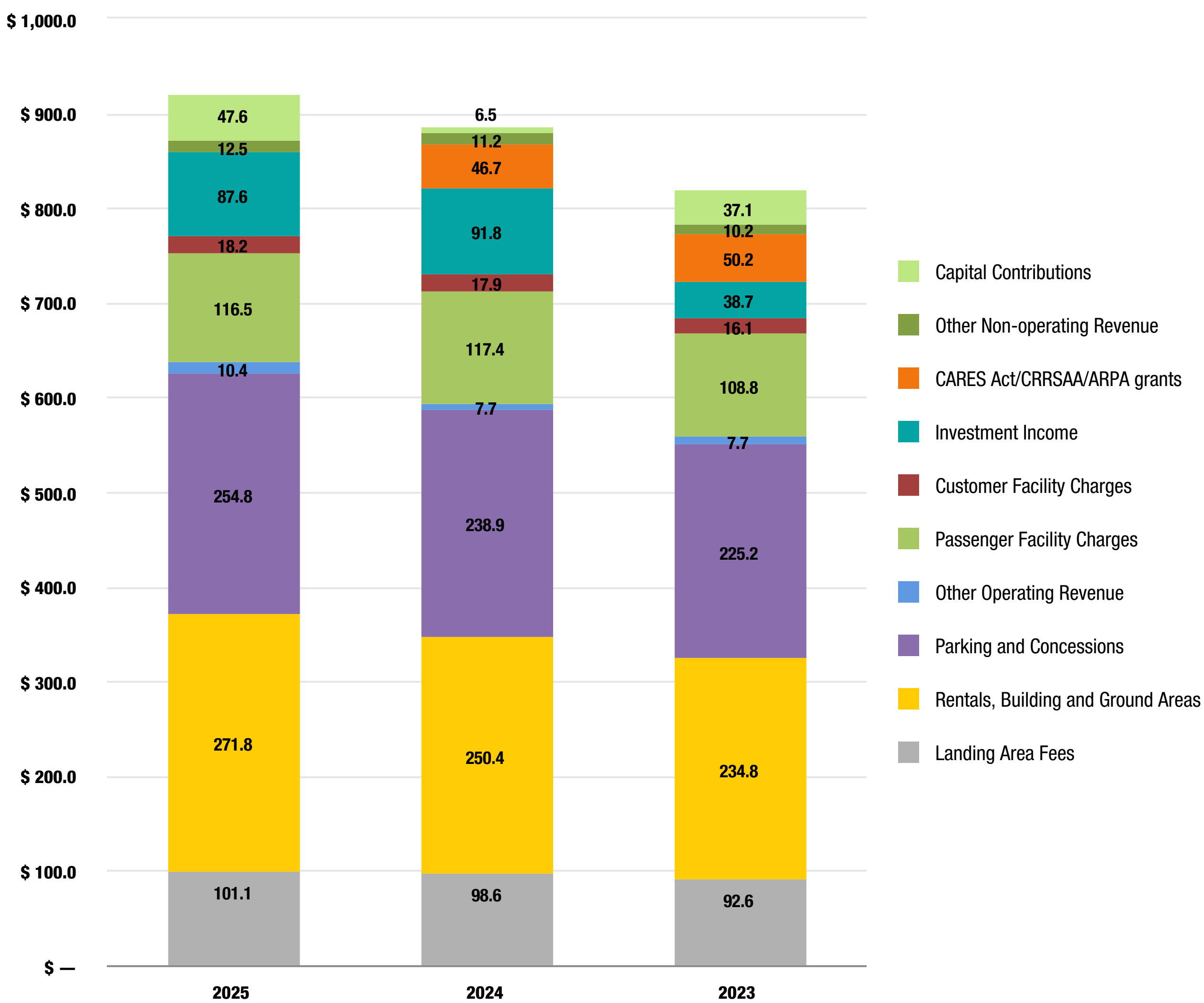
### FY2024

Operating revenues increased by $35.3 million or 6.3% as total enplaned and deplaned passenger volume at IAH and HOU increased by 7.3%. Airline landing fees increased by $6.0 million or 6.4% compared to FY2023, and rental revenues increased by $15.6 million or 6.6%. In addition, parking revenues increased by $5.1 million or 4.4% compared to FY2023. Concession revenues also increased by $8.6 million or 8.0%. For FY2024, the increases were due to the total number of passengers increasing from 57.8 million in FY2023 to 62.0 million in FY2024 due to the fact that both business and leisure travel exceeded pre-pandemic activity.

Nonoperating revenues increased by $39.9 million or 27.5% due to an increase in PFC revenues of $8.7 million or 8.0% and an increase in CFC charges of $1.9 million or 11.6% due to higher numbers of passengers compared to FY2023. In addition, investment income increased by $53.1 million or 137.2%.

## TOTAL REVENUES and CAPITAL CONTRIBUTIONS

(in millions)



**TOTAL EXPENSES**
**FOR THE YEARS ENDED JUNE 30, 2025, JUNE 30, 2024, and JUNE 30, 2023**
(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Operating Expenses | | | |
| Maintenance and operating | $ 508,370 | $ 437,178 | $ 400,956 |
| Depreciation and amortization | 182,854 | 170,747 | 170,922 |
| Interest expense | 90,365 | 92,476 | 78,655 |
| Loss on disposal of assets and incomplete projects | 30 | 415 | – |
| Other nonoperating expenses | 1,598 | $ 7,075 | 283 |
| Contributions to governmental activities | 27,017 | $ – | – |
| Total expenses | $ 810,234 | $ 707,891 | $ 650,816 |

## FY2025

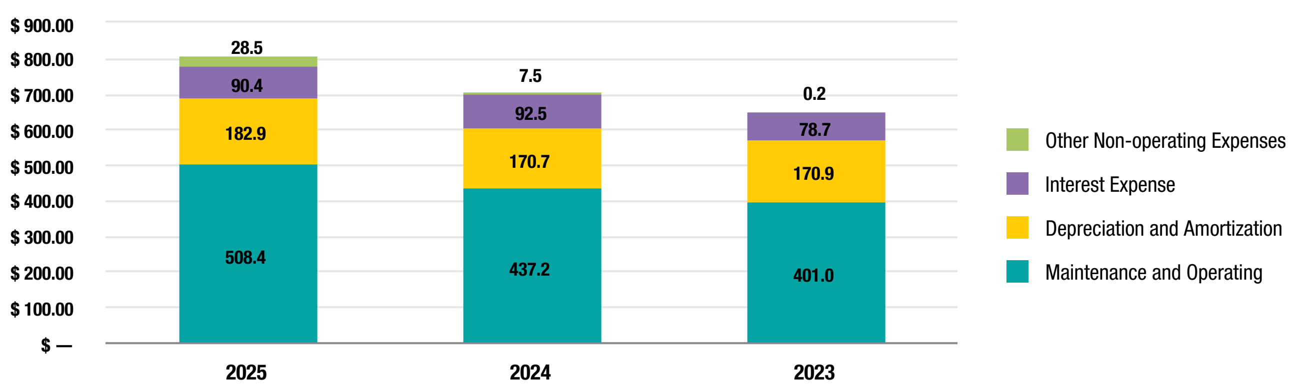
In FY2025, operating expenses increased by $83.3 million or 13.7% compared to FY2024, primarily due to a $73.0 million increase in professional services and other operating costs and a $12.1 million increase in depreciation expense, offset by a $3.2 million decrease in personnel costs. The increase in professional services and other operating costs was due to ongoing redevelopment and maintenance programs at both IAH and HOU. And the increase in depreciation expense was due to an increase of $591.0 million in depreciable and amortizable capital assets from $5.99 billion to $6.58 billion. The decrease in personnel costs was mainly attributable to the city-wide early retirement program implemented in FY2025 to reduce personnel related costs.

In addition, the Fund made a $27.0 million non-cash contribution to the City's governmental activities related to the general obligation bonds issued by the City. See the Debt section in this MD&A and Note 5 to the financial statements for additional discussion.

## FY2024

In FY2024, operating expenses increased by $36.0 million or 6.3% compared to FY2023, primarily due to an increase in personnel costs of $13.9 million due to contractual increases in salaries and an increase for professional services of $11.5 million or 4.9% due to ongoing planning efforts related to HAS five-year CIP project. Overtime pay increased by $1.0 million or 21.1% due to ongoing construction activity in FY2024. Expenses for non-capital outlay increased by $0.1 million or 6.3% compared to FY2023.

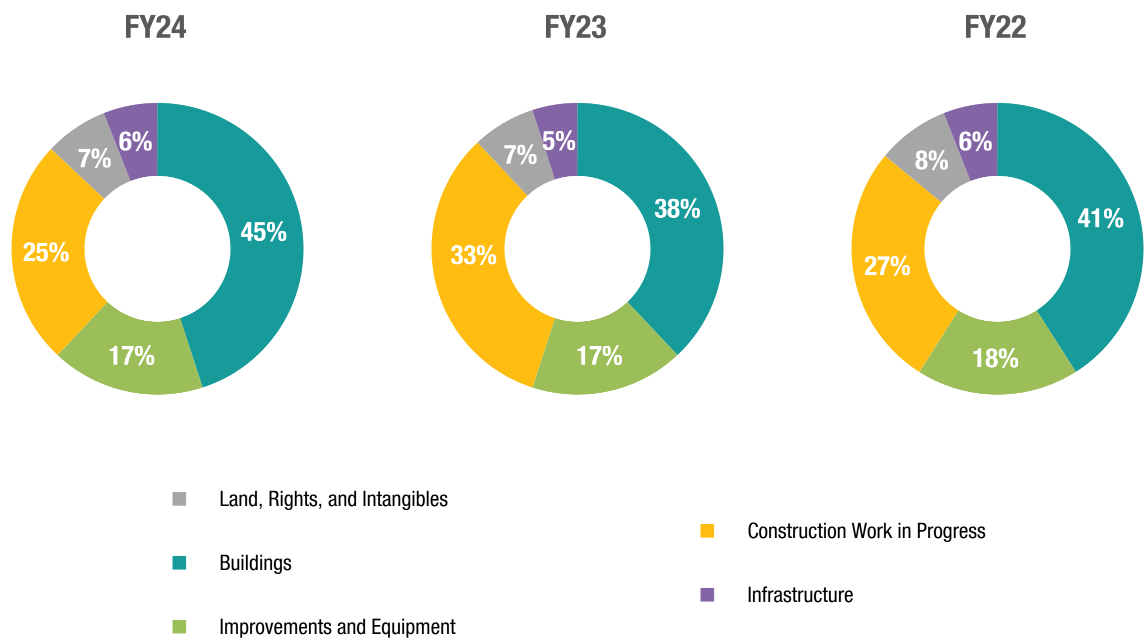
**TOTAL EXPENSES**
(in millions)



# Capital Assets

**CAPITAL ASSETS**
**JUNE 30, 2025, JUNE 30, 2024, AND JUNE 30, 2023**
(Net of Depreciation and Amortization)
(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Land | $ 216,315 | $ 214,457 | $ 214,457 |
| Buildings | 1,650,771 | 1,320,889 | 1,321,918 |
| Rights and Intangibles | 23,310 | 24,365 | 25,556 |
| Improvements and Equipment | 620,008 | 581,515 | 589,489 |
| Infrastructure | 214,675 | 172,821 | 176,899 |
| Construction work in progress | 907,880 | 1,118,951 | 869,080 |
| | $ 3,632,959 | $ 3,432,998 | $ 3,197,399 |




## FY2025

The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to $3,633.0 million for FY2025, an increase of $200.0 million or 5.8% compared to FY2024. During FY2025, the Fund added approximately $383.2 million of capital assets, with $374.4 million to construction work in progress balance. The additions were mainly related to the IAH Terminal Redevelopment Program ("ITRP") with more than $176.1 million in additions and $79.5 million for the Southwest Airlines gate expansion at HOU. FY2025 depreciation expense was approximately $182.9 million.

## FY2024

The Fund's investment in capital assets, net of accumulated depreciation and amortization, amounted to $3,433.0 million for FY2024, an increase of $235.6 million or 7.4% compared to FY2023. During FY2024, the Fund added approximately $406.4 million of capital assets, with $391.2 million to construction work in progress balance. The additions were mainly related to the ITRP with more than $291.0 million in additions, $12.8 million in Aircraft Rescue and Fire Fighting upgrades at both IAH and HOU, and $7.6 million for the Southwest Airlines gate expansion at HOU. FY2024 depreciation expense was approximately $170.7 million million.

## Capital Improvement Program

The City updates and adopts annually a rolling five-year comprehensive plan that determines and prioritizes its capital and infrastructure needs, including HAS. Management of HAS continuously monitors and adjusts the CIP based on financial capacity, air travel demand, and airline industry developments. The HAS five-year CIP for fiscal years 2026-2030 calls for $2.7 billion to expand, update, and maintain the airport system.

Major projects, greater than $100.0 million individually, are as follows:

1. IAH – Terminal A modernization program: $900.0 million
2. IAH – Skyway automated people mover upgrade: $270.0 million
3. HOU – Runway 13R/31L rehabilitation and electrical upgrade: $150.0 million
4. IAH – Central utility plant upgrades: $125.3 million
5. IAH – Terminal B redevelopment – enabling projects: $124.0 million

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

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# Debt

**OUTSTANDING DEBT**
**JUNE 30, 2025, JUNE 30, 2024, AND JUNE 30, 2023**
(in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Senior Lien Debt** | | | |
| Commercial paper | $ – | $ – | $ 350,000 |
| Total senior lien debt | – | – | 350,000 |
| **Subordinate Lien Debt** | | | |
| Revenue bonds | 2,370,395 | 2,493,320 | 2,055,965 |
| Unamortized discount and premium | 197,552 | 217,875 | 177,531 |
| Total subordinate lien debt | 2,567,947 | 2,711,195 | 2,233,496 |
| **Other Debt** | | | |
| Direct borrowing debt | 12,341 | 13,582 | 14,800 |
| Pension obligation bonds | 2,006 | 2,006 | 2,006 |
| General obligation bonds | 26,417 | – | – |
| Special facility revenue bonds | | | |
| Consolidated rental car facility | 34,015 | 43,645 | 52,515 |
| Lease and subscription liabilities | 1,341 | 2,482 | 3,957 |
| Total other debt | 76,120 | 61,715 | 73,278 |
| Total outstanding debt | $ 2,644,067 | $ 2,772,910 | $ 2,656,774 |
| **Deferred Outflows of Resources** | | | |
| Deferred outflows from debt refunding | $ 11,885 | $ 13,114 | $ 17,495 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows from debt refunding | $ 13,778 | $ 14,270 | $ – |

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

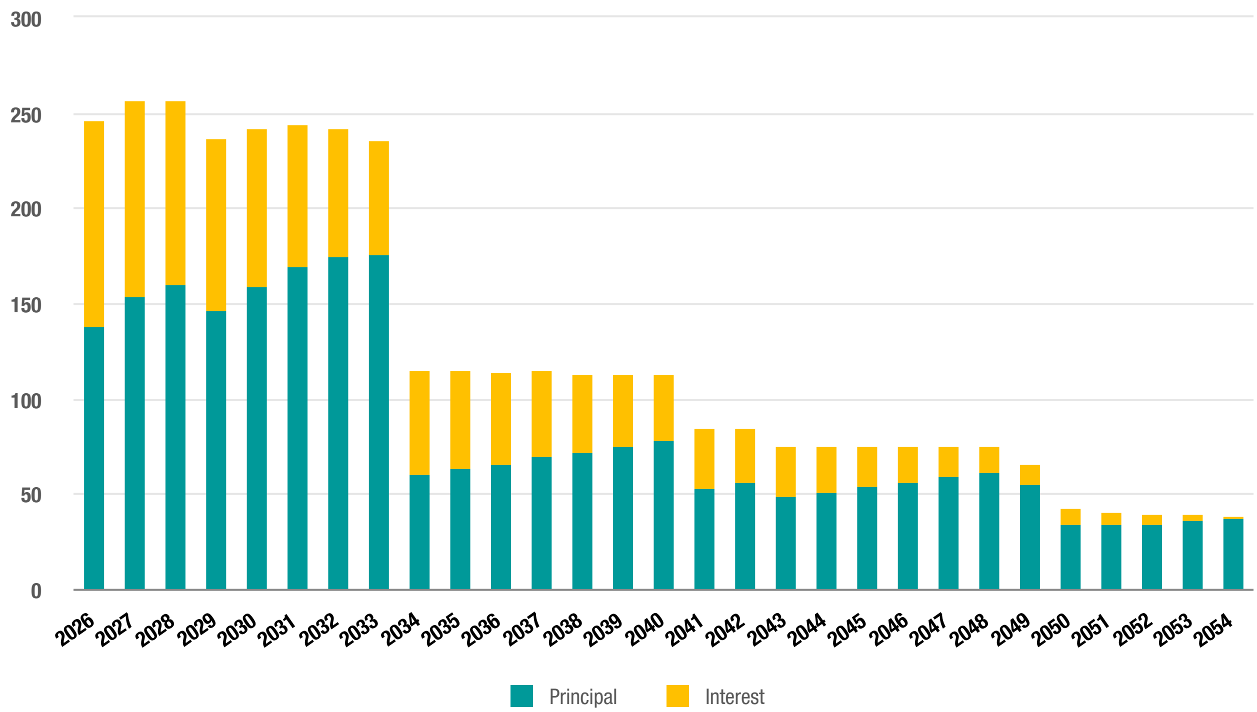
On March 13, 2024, the City and the Houston Professional Fire Fighters' Association (the "Association") executed a settlement agreement, which released the City from all claims and causes of action asserted by the Association in a lawsuit. The City issued $612.1 million General Obligation Refunding Bonds, Series 2024A (the "Series 2024A Bonds"), on July 18, 2024, and the proceeds were used to fund part of the settlement payments. Subsequent to the issuance of the Series 2024A Bonds, the Fund was assigned the responsibility to pay principal and interest on a portion of the Series 2024A Bonds. As of June 30, 2025, the balance of the Fund's portion of the Series 2024A Bonds was $26.4 million. See Note 5 to the financial statements for the terms of the Series 2024A Bonds.

As of June 30, 2025, and 2024, the Fund's outstanding senior lien and subordinate lien debt, net of unamortized discount and premium totaled $2,567.9 million and $2,711.2 million, respectively. In addition, the Fund is responsible for other debt totaling $76.1 million and $61.7 million as summarized in the above table as of June 30, 2025, and 2024, respectively.

In addition, on August 13, 2025, HAS issued Revenue and Refunding Bonds in the approximate aggregate principal amount of $699.8 million to finance improvements primarily to IAH Terminal B redevelopment and HOU West Concourse expansion. See additional disclosures related to the issuance of Airport System Subordinate Lien Bonds, Series 2025A, in Note 12.

## Debt Service Requirements to Maturity

(in millions)




The underlying ratings of the Fund's obligations at June 30, 2025 are as follows:

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

Additional information on long-term capital asset activity and debt activity are disclosed in Notes 3 and 5 to the financial statements.

## Requests for Information

This financial report is designed to provide a general overview of the City of Houston, Texas, Airport System Fund's finances for all of those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, Houston Airport System, 16930 JFK Boulevard, Houston, Texas 77032.

(in thousands) | June 30, 2025 and 2024

| | | 2025 | | 2024 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ | 142,135 | $ | 202,927 |
| Restricted cash and cash equivalents | | 274,789 | | 248,418 |
| Investments | | 53,076 | | 110,191 |
| Restricted investments | | 76,979 | | 101,994 |
| Accounts receivable (net of allowance for doubtful accounts of $3,827 and $3,827 in 2025 and 2024, respectively) | | 28,641 | | 34,238 |
| Restricted accounts receivable | | 21,070 | | 19,732 |
| Lease receivable | | 14,480 | | 14,747 |
| Due from City of Houston | | 38 | | 1,034 |
| Inventory | | 2,182 | | 2,207 |
| Prepaids | | 9,844 | | 9,416 |
| Due from other governments - grants receivable | | 50,712 | | 40,640 |
| Total current assets | | 673,946 | | 785,544 |
| **Noncurrent assets** | | | | |
| Investments | | 9,737 | | 14,025 |
| Restricted investments | | 1,099,418 | | 1,199,486 |
| Prepaids | | 1,737 | | 1,799 |
| Lease receivable, non-current | | 308,683 | | 323,163 |
| Capital assets: | | | | |
| Land | | 216,315 | | 214,457 |
| Rights and intangibles | | 21,750 | | 21,750 |
| Buildings, improvements and equipment | | 6,573,770 | | 5,982,532 |
| Construction in progress | | 907,880 | | 1,118,951 |
| Lease right-of-use assets | | 103 | | 295 |
| Subscription right-of-use assets | | 5,362 | | 5,362 |
| Total capital assets | | 7,725,180 | | 7,343,347 |
| Less accumulated depreciation and amortization | | (4,092,221) | | (3,910,349) |
| Net capital assets | | 3,632,959 | | 3,432,998 |
| Total noncurrent assets | | 5,052,534 | | 4,971,471 |
| **Total assets** | | 5,726,480 | | 5,757,015 |
| **Deferred outflows of resources** | | | | |
| Deferred outflows from debt refunding | | 11,885 | | 13,114 |
| Deferred outflows from pensions | | 10,036 | | 10,585 |
| Deferred outflows from other post-employment benefits | | 8,333 | | 10,719 |
| **Total deferred outflows of resources** | $ | 30,254 | $ | 34,418 |

**The accompanying notes are an integral part of these financial statements.** **(continued)**

June 30, 2025 and 2024 | (in thousands)

| | 2025 | 2024 |
|---|---|---|
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | $ 35,743 | $ 24,793 |
| Accrued arbitrage rebate | 338 | – |
| Accrued payroll liabilities | 3,454 | 3,077 |
| Accrued interest payable | 54,477 | 56,625 |
| Advances and deposits | 2,890 | 2,785 |
| Claims for workers' compensation | 1,002 | 1,279 |
| Compensated absences | 4,961 | 7,589 |
| Contracts and retainages payable | 161,193 | 129,237 |
| Due to City of Houston | 3,190 | 1,156 |
| Due to other governments | 1,843 | 1,843 |
| General obligation bonds | 69 | – |
| Lease liabilities | 4 | 10 |
| Notes payable | 1,266 | 1,241 |
| Other post-employment benefits | 1,837 | 2,030 |
| Revenue bonds payable | 126,350 | 122,925 |
| Special facility revenue bonds payable | 10,445 | 9,630 |
| Subscription liabilities | 109 | 1,131 |
| Unearned revenue | 26,643 | 34,095 |
| Total current liabilities | 435,814 | 399,446 |
| **Noncurrent liabilities** | | |
| Revenue bonds payable, net of current portion | 2,441,597 | 2,588,270 |
| Special facility revenue bonds payable, net of current portion | 23,570 | 34,015 |
| Pension obligation bonds payable | 2,006 | 2,006 |
| General obligation bonds, net of current portion | 26,348 | – |
| Lease liabilities, net of current portion | 4 | 8 |
| Subscription liabilities, net of current portion | 1,224 | 1,333 |
| Notes payable, net of current portion | 11,075 | 12,341 |
| Claims for workers' compensation, net of current portion | 4,335 | 4,461 |
| Compensated absences, net of current portion | 10,449 | 8,146 |
| Net pension liability | 141,449 | 163,240 |
| Other post-employment benefits, net of current portion | 54,438 | 60,481 |
| Total noncurrent liabilities | 2,716,495 | 2,874,301 |
| **Total liabilities** | 3,152,309 | 3,273,747 |
| **Deferred inflows of resources** | | |
| Deferred inflows from leases | 286,775 | 310,100 |
| Deferred inflows from debt refunding | 13,778 | 14,270 |
| Deferred inflows from pensions | 22,096 | 25,124 |
| Deferred inflows from other post-employment benefits | 23,995 | 20,649 |
| **Total deferred inflows of resources** | 346,644 | 370,143 |
| **Net Position** | | |
| Net investment in capital assets | 935,102 | 728,106 |
| **Restricted net position:** | | |
| Restricted for debt service | 528,582 | 492,900 |
| Restricted for maintenance and operations | 63,914 | 63,032 |
| Restricted for special facility | 70,128 | 62,152 |
| Restricted for renewal and replacement | 10,000 | 10,000 |
| Restricted for capital improvements | 714,921 | 763,782 |
| **Unrestricted (deficit) surplus** | (64,866) | 27,571 |
| **Total net position** | $ 2,257,781 | $ 2,147,543 |

**The accompanying notes are an integral part of these financial statements.**

(in thousands) June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **Operating revenues** | | |
| Landing area fees | $ 101,145 | $ 98,556 |
| Rentals, building, and ground area | 271,795 | 250,353 |
| Parking | 133,301 | 122,588 |
| Concessions | 121,498 | 116,332 |
| Other | 10,413 | 7,734 |
| Total operating revenues | 638,152 | 595,563 |
| **Operating expenses** | | |
| Maintenance and operating | 508,370 | 437,178 |
| Depreciation and amortization | 182,854 | 170,747 |
| Total operating expenses | 691,224 | 607,925 |
| **Operating loss** | (53,072) | (12,362) |
| **Nonoperating revenues (expenses)** | | |
| Investment income | 87,606 | 91,803 |
| Interest expense | (90,365) | (92,476) |
| Gain (loss) on disposal of assets and incomplete projects | (30) | (415) |
| Passenger Facility Charges | 116,533 | 117,407 |
| Customer Facility Charges | 18,223 | 17,946 |
| Special facility cost | (30) | (206) |
| Cost of issuance for debt | (1,568) | (6,869) |
| CRRSA/ARPA grants | – | 46,736 |
| Other revenues | 12,377 | 11,147 |
| Total nonoperating revenues, net | 142,746 | 185,073 |
| Income before capital contributions | 89,674 | 172,711 |
| Contributions to governmental activities | (27,017) | – |
| Capital contributions | 47,581 | 6,508 |
| Change in net position | 110,238 | 179,219 |
| Total net position, July 1 | 2,147,543 | 1,968,324 |
| **Total net position, June 30** | $ 2,257,781 | $ 2,147,543 |

**The accompanying notes are an integral part of these financial statements.**

June 30, 2025 and 2024 | (in thousands)

| | 2025 | 2024 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Receipts from customers | $ 628,220 | $ 551,697 |
| Payments to suppliers | (277,965) | (221,033) |
| Payments to employees | (151,767) | (137,675) |
| Interfund activity payments to other funds | (90,124) | (82,884) |
| Other receipts | 10,413 | 7,734 |
| Net cash provided by operating activities | 118,777 | 117,839 |
| **Cash Flows from Investing Activities** | | |
| Sale of investments | 2,386,265 | 2,689,490 |
| Purchase of investments | (2,173,978) | (2,539,446) |
| Investment income | 61,805 | 63,735 |
| Net cash provided by investing activities | 274,092 | 213,779 |
| **Cash Flows from Noncapital Financing Activities** | | |
| CRRSA/ARPA grants | 23,458 | 58,473 |
| Retirement of general obligation bonds | (481) | – |
| Interest expense on general obligation bonds | (766) | – |
| Net cash provided by noncapital financing activities | 22,211 | 58,473 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Net proceeds from issuance of revenue bonds | – | 816,486 |
| Retirement of revenue bonds | (122,925) | (318,695) |
| Interest expense on debt | (111,114) | (79,697) |
| Retirement of SECO loans | (1,241) | (1,218) |
| Retirement of commercial paper | – | (350,000) |
| Retirement of special facility bonds | (9,630) | (8,870) |
| Passenger Facility Charges | 115,102 | 109,633 |
| Customer Facility Charges | 18,316 | 17,750 |
| Grant receipts | 14,051 | 11,857 |
| Acquisition of capital assets | (350,889) | (463,081) |
| Lease liabilities | (10) | (45) |
| Subscription Liabilities | (1,131) | (1,538) |
| Special facility cost | (30) | (206) |
| Net cash used for capital and related financing activities | (449,501) | (267,624) |
| Net (decrease) increase in cash and cash equivalents | (34,421) | 122,467 |
| Cash and cash equivalents, beginning of year | 451,345 | 328,878 |
| **Cash and Cash Equivalents, End of the Year** | $ 416,924 | $ 451,345 |
| Cash and cash equivalents | $ 142,135 | $ 202,927 |
| Restricted cash and cash equivalents | 274,789 | 248,418 |
| **Cash and Cash Equivalents, End of the Year** | $ 416,924 | $ 451,345 |

**The accompanying notes are an integral part of these financial statements.** **(continued)**

(in thousands) | June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Provided by Operating Activities** | | |
| Operating loss | $ (53,072) | $ (12,362) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | |
| Depreciation and amortization | 182,854 | 170,747 |
| Changes in assets and liabilities | | |
| Accounts receivable, net of allowance | 5,597 | (23,493) |
| Due from City of Houston | 996 | (475) |
| Inventory and prepaids | (341) | (2,847) |
| Lease receivable | 14,747 | (85,653) |
| Accounts payable | 10,950 | 6,170 |
| Accrued payroll liabilities | 377 | 778 |
| Other assets and liabilities | 3,357 | (9,294) |
| Due to City of Houston and other governments | 2,034 | 547 |
| Advances and deposits | 105 | (39) |
| Other post-employment benefits and deferred amounts | (504) | 761 |
| Pension related payables and deferred amounts | (24,270) | (12,705) |
| Deferred inflows - leases | (23,325) | 82,347 |
| Claims for workers' compensation | (403) | 2,786 |
| Compensated absences | (325) | 571 |
| **Net cash provided by operating activities** | $ 118,777 | $ 117,839 |
| **Noncash Transactions** | | |
| Change in capital additions included in liabilities | $ (31,956) | $ (70,178) |
| Amortization of premium and discount | 20,441 | 20,092 |
| Loss on disposal of assets | (382) | (415) |
| Unrealized gain on investments | 25,801 | 28,068 |
| Change in deferred outflows and inflows on long-term debt | (737) | (9,889) |
| Change in accrued interest payable | 2,148 | (14,220) |
| Change in arbitrage liability | (338) | — |
| General obligation refunding bonds issued by the City of Houston | 27,017 | — |
| Contributions to governmental activities | (27,017) | — |

**The accompanying notes are an integral part of these financial statements.**

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## Reporting Entity

The Airport System Fund (the "Fund"), an enterprise fund of the City of Houston (the "City"), is responsible for the operations, maintenance, and development of the City's Airport System. The Airport System consists of George Bush Intercontinental Airport ("IAH" or "Intercontinental"), William P. Hobby Airport ("HOU" or "Hobby"), and Ellington Airport ("EFD" or "Ellington").

The Mayor and City Council members serve as the governing body that oversees the operation of the Fund. The Fund is operated by the Houston Airport System ("HAS") as a self-sufficient enterprise and is administered by the HAS Director, who reports to the Mayor.

The Fund is not financially accountable for any other operations of the City, and accordingly, is accounted for as a single major enterprise fund. The Fund is included in the City's Annual Comprehensive Financial Report ("Financial Report"), which is a matter of public record.

Created on September 15, 2021, Houston Spaceport Development Corporation ("HSDC" or "Houston Spaceport") has a seven-member board of directors, including the Director of Aviation of HAS, appointed by the mayor. This corporation is responsible for managing and promoting the development of Houston Spaceport as well as applying for funds under the Texas Spaceport Trust Fund. In accordance with Governmental Accounting Standards Board ("GASB"): Statement No. 14 and Statement No. 61, the HSDC is considered a blended component of the City, the primary government, because the component unit provides direct benefits exclusively or almost exclusively to the HAS. Therefore, HSDC is incorporated into the financial statements of the Fund. As of and for the year ended June 30, 2025, HSDC did not have any financial activities and had no impact on the operating results of the Fund.

## Basis of Accounting

The City accounts for the Fund as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the cost of operations, including depreciation, be financed or recovered through user charges. The Fund is accounted for on a cost of services or "economic resources" measurement focus using the accrual basis of accounting, under which revenues are recognized in the accounting period in which they are earned and the related expenses are recorded in the accounting period incurred, if measurable. All assets and liabilities, current and noncurrent, as well as deferred outflows and inflows of resources, are included on the statements of net position.

The financial statements presented in this report conform to the reporting requirements of the GASB which establishes combined statements as the required level for governmental entities that present financial statements in accordance with generally accepted accounting principles ("GAAP"). The Fund defines operating revenues as receipts from customers and other receipts that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities. All other revenue is recognized as non-operating. The Fund defines operating expenses as personnel and supply costs, utilities and other charges for service, the purchase of furniture and equipment with a value of less than $5,000, and other expenses that do not result from transactions defined as capital or related financing, non-capital financing, or investing activities. All other expense is recognized as non-operating.

## Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, "Compensated Absences". This Statement clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City and the Fund have implemented GASB Statement No. 101 in this Financial Report without material impact.

In December 2023, the GASB issued Statements No. 102, “Certain Risk Disclosures”. The objective of this statement is to provide users of governmental financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City and the Fund have implemented GASB Statement No. 102 in this Financial Report with no impact to amounts or disclosures previously reported.

In April 2024, the GASB issued Statement No. 103, “Financial Reporting Model Improvements”. This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City and the Fund are evaluating the impact that adoption of this Statement will have on its financial statements.

In September 2024, the GASB issued Statement No. 104, “Disclosure of Certain Capital Assets”. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The City and the Fund are evaluating the impact that adoption of this Statement will have on its financial statements.

## Operating and Nonoperating Revenues and Expenses

The Fund distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with HAS’ principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. HAS derives its operating revenues primarily from landing fees, terminal space rental, auto parking, and concessions. HAS’ major operating expenses include salaries and employee benefits, fees for contractual services including professional services, parking operations and shuttle services, and other expenses including depreciation and amortization, maintenance, insurance, and utilities.

Non-operating revenues, such as interest income, Passenger Facility Charges (“PFC”), and Customer Facility Charges (“CFC”), result from non-exchange transactions or ancillary activities. Non-operating expenses primarily consist of the interest expense on revenue bonds.

## Passenger Facility Charges

The Federal Aviation Administration (“FAA”) approved a $3.00 PFC per enplaned passenger to be used for the construction of FAA approved airport capital assets at IAH effective December 1, 2008, and at HOU effective November 1, 2006. On January 20, 2015, the FAA approved an amendment to the existing PFC at both IAH and HOU increasing the rate from $3.00 to $4.50 per enplaned passenger effective March 1, 2015. On April 20, 2016, a second PFC application was approved for HOU with the earliest collection date of August 1, 2017, and third application approved July 15, 2024, starting September 1, 2028. On September 24, 2020, a second PFC application was approved for IAH with the earliest collection date of January 1, 2028. The collection expiration dates are estimated to be April 1, 2039, for IAH and January 1, 2042, for HOU. The airlines collect and remit this revenue to HAS. See the Compliance Section for further information.

## Federal Grants

When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a grant receivable and as nonoperating revenue (operating grants) or capital grant contributions in the statements of revenues, expenses, and changes in net position.

## Cash, Cash Equivalents, and Investments

The Fund's cash, cash equivalents, investments, and a significant portion of its restricted cash and investments are maintained as part of the City's pool of cash and investments. The Fund's portion of the pool is presented on the statements of net position as 'Cash and Cash Equivalents' and 'Investments.' Interest earned on such pooled investments is allocated to the participating City funds based on each fund's average daily cash balance during the allocation period. The Fund considers its unrestricted and restricted cash and investments held in the City treasury as demand deposits and/or investments. The Fund also has funds that are held by fiscal agents. Investments with maturities of three months or less at the time of purchase are considered cash equivalents. Investments are recorded at fair value. Investment income and expenses, including changes in the fair value of the investments, are recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

## Accounts Receivable

Receivables are reported at their gross value when earned. The Fund's collection terms are 30 days. The allowance for uncollectible accounts is based on specific identification of past due accounts and balances. As a customer's balance is deemed uncollectible, the receivable is cleared and the amount is written off. If the balance is subsequently collected, such payments are applied to the allowance account. The allowance for doubtful accounts was approximately $3.8 million and $3.8 million as of June 30, 2025, and 2024, respectively. This allowance is netted against the accounts receivable balance. For the years ended June 30, 2025, and 2024, no accounts receivable balance was written off.

## Inventories of Material and Supplies

Inventories of material and supplies are valued at average cost and charged to expense as used. Fuel is carried at the lower of average cost or market.

## Capital Assets

The Fund defines capital assets as assets with an initial cost of $5,000 or more and a useful life of more than one year. Acquired or constructed property is recorded at historical cost or estimated historical cost. Donated property is recorded at acquisition value. Capital assets received in a service concession arrangement are recorded at acquisition value. Construction costs (excluding land and equipment) are added to construction work-in-progress until the assets are placed in service and are depreciated following completion. Depreciation on equipment begins on the date it is placed in service.

Depreciation on buildings and improvements is computed using the straight-line method on the component asset base over the estimated useful life, ranging from fifteen (15) to fifty (50) years. Depreciation on equipment is computed using the straight-line method over the estimated useful life, ranging from three (3) to fifteen (15) years. Depreciation on depreciable intangibles is computed using the straight-line method over a useful life that is dependent on the nature of the individual asset.

# Leases

## HAS as a Lessee

The Fund recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying assets. Right-of-use lease asset is measured based on the net present value of the payment, using the HAS' weighted average cost of capital ("WACC"), which approximates HAS' incremental borrowing rate, required to the lessor under long-term lease contracts. Remeasurement of lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

HAS calculates the amortization of the discount on the lease liability and reports that amount as an outflow of resources in that period. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations and are recognized as outflows of resources in the periods in which the obligation for the payments is incurred.

## HAS as a Lessor

The Fund recognizes a lease receivable, measured using a present value of lease payments - based on a discount rate that HAS charges the lessee or HAS' WACC - to be received for the lease term, and a deferred inflow of receivables at the beginning of the lease term. Periodic amortization of the discount on the receivable is reported as interest revenue for that period. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Remeasurement of lease receivable occurs when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreements. In the case of a partial or full lease termination, the Fund will reduce the carrying value of the lease receivable and the related deferred inflow of resources and include a gain or loss for the difference.

For short-term lease contracts, the Fund recognizes short-term lease payments as inflows of resources (revenues) based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received after the reporting period.

## Regulated Leases

The leases between HAS and air carriers and other aeronautical users are subject to external laws and regulations. As permitted by GASBS No. 87, paragraph 43, the Fund recognizes inflows of resources based on the payment provisions of the lease contract, and the accounting policies under "HAS as a Lessor" do not apply to regulated leases. Additional disclosures regarding regulated leases are in Note 4.

# Subscription Based Information Technology Arrangements

Subscription based information technology arrangement ("SBITA") assets are defined by the general government as the right to use vendor-provided information technology ("IT") with access to vendors' IT assets. The Fund recognizes a subscription liability and an intangible SBITA asset at the beginning of the subscription term that has a term exceeding one year and the cumulative future payments on the contract exceed $100,000 unless the contract is considered a short-term SBITA. An SBITA asset is measured based on the net present value of subscription payments expected to be made during the subscription term, using the incremental borrowing rate, and is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Re-measurement of a subscription liability occurs when there is a change in the contract term and/or other changes that are likely to have a significant impact on the subscription liability.

## Compensated Absences

The Fund recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences. The liability for compensated absences includes salary-related benefits, where applicable.

Full-time civilian employees of the City are eligible for 10 days of vacation leave per year. After four years, employees receive 15 days. The amount of vacation time gradually increases after that, reaching a maximum of 25 days per year after 18 years of service. Employees hired before January 1, 2000, may accumulate up to 700 hours of vacation; those hired on or after that date may accumulate up to 340 hours. Upon termination or retirement, accrued vacation is paid out up to the applicable cap, based on the employee’s average rate of pay during their highest 60 days of employment. Part-time and temporary employees are not eligible for vacation or sick leave benefits.

Most full-time civilian employees are covered under the compensatory sick leave plan and receive a leave time allowance of 2.5 hours per payroll period (bi-weekly) up to a maximum of 65 hours per year. Employees who use fewer than 65 hours during the benefit year will receive a match of additional hours equal to the number of hours accrued minus the number of hours used. Once an employee’s balance has reached 1,040 hours, no additional match for unused hours is given. Upon termination, all unused sick leave time allowances in excess of 1,040 hours are payable to the employee at the employee’s rate of pay at the time of termination. An employee who uses less than 16 hours of sick leave in any benefit year receives up to three days of personal leave in the next year. Personal leave may be used in place of vacation leave, but will not accumulate and will not be paid out at termination. The other remaining full-time civilian employees are covered by a sick plan that was closed to employees in 1985. That plan accumulates a cash value for every sick hour not used, which is payable upon resignation or retirement.

The City also has adopted policies of compensatory time to comply with the Fair Labor Standards Act as amended in 1985. These policies provide limits to the accumulation of compensatory time and provide that time not used will be paid in cash. Only classified employees and civilian employees in certain pay grades routinely earn compensatory time.

## Self-Insurance/Risk Management

The City is self-insured for general liability, workers’ compensation, and unemployment compensation. The accrued liability for the various types of claims represents an estimate by management of the eventual loss on the claims. Estimated expenses and recoveries are based on a case-by-case review.

## Environmental Remediation Expenses and Recoveries

HAS incurs costs associated with environmental remediation activities, which arise during the normal course of business. These costs are recorded as a liability when HAS is required to perform the remediation and if the costs can be reasonably estimated. HAS records environmental remediation cost recoveries as nonoperating revenues in the financial statements. Additional information regarding environmental remediation’s can be found in Note 11.

## Bond Premiums, Discounts, and Issuance Costs

Bond premiums, discounts, and prepaid bond insurance are amortized over the term of the bonds using the effective interest method for fixed-rate bonds and the straight-line method for variable-rate bonds. Debt issuance costs are recognized as an expense when incurred.

## Net Pension Liability

For the purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Houston Municipal Employees' Pension System, and additions to/deductions from the pension system's fiduciary net position have been determined on the same basis as they are reported by the pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Additional information regarding net pension liability can be found in Note 6.

## Other Post-employment Liability

For purposes of measuring total/net other post-employment liability ("OPEB"), deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Additional information regarding total/net other post-employment liability can be found in Note 7.

## Deferred Inflows/Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. The deferred outflows (charge) and inflows (gain) on refunding recorded on the statements of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows and outflows have been recognized for the net difference between the projected and actual investment earnings, this amount is deferred and amortized over a period of five years. In addition, deferred inflows and outflows have been recognized for the differences between the actuarial expectation and the actual economic experience and changes in actuarial assumptions related to the defined benefit pension plan and the other post-retirement benefit plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. See Note 6 and Note 7 for additional information on deferred inflows and outflows related to the pension plan and the other post-retirement benefits plans, respectively.

Accounting policies for deferred inflows and outflows related to leases are described under the caption – 'Leases' in Note 1.

## Net Position Classification

Net position is displayed in three separate categories based on the accessibility of the underlying assets: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets includes all capital assets, however acquired, including accumulated depreciation, and the outstanding debt and deferred resources used to finance the construction, acquisition, or improvement of capital assets.

Restricted net position includes assets, net of related liabilities, which are limited as to the timing or purpose for which they may be used. Restrictions reported by the Fund are imposed either by other governments, as in grants or passenger facility charges, or through legally enforceable City ordinances passed by the City Council as a protection to HAS' bondholders.

## Net Position Flow Assumption

Sometimes the Fund will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. The Fund's policy is to consider the restricted net position to have been depleted before the unrestricted net position is applied.

## Restricted Net Position – Restricted for Debt Service

This category includes net position in the interest and sinking funds, debt service funds, and debt reserve funds that pay principal and interest for the revenue bonds, commercial paper notes, inferior lien contracts, and special facility revenue bonds. Unexpended PFCs are also included in this category as they are primarily held, through agreements with the FAA, for the repayment of capital financing.

## Restricted Net Position – Restricted for Maintenance and Operations

This category primarily consists of a reserve fund dedicated to operating and maintenance expenses, mandated by the various City ordinances which authorize the issuance of revenue and revenue refunding bonds. At fiscal-year end the reserve fund is required to hold a balance representing at least 60 days of operating expenses, based on the annual operating budget authorized by City Council for the next fiscal year.

## Restricted Net Position – Restricted for Special Facility

This category holds CFC dedicated to administrative costs and facility improvements for the Consolidated Rental Car Facility ("CRCF"). These funds are held by The Bank of New York Mellon Trust Company, under a trust indenture authorized by the City Council in conjunction with the issuance of the Special Facility Revenue Bonds and Revenue Refunding Bonds - CRCF Project.

## Restricted Net Position – Restricted for Renewal and Replacement

The Renewal and Replacement Fund (the "R&R") was created by the various City ordinances which authorized the issuance of airport revenue and revenue refunding bonds. The R&R is intended to replace depreciable assets and to make major repairs and renovations. Net revenue is transferred to this fund if it is not needed for maintenance and operations, for the debt service reserve funds, or the operating and maintenance reserve fund. The R&R fund can also be used for operations or debt service if other funds are exhausted. If the R&R does not have a net position of at least $10 million at the end of each fiscal year, then additional revenue funding must be transferred during the next fiscal year. If the R&R has a net position that is greater than $10 million, then the excess is restricted for capital improvements.

## Restricted Net Position – Restricted for Capital Improvements

This category consists primarily of the Airport Improvement Fund (the "AIF"), created by the various City ordinances which authorized the issuance of revenue bonds. After maintenance and operating expenses are paid, and after all other transfers mandated by City ordinances are made, any net revenue remaining is required to be transferred to the AIF. The AIF is intended for capital expenditures, but it can also be used to cure deficiencies in the R&R. If the unappropriated AIF balance is (1) sufficient to cover the capital improvement program for 24 months, or (2) $50 million, whichever is greater, then the AIF may be used by the City for any lawful purpose not inconsistent with the terms of any federal grants or aid or any contracts to which the City is a party. Net position restricted for capital improvements also includes grant or contract funds received from the FAA or Transportation Security Administration ("TSA") for the construction or acquisition of capital assets.

### Net Position – Unrestricted Surplus (Deficit)

This category is defined as any portion of the net position that is not classified as either net investment in capital assets or restricted net position. The Fund’s Master Ordinance for the Issuance of Revenue Obligations requires that system revenue not used for specifically defined purposes be restricted for capital improvement.

## Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the recorded amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

## Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. This reclassification had no effect on previously reported change in net position.

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## Deposits

The City's investment policy (the "Policy") requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgage-backed securities prohibited by the Public Funds Investment Act); or in any other manner and amount provided by law for the deposits of the City. At all times, such securities should have a fair value of not less than 102% of the amount of the deposits collateralized thereby, adjusted by the amount of applicable depository insurance. There were no deposits with custodial risk as of and during the years ended June 30, 2025, and 2024.

## Cash and Investments

The City maintains a cash and investment pool (the "Pool") that is available for use by all funds and City departments. Participation in the Pool is limited to normal operating activities of the Fund and other activities that are restricted due to contractual considerations. Petty cash and change funds are included in non-pooled cash. The Fund's balance in pooled and non-pooled accounts at June 30, 2025, and 2024, are as follows:

| Fiscal Year | Pooled Cash and Cash Equivalents | Pooled Investments | Total Pooled Cash and Investment | Non-pooled cash | Total Cash and Investments |
|---|---|---|---|---|---|
| 2025 | $ 348,264,891 | $ 1,239,209,817 | $ 1,587,474,708 | $ 68,658,702 | $ 1,656,133,410 |
| 2024 | $ 390,756,462 | $ 1,425,696,424 | $ 1,816,452,886 | $ 60,588,408 | $ 1,877,041,294 |

## Investments and Risk Disclosures

The following describes the investment positions of the City's operating funds as of June 30, 2025, and 2024. On these dates, the City had $5.7 billion and $5.8 billion, respectively, in high-grade, fixed-income investments. All investments are governed by state law and Policy, which dictates the following objectives, in order of priority:

1. Safety
2. Liquidity
3. Return on Investment
4. Legal Requirements

These funds are managed internally by City personnel. The investments listed below do not include the City's pension funds, which are described separately in Note 6 as well as the City's ACFR. The Pool consists of all working capital, construction, and debt service funds that are not subject to yield restriction under Internal Revenue Service arbitrage regulations. The funds of the City's enterprise systems, which include the Fund, as well as the general fund, are commingled in this pool to gain operational efficiency. Approximately 97.8% and 98.6% of the City's total investable funds are contained in this portfolio as of June 30, 2025, and 2024, respectively.

| City of Houston Investment | (1)(2) FY2025 & FY2024 Credit Quality Ratings | June 30, 2025 Fair Value ($ in millions) | June 30, 2025 WAM* (years) | June 30, 2024 Fair Value ($ in millions) | June 30, 2024 WAM* (years) |
|---|---|---|---|---|---|
| U.S. Treasury Securities | AAA | $ 3,234.58 | 1.9 | $ 3,026.90 | 2.2 |
| Govt. Agency Securities (3) | AAA | 628.98 | 0.9 | 730.42 | 1.4 |
| Govt. Agency Securities (3) (4) | Not Rated | 111.71 | 1.2 | 133.32 | 0.6 |
| Govt. Mortgaged Backed Securities (3) (4) | Not Rated | 173.82 | 4.0 | 221.45 | 4.9 |
| MMF - TexSTAR Cash Reserves | AAA Short Term | 306.91 | — | 280.74 | — |
| Certificates of Deposit | AAA | 15.11 | 0.8 | — | — |
| Commercial Paper | A-1/P-1 Short Term | 990.50 | 0.2 | 1,017.25 | 0.1 |
| Municipal Securities | AAA Long Term | 110.88 | 1.3 | 159.42 | 1.1 |
| Municipal Securities | AA Long Term | 151.67 | 0.9 | 191.56 | 1.1 |
| **Total Investments** | | $ 5,724.16 | | $ 5,761.06 | |

* Weighted Average Maturity ("WAM") is computed using average life of mortgage-backed securities and effective maturity of callable securities.

(1) Fitch Ratings Inc. has assigned an AAAf credit quality rating and S1 volatility rating to the City's General Investment Pool. The AAAf signifies the highest level of credit protection, and the S1 rating signifies volatility consistent with a portfolio of government securities maturing from one to three years.

(2) All credit ratings shown are either actual Fitch ratings, or if a Fitch credit rating is not available, the equivalent Fitch credit rating is shown to represent the actual Moody's or Standard & Poor's credit rating.

(3) These are securities issued by government sponsored enterprises, including the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Corporation (Fannie Mae), and Federal Farm Credit Bank.

(4) These securities were issued by the Federal Home Loan Bank, Freddie Mac, Fannie Mae, and Farmer Mac. While these individual issues were not rated, senior lien debt of these entities is rated AA+.

## Risk Disclosures:

Interest Rate Risk. In order to ensure the ability of the City to meet obligations and to minimize potential fair value losses arising from rising interest rate environments, the Policy limits this investment portfolio's dollar-weighted average maturity to 2.5 years maximum. As of June 30, 2025, and 2024, this investment portfolio's dollar-weighted average maturity was 1.381 years and 1.618 years, respectively. Modified duration was 1.319 and 1.504 years at June 30, 2025, and 2024, respectively. Modified duration can be used as a multiplier to determine the percent change in price of a bond portfolio for every 100 basis point (1%) change in yield. For example, a portfolio with a modified duration of 1.319 years would experience approximately a 1.319% change in market price for every 100 basis point change in yield.

Credit Risk – Investments. The U.S. treasury securities and housing and urban development securities are direct obligations of the United States government. Government agency securities and mortgage-backed securities are issued by government-sponsored enterprises but are not direct obligations of the U.S. Government. The money market mutual funds are rated AAA. Municipal securities are rated at least AA. The Policy limits investments in the Pool to high-quality securities with a maximum maturity of five years for all U.S. treasuries, government agencies, and municipal securities except government mortgaged-backed securities which can have a maximum maturity of 15 years. Certificates of deposit maximum maturity is two years, and commercial paper maximum maturity is 365 days. The Pool's maximum sector exposure is as follows: U.S. treasuries up to 100%; government agency securities up to 85% with maximum exposure to any one agency issuer is 35%; mortgage-backed securities up to 20%; municipal securities up to 20% with a rating not less than A by a nationally recognized rating agency; money market mutual funds up to 25%; Certificates of Deposit up to 15%; and commercial paper up to 20%.

Credit Risk - Securities Lending. Under its securities lending program, the City receives 102% of fair value for its U.S. treasury securities at the time the repurchase agreements are signed, and agreements are limited to 90 days by policy and have been less than 35 days by practice. On June 30, 2025, and 2024, there were no securities lending agreements outstanding.

Custodial Credit Risk. The custodial credit risk for investments is the risk that in the event of failure of a counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not registered in the name of the City and are held by either the counterparty, the counterparty's trust department, or an agent. As of June 30, 2025, and 2024, none of the City's investments in the Pool were subject to custodial credit risk.

Foreign Currency Risk. Foreign currency risk is the risk that investments will change value due to changes in exchange rates between the time of purchase and reporting or sale. The investments in the Pool are limited by the Policy to US dollar-denominated investments and are not subject to this risk.

## Fair Value Measurements

To the extent available, the City's investments are recorded at fair value as of June 30, 2025, and 2024. GASBS No. 72 — "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TexSTAR uses the fair value method to determine the Net Asset Value ("NAV") per unit of the Cash Reserve Fund. Under the fair value method, fixed-income securities are valued each day by independent or affiliated commercial pricing services or third-party broker-dealers. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features to estimate the relevant cash flows, which are then discounted to calculate the fair values.

TexSTAR Cash Reserve Fund has not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position. For additional disclosures and program information, visit texstar.org/ProgramInformation.aspx.

A summary of the Pool's investment under the requirements of the fair value hierarchy follows:

| | FAIR VALUE MEASUREMENTS USING ($ in millions) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Investments by Fair Value Level** | **Total June 30, 2025** | **Level 1** | **Level 2** | **Level 3** | **Total June 30, 2024** | **Level 1** | **Level 2** | **Level 3** |
| U.S. Treasury Securities | $ 3,234.58 | $3,234.58 | $ – | $ – | $ 3,026.90 | $3,026.90 | $ – | $ – |
| Govt. Agency Securities | 740.69 | – | 740.69 | – | 863.75 | – | 863.75 | – |
| Govt. Mortgage Backed Securities | 173.82 | – | 173.82 | – | 221.44 | – | 221.44 | – |
| Municipal Securities | 262.55 | – | 262.55 | – | 350.99 | – | 350.99 | – |
| Commercial Paper | 990.50 | – | 990.50 | – | 1,017.24 | – | 1,017.24 | – |
| Total Investment by Fair Value Level | 5,402.14 | $3,234.58 | $2,167.56 | $ – | 5,480.32 | $3,026.90 | $2,453.42 | $ – |
| **Investments measured at net asset value (NAV)** | | | | | | | | |
| Certificates of Deposit | 15.11 | | | | – | | | |
| MMF - TexSTAR Cash Reserves | 306.91 | | | | 280.74 | | | |
| Total investments measured at the net asset value (NAV) | 322.02 | | | | 280.74 | | | |
| Total investments measured at fair value and NAV | $ 5,724.16 | | | | $ 5,761.06 | | | |

## Restricted Cash and Cash Equivalents - Miscellaneous Money Market Accounts

In addition to the Pool, the City maintains several money market accounts for various purposes. These accounts are considered cash and cash equivalents on the Statements of Cash Flows because they maintain a weighted average maturity of less than three months. The Fund's portion of these is as follows:

| | Fair Value June 30, 2025 ($ in millions) | Credit Quality Ratings | Fair Value June 30, 2024 ($ in millions) | Credit Quality Ratings | FY2025 & FY2024 Weighted Average Maturity |
|---|---|---|---|---|---|
| BlackRock Federal Institutional Fund: Balances held for Consolidated Rental Car Facility operations, improvements, debt service | $ 68.632 | AAA | $ 60.563 | AAA | < 60 days |
| First American US Treasury Money Market Fund: Balance held for commercial paper debt service | 0.171 | AAA | 0.171 | AAA | < 60 days |
| **TOTAL FAIR VALUE - MONEY MARKET ACCOUNTS** | $ 68.803 | | $ 60.734 | | |

## Risk Disclosures:

Interest Rate Risk. These money market funds maintain an average maturity of less than 60 days and seek to maintain a stable net asset value of $1.00. These funds are redeemable on a same day notice.

Credit Risk. These funds hold only US dollar denominated securities that present minimal credit risk. They have the highest credit ratings.

Custodial Credit Risk. As of June 30, 2025, none of the City's investments in this pool were subject to custodial credit risk.

Foreign Currency Risk. The City's investments in this pool are all US dollar denominated and not subject to foreign currency risk.

## Fair Value Measurements – Money Market Accounts

The money market accounts have not been classified in the fair value hierarchy table. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net position.

A summary of investments under the requirements of the fair value hierarchy follows:

**FAIR VALUE MEASUREMENTS USING ($ in millions)**

| Investments Measured at NAV | Total June 30, 2025 | Total June 30, 2024 |
|---|---|---|
| BlackRock FedFund-Institutional | $ 68.632 | $ 60.563 |
| First American US Treasury MMF | 0.171 | 0.171 |
| **Total Investments Measured at NAV** | $ 68.803 | $ 60.734 |

Summaries of changes in capital assets for the years ended June 30, 2025, and 2024, are as follows (in thousands):

| | Balance June 30, 2024 | Additions | Retirements | Transfers | Balance June 30, 2025 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | | |
| Land | $ 214,457 | $ – | $ (382) | $ 2,240 | $ 216,315 |
| Rights & Intangibles - Non-Amortizable | 21,728 | – | – | – | 21,728 |
| Construction work in progress | 1,118,951 | 374,397 | – | (585,468) | 907,880 |
| Total capital assets not being depreciated | 1,355,136 | 374,397 | (382) | (583,228) | 1,145,923 |
| **Depreciable capital assets:** | | | | | |
| Buildings | 3,259,727 | 130 | – | 423,600 | 3,683,457 |
| Rights & Intangibles - Amortizable | 22 | – | – | – | 22 |
| Improvements and Equipment | 2,153,031 | 8,670 | (790) | 106,135 | 2,267,046 |
| Infrastructure | 569,774 | – | – | 53,493 | 623,267 |
| Lease right-of-use assets: | | | | | |
| Buildings | 192 | – | (192) | – | – |
| Equipment | 103 | – | – | – | 103 |
| Subscription right-of-use assets | 5,362 | – | – | – | 5,362 |
| Total depreciable capital assets | 5,988,211 | 8,800 | (982) | 583,228 | 6,579,257 |
| **Less accumulated depreciation and amortization for:** | | | | | |
| Buildings | (1,938,838) | (93,848) | – | – | (2,032,686) |
| Rights & Intangibles | (22) | – | – | – | (22) |
| Improvements and Equipment | (1,571,516) | (76,312) | 790 | – | (1,647,038) |
| Infrastructure | (396,953) | (11,639) | – | – | (408,592) |
| Lease right-of-use assets: | | | | | |
| Buildings | (192) | – | 192 | – | – |
| Equipment | (86) | (10) | – | – | (96) |
| Subscription right-of-use assets | (2,742) | (1,045) | – | – | (3,787) |
| Total accumulated depreciation and amortization | (3,910,349) | (182,854) | 982 | – | (4,092,221) |
| Depreciable capital assets, net | 2,077,862 | (174,054) | – | 583,228 | 2,487,036 |
| **Total capital assets, net** | $ 3,432,998 | $ 200,343 | $ (382) | $ – | $ 3,632,959 |

## Capital Assets

| | Balance June 30, 2023 | Additions | Retirements | Transfers | Balance June 30, 2024 |
|---|---|---|---|---|---|
| **Capital assets not being depreciated:** | | | | | |
| Land | $ 214,457 | $ – | $ – | $ – | $ 214,457 |
| Rights & Intangibles - Non-Amortizable | 21,670 | – | – | 58 | 21,728 |
| Construction work in progress | 869,080 | 391,191 | – | (141,320) | 1,118,951 |
| Total capital assets not being depreciated | 1,105,207 | 391,191 | – | (141,262) | 1,355,136 |
| **Depreciable capital assets:** | | | | | |
| Buildings | 3,173,385 | 3,274 | (450) | 83,518 | 3,259,727 |
| Rights & Intangibles - Amortizable | 22 | – | – | – | 22 |
| Improvements and Equipment | 2,101,278 | 11,871 | (11,348) | 51,230 | 2,153,031 |
| Infrastructure | 563,260 | – | – | 6,514 | 569,774 |
| Lease right-of-use assets: | | | | | |
| Buildings | 192 | – | – | – | 192 |
| Equipment | 103 | – | – | – | 103 |
| Subscription right-of-use assets | 5,254 | 108 | – | – | 5,362 |
| Total depreciable capital assets | 5,843,494 | 15,253 | (11,798) | 141,262 | 5,988,211 |
| **Less accumulated depreciation and amortization for:** | | | | | |
| Buildings | (1,851,467) | (87,814) | 443 | – | (1,938,838) |
| Rights & Intangibles | (22) | – | – | – | (22) |
| Improvements and Equipment | (1,511,789) | (70,984) | 11,257 | – | (1,571,516) |
| Infrastructure | (386,361) | (10,592) | – | – | (396,953) |
| Lease right-of-use assets: | | | | | |
| Buildings | (165) | (27) | – | – | (192) |
| Equipment | (69) | (17) | – | – | (86) |
| Subscription right-of-use assets | (1,429) | (1,313) | – | – | (2,742) |
| Total accumulated depreciation and amortization | (3,751,302) | (170,747) | 11,700 | – | (3,910,349) |
| Depreciable capital assets, net | 2,092,192 | (155,494) | (98) | 141,262 | 2,077,862 |
| **Total capital assets, net** | $ 3,197,399 | $ 235,697 | $ (98) | $ – | $ 3,432,998 |

## HAS as a Lessee

HAS' operating leases are primarily for equipment. The terms and conditions for these leases vary by the type of underlying asset. All leases have fixed, periodic, payments over the lease term, which ranges between 36 and 72 months, and do not contain variable payments or guaranteed residual values in the lease agreements. These operating leases are cancellable by the lessors or HAS with an advance notice or non-cancellable.

For the year ended June 30, 2025, and 2024, no variable or other payments were made by HAS other than the periodic rental payments in accordance with the lease agreements. In addition, there were no commitments under leases prior to the commencement of the lease term, and no impairment-related losses were recognized by the Fund.

Principal and interest requirements to maturity for the lease liability on June 30, 2025, are as follows (in thousands):

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 4 | $ – | $ 4 |
| 2027 | 4 | – | $ 4 |
| **Total** | $ 8 | $ – | $ 8 |

## HAS as a Lessor

HAS leases terminal space (except for regulated leases), aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants under various operating leases, a majority of which is non-cancellable and terminate no later than July 2058. Certain provisions of the leases provide for fixed and variable rental payments, and all are generally designed to allow HAS to meet its debt service requirements and recover certain operating and maintenance costs. Additionally, certain of the agreements under which HAS receives revenue from the operation of concessions at IAH and HOU provides for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

For the years ended June 30, 2025, and 2024, the Fund recognized the following balances related to the leases (in thousands):

| June 30, 2025 | Fixed Payments | Variable Payments |
|---|---|---|
| Rentals, Building, and Ground Area | $ 21,717 | $ – |
| Concessions (Hotel and Auto Rental) | $ 1,608 | $ 31,516 |
| Interest Revenue | $ 11,682 | $ – |

| June 30, 2024 | Fixed Payments | Variable Payments |
|---|---|---|
| Rentals, Building, and Ground Area | $ 20,763 | $ – |
| Concessions (Hotel and Auto Rental) | $ 1,608 | $ 31,955 |
| Interest Revenue | $ 10,721 | $ – |

Expected future payments, which are included in the measurement of the lease receivable, at June 30, 2025, are as follows (in thousands):

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 14,480 | $ 11,171 | $ 25,651 |
| 2027 | 14,378 | 10,655 | 25,033 |
| 2028 | 11,417 | 10,175 | 21,592 |
| 2029 | 9,846 | 9,826 | 19,672 |
| 2030 | 10,867 | 9,452 | 20,319 |
| 2031 - 2035 | 54,000 | 41,626 | 95,626 |
| 2036 - 2040 | 72,166 | 30,757 | 102,923 |
| 2041 - 2045 | 67,254 | 17,416 | 84,670 |
| 2046 - 2050 | 40,302 | 8,965 | 49,267 |
| 2051 - 2055 | 25,495 | 2,288 | 27,783 |
| 2056 - 2060 | 2,958 | 125 | 3,083 |
| **Total** | $ 323,163 | $ 152,456 | $ 475,619 |

## Regulated Leases

The City and United Airlines ("United"), Southwest Airlines ("Southwest"), Delta Air Lines, American Airlines, Spirit Airlines, and Air Canada (collectively, the "Signatory Airlines") entered into Airport Use and Lease agreements ("Regulated Leases"), for the usage of IAH and HOU facilities to conduct business as air transportation businesses. These agreements are non-cancellable and terminate no later than 2053, with options to extend, or month-to-month and cancellable with 30 days' notice. Under the terms of these agreements, Signatory Airlines pays HAS monthly based on the annual rental rate/fee schedule. Rate calculations are based on total estimates of costs and expenses, estimates of passengers and total landed weight and other factors. Final settlements are made each year after the audit of the Fund's Financial Report. Other airlines operating at IAH and HOU are billed at rates established by the City ordinances.

Under the agreements with United, United has exclusive and preferential use of certain spaces and facilities of terminals A, B, C, and E at IAH and preferential use of certain apron areas. Under these agreements, all or part of the concession revenues and related costs generated from terminals B, C, and E of IAH are excluded from the Fund's concession revenues and operating expenses on the statements of revenues, expenses, and changes in net position, as United operates, retains revenues, and pay related costs of operations for those concessions in accordance with the agreements. In addition, one of the agreements with Southwest grants Southwest preferential use of West Terminal/West Concourse, boarding gates, and other areas at HOU. Another agreement grants Southwest exclusive and preferential use of certain terminal areas of terminal A at IAH. No other airlines have exclusive or preferential use of more than ten (10) percent of terminal space or other areas of HAS as of June 30, 2025, and 2024. See Note 9 for major customers of HAS. Exclusive and preferential use of space is summarized as follows:

**IAH**

| | United | | Southwest | | Total IAH | |
|---|---|---|---|---|---|---|
| Terminal areas - leasable airline space (in thousands) | 1,927 | sq. ft. | – | sq. ft. | 3,479 | sq. ft. |
| Apron - leasable airline space (in thousands) | 2,345 | sq. ft. | – | sq. ft. | 3,641 | sq. ft. |
| Number of gates and remote stands | 90 | | – | | 126 | |

**HOU**

| | Southwest | | Total HOU | |
|---|---|---|---|---|
| Terminal areas - leasable airline space (in thousands) | 381 | sq. ft. | 467 | sq. ft. |
| Apron - leasable airline space (in thousands) | 516 | sq. ft. | 815 | sq. ft. |
| Number of gates and remote stands | 19 | | 30 | |

For the year ended June 30, 2025, and 2024, the Fund recognized the following balances related to Regulated Leases (in thousands):

| June 30, 2025 | | Fixed Payments | | Variable Payments |
|---|---|---|---|---|
| United | $ | 122,871 | $ | 45,715 |
| Southwest | $ | 35,685 | $ | 23,446 |
| Other Signatory Airlines | $ | 19,541 | $ | 10,153 |

| June 30, 2024 | | Fixed Payments | | Variable Payments |
|---|---|---|---|---|
| United | $ | 132,023 | $ | 46,402 |
| Southwest | $ | 39,137 | $ | 21,915 |
| Other Signatory Airlines | $ | 20,328 | $ | 9,370 |

Expected future minimum lease payments from Regulated Leases at June 30, 2025, are as follows (in thousands), projected by management of HAS using the following assumptions: 1) revenues earned from the Signatory Airlines during the year ended June 30, 2025, 2) through the expiration of the agreements with the Signatory Airlines or the next five (5) years, whichever is longer, 3) compounded at three (3) percent per annum, and 4) without considering future expansion and changes in operations by HAS or the Signatory Airlines:

| Year Ending Year Ending June 30 | | Total |
|---|---|---|
| 2026 | $ | 264,961 |
| 2027 | | 272,910 |
| 2028 | | 281,097 |
| 2029 | | 289,530 |
| 2030 | | 298,216 |
| 2031 - 2035 | | 1,455,037 |
| 2036 - 2040 | | 1,686,787 |
| 2041 - 2045 | | 1,436,284 |
| 2046 - 2050 | | 1,665,046 |
| 2051 - 2054 | | 1,272,741 |
| **Total** | $ | 8,922,609 |

HAS' senior lien and subordinate lien revenue refunding bonds are secured by net revenues earned from the airlines. See additional disclosures in Note 5, Security for Airport Debt.

## Subscription-Based Information Technology Arrangements

The Fund has entered into subscription-based information technology arrangements (“SBITA”) involving data centers, various desktop and server software, electronic workflows and document management software, public safety radio communication system, public safety detection software, public safety case and records management, airport operations management systems, airport passenger information and public Wi-Fi systems, and airport parking management system. As of June 30, 2025, all SBITA have fixed, periodic, payments over the subscription periods, which range from 1 to 15 years and expire no later than fiscal year 2038. In addition, certain of these agreements are cancellable with a 30 or 60-day notice. There are no commitments or outflows of resources related to SBITA that are not yet effective. See Note 3 for changes in subscription right-of-use assets for the year ended June 30, 2025.

Future subscription payments as of June 30, 2025, are as follows (in thousands):

| Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 109 | $ 40 | $ 149 |
| 2027 | 112 | 36 | 148 |
| 2028 | 116 | 33 | 149 |
| 2029 | 97 | 29 | 126 |
| 2030 | 100 | 26 | 126 |
| 2031 - 2035 | 552 | 78 | 630 |
| 2036 - 2040 | 247 | 5 | 252 |
| **Total** | $ 1,333 | $ 247 | $ 1,580 |

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Changes in long-term liabilities for the years ended June 30, 2025, and 2024, are summarized as follows (in thousands):

| | Balance June 30, 2024 | Additions | Reduction | Balance June 30, 2025 | Due within One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 2,493,320 | $ – | $ (122,925) | $ 2,370,395 | $ 126,350 |
| Plus: unamortized premium | 217,875 | – | (20,323) | 197,552 | – |
| Less: unamortized discount | – | – | – | – | – |
| **Revenue Bonds Payable, Net** | 2,711,195 | – | (143,248) | 2,567,947 | 126,350 |
| General obligation bonds | – | 24,974 | (481) | 24,493 | 69 |
| Plus: unamortized premium | – | 2,042 | (118) | 1,924 | – |
| **General Obligation Bonds, Net** | – | 27,016 | (599) | 26,417 | 69 |
| Special facility bonds payable | 43,645 | – | (9,630) | 34,015 | 10,445 |
| Commercial paper payable | – | – | – | – | – |
| Pension obligation bonds | 2,006 | – | – | 2,006 | – |
| Notes payable | 13,582 | – | (1,241) | 12,341 | 1,266 |
| Claims for workers compensation | 5,740 | 650 | (1,053) | 5,337 | 1,002 |
| Compensated absences (1) | 15,735 | – | (325) | 15,410 | 4,961 |
| Lease Liabilities | 18 | – | (10) | 8 | 4 |
| Subscriptions liabilities | 2,464 | – | (1,131) | 1,333 | 109 |
| Net pension liability | 163,240 | – | (21,791) | 141,449 | – |
| Other post-employment benefits - health | 61,379 | – | (6,301) | 55,078 | 1,709 |
| Other post-employment benefits - LTD | 1,132 | 65 | – | 1,197 | 128 |
| **Total Long Term Liabilities** | $ 3,020,136 | $ 27,731 | $ (185,329) | $ 2,862,538 | $ 146,043 |

| | Balance June 30, 2023 | Additions | Reduction | Balance June 30, 2024 | Due within One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 2,055,965 | $ 756,050 | $ (318,695) | $ 2,493,320 | $ 122,925 |
| Plus: unamortized premium | 177,762 | 60,436 | (20,323) | 217,875 | – |
| Less: unamortized discount | (231) | – | 231 | – | – |
| **Revenue Bonds Payable, Net** | 2,233,496 | 816,486 | (338,787) | 2,711,195 | 122,925 |
| General obligation bonds | – | – | – | – | – |
| Plus: unamortized premium | – | – | – | – | – |
| **General Obligation Bonds, Net** | – | – | – | – | – |
| Special facility bonds payable | 52,515 | – | (8,870) | 43,645 | 9,630 |
| Commercial paper payable | 350,000 | – | (350,000) | – | – |
| Pension obligation bonds | 2,006 | – | – | 2,006 | – |
| Notes payable | 14,800 | – | (1,218) | 13,582 | 1,241 |
| Claims for workers compensation | 2,954 | 3,309 | (523) | 5,740 | 1,279 |
| Compensated absences (1) | 15,164 | 571 | – | 15,735 | 7,589 |
| Lease Liabilities | 63 | – | (45) | 18 | 10 |
| Subscriptions liabilities | 3,894 | 108 | (1,538) | 2,464 | 1,131 |
| Net pension liability | 178,211 | – | (14,971) | 163,240 | – |
| Other post-employment benefits - health | 53,282 | 8,097 | – | 61,379 | 1,929 |
| Other post-employment benefits - LTD | 1,102 | 30 | – | 1,132 | 101 |
| **Total Long Term Liabilities** | $ 2,907,487 | $ 828,601 | $ (715,952) | $ 3,020,136 | $ 145,835 |

(1) The change in the compensated absences liability is presented as a net change.

# Revenue Bonds

A summary of revenue bonds outstanding as of June 30, 2025, and 2024, are as follows (in thousands):

| | Maturity Year | Original Interest Rate Range | Face Value Outstanding June 30, 2025 | Face Value Outstanding June 30, 2024 |
|---|---|---|---|---|
| **Airport System Subordinate Revenue Bonds** | | | | |
| Series 2000B, $269,240,000 original principal | 2024 | 5.45% - 5.7% | $ – | $ 16,235 |
| **Airport System Subordinate Lien Revenue Refunding Bonds** | | | | |
| Series 2018A, $130,550,000 original principal | 2041 | 5% | 109,120 | 113,140 |
| Series 2018B, $285,220,000 original principal | 2048 | 5% | 250,785 | 252,345 |
| Series 2018C, $212,820,000 original principal | 2032 | 5% | 141,990 | 156,525 |
| Series 2018D, $356,290,000 original principal | 2039 | 5% | 290,690 | 301,640 |
| Series 2020A, $131,620,000 original principal | 2047 | 4% - 5% | 129,620 | 130,620 |
| Series 2020B, $71,565,000 original principal | 2030 | 5% | 71,565 | 71,565 |
| Series 2020C, $660,490,000 original principal | 2032 | 0.883% - 2.485% | 339,565 | 411,690 |
| Series 2021A, $286,010,000 original principal | 2048 | 4% - 5% | 281,010 | 283,510 |
| Series 2023A, $647,865,000 original principal | 2053 | 4.5% - 5.25% | 647,865 | 647,865 |
| Series 2023B, $108,185,000 original principal, | 2053 | 4.25% - 5% | 108,185 | 108,185 |
| **Total Principal** | | | 2,370,395 | 2,493,320 |
| Less: Total current maturities | | | (126,350) | (122,925) |
| Unamortized premium | | | 197,552 | 217,875 |
| **Total Revenue Bonds Payable - Long Term** | | | $ 2,441,597 | $ 2,588,270 |

## Senior Lien Revenue Bonds

At June 30, 2025, and 2024, there were no senior lien revenue bonds issued and outstanding.

## Subordinate Lien Revenue Bonds

On July 19, 2023, the HAS issued $756.0 million in Airport System Subordinate Lien Revenue and Refunding Bonds Series in two series: 2023A (AMT) in the amount of $647,865,000 and 2023B (NON-AMT) in the amounts of $108.2 million ("Series 2023 Bonds"), with interest rate of the bonds ranging from 4.25% to 5.25%. The Series 2023A Bonds mature on July 1, 2053, and the Series 2023B Bonds mature on July 1, 2053. The Series 2023 Bonds were issued for the purpose of providing funds to among other: (a) refund and redeem all the outstanding principal amount of the Refunded Notes and Bonds; and (b) pay certain costs of issuance with respect to the Series 2023 Bonds. By issuing the Series 2023 Bonds, the City obtained an estimated economic gain of approximately $19.0 million and obtained a net present value of savings of approximately $12.9 million.

# Arbitrage Rebate

Arbitrage rebate rules, under the Internal Revenue Code Section 148 and related Treasury Regulations, require generally that a tax-exempt bond issuer forward to the federal government any profits made from investing bond proceeds at a yield above the bond yield when investing in a taxable market. Payments based on cumulative profits earned by bonds are due, in general, every five years. As of June 30, 2025, a yield restriction/arbitrage rebate of $338.0 thousand was accrued.

## Commercial Paper

During the year ended June 30, 2013, the City authorized up to $150.0 million in Airport System Commercial Paper Notes ("Commercial Paper"). On November 20, 2013, the City re-authorized and amended the Series A and B Commercial Paper. A new direct pay letter of credit was issued on December 18, 2013, covering $150 million in face value of Series A and B Commercial Paper, plus $11.1 million in respect of 270 days accrued interest computed at 10%. This letter of credit expired on December 16, 2016, and was replaced by a letter of credit for the same amount issued by Sumitomo Mitsui Banking Corporation ("SMBC"), which expires on December 15, 2025. Any advances made under the letter of credit and not repaid within 90 days will be converted to term loans payable in twenty quarterly installments, subject to the greater of several options for interest rates. The maximum interest rate permitted under the ordinance is 15%. On April 1, 2020, the agreement with SMBC was expanded to $350.0 million, plus interest and extended the expiration of the letter of credit to March, 25, 2030.

On June 30, 2025, and 2024, there was no outstanding balance on Commercial Paper. The available limit for additional borrowings was $350.0 million.

## Pension Obligation Bonds

In 2005, the Fund was assigned the responsibility to pay principal and interest on a portion of the City's Pension Obligation Bonds, Series 2005 (Taxable), with a par value of $2,005,656, a coupon rate of 5.31%, and final maturity on March 1, 2035. The annual interest payment for the Pension Obligation Bonds is $106,500 for the years ended June 30, 2025, and 2024.

## General Obligation Bonds (Refunded Judgment Bonds)

On July 18, 2024, the City issued $612.1 million General Obligation Refunding Bonds, Series 2024A (the "Series 2024A Bonds"), with an average coupon rate 4.92% and a maturity date of March 1, 2051. The Series 2024A Bonds were issued by the City to refund, discharge and extinguish a certain special obligation of the City.

Subsequent to the issuance of the Series 2024A Bonds, the Fund was assigned the responsibility to pay principal and interest on a portion of the Series 2024A Bonds. The Fund recognized a contribution to governmental activities and general obligation bonds of $27.0 million in the accompanying financial statements for the year ended June 30, 2025. As of June 30, 2025, the balance of the Fund's portion of the Series 2024A Bonds was $26.4 million.

## Security for Airport Debt

To the extent it legally may do so, as described in the Master Bond Ordinance, HAS may charge rates for the use of the airports in order that, for each fiscal year, the net revenues will be not less than 125% of the debt service requirements for Senior Lien Revenue Bonds and 110% of the debt service requirements for Subordinate Lien Revenue Bonds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at prices which include premiums ranging downward from 1%.

The Fund presently has three outstanding Senior Lien Debt Service Reserve Fund Surety Policies issued by Financial Guaranty Insurance Corporation ("FGIC") and reinsured by National Public Finance Guarantee Corporation for any outstanding Senior Lien Revenue Bonds and Commercial Paper. These policies have an aggregate maximum amount of $12.4 million and terminate on July 1, 2030, and October 25, 2033.

The Fund has also purchased Subordinate Lien Debt Service Reserve Fund Surety Policies that unconditionally guarantee the payment of the current principal and interest on all outstanding subordinate lien issues. The surety policies have termination dates ranging from July 1, 2028, to July 1, 2032. Each of the draws made against the surety policies shall bear interest at the prime rate plus two percent, not to exceed a maximum interest rate of 12%. The repayment provisions require one-twelfth of the policy costs for each draw to be repaid monthly, beginning the first month following the date of each draw. The policies were issued by (1) FGIC in the aggregate maximum amount of $78.5 million, reinsured by National Public Finance Guarantee Corporation; (2) Build America Mutual in the aggregate maximum amount of $12.8 million; and (3) Assured Guarantee Municipal Corporation in the aggregate maximum amount of $31.9 million. The Fund also has a cash reserve of $121.4 million in the Subordinate Lien Bond Reserve Fund as of June 30, 2025, and 2024.

## Pledged Revenues

The Fund has pledged its revenues, net of operation and maintenance expenses, (“Net Revenue”) to pay principal and interest on outstanding Commercial Paper, Senior Lien Revenue Bonds, Subordinate Lien Revenue Bonds, and Inferior Lien Revenue Bonds.

Pledged revenues exclude any bond proceeds, replacement proceeds, investment income earned by bond proceeds, fair value adjustments, PFC, grants or gifts for construction or acquisition, insurance proceeds, revenue from special facilities pledged to Special Facility Bonds, taxes collected for others, and proceeds from the sale of properties.

For the years ended June 30, 2025, and 2024, Net Revenues totaled $318.5 million and $290.4 million, respectively. In addition to PFC and grants totaling $82.4 million and $120.7 million for the years ended June 30, 2025, and 2024, respectively, were available to pay debt service.

## Special Facility Bonds

The Airport System Special Facilities Taxable Revenue Bonds, (CRCF Project), Series 2001, original par value $130.3 million, financed the design and construction of a common car customer service building, a parking structure, maintenance, storage, and administrative facilities for each car rental company lessee, a common bus fleet and maintenance facility, and related infrastructure at Intercontinental. The City holds legal title to the completed CRCF, as it was constructed on airport property, but the facility is operated and maintained by IAH RACS, LLC, a limited liability company formed by various car rental companies. The bonds are payable from CFC collected by the car rental companies from their customers and remitted to a trustee for payment of debt service and other uses allowable by a trust indenture. As of June 30, 2025, and 2024, the daily usage charge per customer is set at $4.00. The trust indenture determines when and how the City is responsible for changing the rate, which under the Bond covenants must be set to provide a debt service coverage ratio of at least 125%. The bonds are limited special obligations of the City, payable solely from and secured by pledged CFC. There is no pledge of car rental company revenues, or any general revenue of the City.

On June 30, 2025, and 2024, special facilities revenue and refunding bonds (CRCF) outstanding totaled $34.0 million and $43.6 million, respectively.

## Forward Delivery Bond Purchase Agreement

On October 21, 2015, the City authorized up to $450.0 million in Airport System Inferior Lien Revenue Bonds, in one or more series. On November 5, 2015, the City authorized the execution of a forward delivery purchase agreement with the Royal Bank of Canada, to expire on February 5, 2027, for the issuance of $450.0 million in Inferior Lien Revenue Bonds. The City Council must reauthorize this liquidity arrangement annually. For the years ended June 30, 2025, and 2024, no Inferior Lien Revenue Bonds have been issued or outstanding.

## Direct Borrowing Loans

During the year ended June 30, 2020, HAS began to borrow and incur interest on two loans obtained from the State Energy Conservation Office ("SECO"), a segment within the State of Texas Comptroller. The SECO program affords low-rate 2% loans for borrowers approved to build or acquire energy-efficient equipment or other assets.

HAS entered into two reimbursement loan agreements with SECO, each with a SECO-approved list of projects to be completed within approximately eighteen months, and with the initial repayment to commence shortly thereafter. After HAS has incurred the construction or acquisition costs, it submits the charges to SECO for reimbursement. Upon reimbursement by SECO, interest expense accrues at two percent.

Loan No. 1 has a maximum amount of $8.0 million to be repaid over approximately ten years, with repayment to commence once all projects are completed. Loan #2 has a maximum amount of $7.5 million, and similar terms to Loan No. 1. At June 30, 2025, and 2024, HAS has a total of $12.3 million and $13.6 million, respectively, loan balance outstanding. The replacement projects have been completed as of June 30, 2022.

There are no unique default provisions, payment provisions, or collateral pledged to either of these loans. In the event of default, such as failing to make timely payments in accordance with the agreements, the outstanding balances, including accrued interest, may become due immediately. As of June 30, 2025, and 2024, HAS is in compliance with the terms and conditions of these loan agreements.

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## Debt Service Requirements to Maturity

Aggregate future debt service payments to maturity as of June 30, 2025, are as follows (in thousands):

| Year Ending June 30 | Airport System Total Future Requirements | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2026 | $ 138,130 | $ 107,849 | $ 245,979 |
| 2027 | 154,390 | 102,728 | 257,118 |
| 2028 | 160,523 | 96,645 | 257,168 |
| 2029 | 146,772 | 89,839 | 236,611 |
| 2030 | 159,241 | 82,696 | 241,937 |
| 2031 - 2035 | 644,513 | 307,254 | 951,768 |
| 2036 - 2040 | 361,823 | 207,091 | 568,914 |
| 2041 - 2045 | 265,871 | 131,432 | 397,302 |
| 2046 - 2050 | 268,010 | 67,282 | 335,292 |
| 2051 - 2054 | 143,977 | 15,311 | 159,288 |
| Total | $ 2,443,250 | $ 1,208,127 | $ 3,651,377 |

| Year Ending June 30 | Airport System Subordinate Lien Revenue Bonds | | Airport System Pension Obligations | | City of Houston General Obligation Bonds | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | $ 126,350 | $ 103,952 | $ – | $ 107 | $ 69 | $ 1,213 |
| 2027 | 141,675 | 99,578 | – | 107 | 108 | 1,209 |
| 2028 | 146,800 | 94,305 | – | 107 | 150 | 1,204 |
| 2029 | 144,940 | 88,376 | 293 | 107 | 194 | 1,197 |
| 2030 | 157,320 | 81,287 | 307 | 90 | 242 | 1,187 |
| 2031 - 2035 | 636,410 | 301,039 | 1,406 | 210 | 2,058 | 5,698 |
| 2036 - 2040 | 356,845 | 202,054 | – | – | 3,869 | 5,015 |
| 2041 - 2045 | 259,510 | 127,618 | – | – | 6,361 | 3,814 |
| 2046 - 2050 | 258,195 | 65,445 | – | – | 9,815 | 1,837 |
| 2051 - 2054 | 142,350 | 15,244 | – | – | 1,627 | 67 |
| Total | $ 2,370,395 | $ 1,178,898 | $ 2,006 | $ 728 | $ 24,493 | $ 22,441 |

| Year Ending June 30 | Airport System Special Facility Bonds - Rental Car Facility | | Airport System Commercial Paper | | SECO Direct Borrowing | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2026 | $ 10,445 | $ 2,340 | $ – | $ – | $ 1,266 | $ 237 |
| 2027 | 11,315 | 1,622 | – | – | 1,292 | 212 |
| 2028 | 12,255 | 843 | – | – | 1,318 | 186 |
| 2029 | – | – | – | – | 1,345 | 159 |
| 2030 | – | – | – | – | 1,372 | 132 |
| 2031 - 2035 | – | – | – | – | 4,639 | 307 |
| 2036 - 2040 | – | – | – | – | 1,109 | 22 |
| 2041 - 2045 | – | – | – | – | – | – |
| 2046 - 2050 | – | – | – | – | – | – |
| 2051 - 2054 | – | – | – | – | – | – |
| Total | $ 34,015 | $ 4,805 | $ – | $ – | $ 12,341 | $ 1,255 |

As a department of the City, HAS participates in the Houston Municipal Employees' Pension System ("HMEPS" or the "Plan"), which publishes its separate financial statements and is a fiduciary component unit of the City. A complete copy of the summary plan description and the stand-alone financial reports can be obtained from HMEPS at 1201 Louisiana St., Suite 900, Houston, Texas 77002-5608 or via http://www.hmeps.org.

## General Information

### Plan Description

HMEPS is a single employer, defined benefit pension plan, which covers all eligible municipal employees of the City, including all employees of HAS. HMEPS was created under Chapter 358, Acts of the 48th Texas Legislature, Regular Session, 1943 (Article 6243g, Vernon's Texas Civil Statutes) and reenacted and continued under HB1573, 77th Texas Legislature, Article 6243h, Vernon's Texas Civil Statutes, (the "Pension Statute") as amended. An independent Board of Trustees administers the Plan. The fiscal year of HMEPS ends June 30. In this Financial Report, the Fund reports separately from the City and is required to report as a cost-sharing plan since the Fund is allocated a proportionate share of the net pension liability ("NPL"). The schedules of Net Pension Liability, Pension Expense, Deferred Outflows, and Deferred Inflows of Resources show the Fund's proportionate share of the Plan.

### Benefits Provided

HMEPS includes three contributory groups, groups A, B, and D, and provides for service-connected disability and death benefits to eligible members and surviving spouses and/or dependents, with no age or service eligibility requirements. Pension benefits are based on a participant's average monthly salary and years of credited service, as defined in the Pension Statute. Pension benefits are adjusted annually for a fixed cost of living adjustment of between 0% and 2% depending on investment returns. The maximum pension benefit is 90% of the participant's average monthly salary. A Deferred Retirement Option Plan (DROP) is available to eligible members.

### Contributions

For HMEPS, employer and employee obligations to contribute, as well as employee contribution rates, are included in the Pension Statute, and some requirements are delineated in an amended and restated meet and confer agreement, effective July 1, 2011. Additionally, these laws provide that employer funding be based on periodic actuarial valuations, statutorily approved amounts, or amounts agreed to in meet and confer agreements.

All active participants are required to contribute to the Plan. Effective July 2017, group A participants contribute 7% of salary, group B participants contribute 2% of salary, and group D participants contribute 2% of salary. Effective July 2018, group A and group B participants contributed 8% and 4%, respectively. Beginning in January 2018, group D participants contributed an additional 1% of their salary.

As a result of Senate Bill 2190 of the 85th Texas Legislature ("SB 2190"), beginning in fiscal year 2018, the City is required to contribute the "Total City Contribution" to the Plan, which consists of the sum of (a) an actuarially determined percentage of payroll ("City Contribution Rate") multiplied by actual payroll and a fixed dollar amount ("City Contribution Amount") which is based on the Unfunded Actuarial Accrued Liability as of July 1, 2016 ("Legacy Liability"). The Legacy Liability payment is amortized over 30 years, beginning on July 1, 2017, and grows at 2.75% per year regardless of the actual payroll growth rate.

The City as a whole and for the years ended June 30, 2025, and 2024, the City Contribution Rate was 8.51% and 8.48% of payroll, respectively, and the City Contribution Amount was $150.0 million and $146.0 million, respectively.

Also, SB 2190 required a one-time payment of $250 million to the Plan in Pension Obligation Bond proceeds during the year ended June 30, 2018.

**Defined Benefit Pension Plan**

As of the most recent measurement date, June 30, 2025, of the net pension liability, membership data for the Plan are as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 12,204 |
| Former members entitled to benefits but not yet receiving them | 9,398 |
| Active members | 11,883 |
| **Total participants** | 33,485 |

## Net Pension Liability

The Fund's proportionate share of NPL in the Plan was allocated and reported on the accompanying statements of net position.

The Net Pension Liability ("NPL") is the difference between the Total Pension Liability ("TPL") and the Plan's Fiduciary Net Position ("FNP"). TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. TPL includes benefits related to projected salary and service, and automatic cost of living adjustments ("COLA"). In addition, ad hoc COLAs are also included in TPL to the extent they are substantively automatic. FNP is determined on the same basis used by the Plan. NPL and certain sensitivity information are based on an actuarial valuation performed as of July 1, 2024, and 2023. TPL was rolled forward from that valuation date to the measurement date of June 30, 2025, and 2024 using generally accepted actuarial principles. A Schedule of Net Pension Liability, including multi-year trend information (beginning with the year ended June 30, 2015), is presented in the Required Supplementary Information section of this ACFR.

The City's and the Fund's net pension liability as of June 30, 2025, and 2024, are summarized as follows (in thousands):

| | June 30, 2025 | | June 30, 2024 | |
|---|---|---|---|---|
| | Municipal Employees' Pension | The Fund's proportionate share of NPL | Municipal Employees' Pension | The Fund's proportionate share of NPL |
| Total pension liability | $ 5,932,875 | $ 693,626 | $ 5,812,828 | $ 653,209 |
| Less: Fiduciary net position | (4,723,001) | (552,177) | (4,360,172) | (489,969) |
| **Net pension liability** | $ 1,209,874 | $ 141,449 | $ 1,452,656 | $ 163,240 |

The Fund's proportionate percentage of NPL is 11.69% and 11.24% for the years ended June 30, 2025, and 2024, respectively.

## Schedule of Changes in Net Pension Liability (in thousands)

| | June 30, 2025 | | | June 30, 2024 | | |
|---|---|---|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Service cost | $ 91,783 | $ – | $ 91,783 | $ 88,999 | $ – | $ 88,999 |
| Interest on the total pension liability | 397,122 | – | 397,122 | 389,086 | – | 389,086 |
| Difference between expected and actual experience | (2,239) | – | (2,239) | (5,779) | – | (5,779) |
| Employer contributions | – | 215,355 | (215,355) | – | 212,959 | (212,959) |
| Employees contributions | – | 34,787 | (34,787) | – | 34,645 | (34,645) |
| Pension plan net investment income | – | 485,168 | (485,168) | – | 403,867 | (403,867) |
| Benefit payments | (365,914) | (365,914) | – | (356,914) | (356,914) | – |
| Refunds | (705) | (705) | – | (1,341) | (1,341) | – |
| Administrative expense | – | (6,276) | 6,276 | – | (6,046) | 6,046 |
| Other | – | 414 | (414) | – | 657 | (657) |
| Net change | 120,047 | 362,829 | (242,782) | 114,051 | 287,827 | (173,776) |
| Net pension liability beginning | 5,812,828 | 4,360,172 | 1,452,656 | 5,698,777 | 4,072,345 | 1,626,432 |
| Net pension liability ending | $ 5,932,875 | $ 4,723,001 | $1,209,874 | $ 5,812,828 | $ 4,360,172 | $1,452,656 |

## Schedule of Assumptions

| | |
|---|---|
| Inflation | 2.25% |
| Salary changes | 3.25% to 5.50% |
| Investment rate of return | 7.00% |
| Valuation date | July 1, 2024 |
| Actuarial cost method | Entry Age Normal Cost |
| Amortization method | Level Percent of Payroll, Open |
| Remaining amortization period | 23 years |
| Asset valuation method | 5 year smoothed market, direct offset of deferred gains and losses |
| Mortality assumption | PUB-2010 table, amount weighted, below-median income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of scale MP-2020. |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The actuary utilized the forward-looking return expectations developed by twelve investment consulting firms that work with pension systems similar to HMEPS. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Defined Benefit Pension Plan**

The Plan's target asset allocation and actual allocation as of June 30, 2025, and 2024, are summarized as follows:

| | June 30, 2025 | | June 30, 2024 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-Term Expected Rate of Return | Target Allocation | Long-Term Expected Rate of Return |
| Cash & Short-term | — % | 3.55 % | — % | 4.00 % |
| International Equity | 28.00 % | 6.20 % | 28.00 % | 5.10 % |
| Fixed Income | 10.00 % | 5.95 % | 10.00 % | 5.88 % |
| Inflation Linked | 20.00 % | 7.60 % | 20.00 % | 7.00 % |
| Private Equity | 17.00 % | 9.95 % | 17.00 % | 7.45 % |
| Private Debt | 12.50 % | 8.45 % | 12.50 % | 8.20 % |
| Real Estate | 12.50 % | 7.35 % | 12.50 % | 6.00 % |
| | 100.00 % | | 100.00 % | |

## Pension Expense

For the years ended June 30, 2025, and 2024, the City recognized pension (benefit) expense as follows (in thousands):

| | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Service cost | $ 91,783 | $ 88,999 |
| Interest | 397,122 | 389,086 |
| Difference between expected and actual experience | 4,884 | 3,955 |
| Assumption changes | (6,032) | (7,827) |
| Differences between projected and actual earnings on plan investments | (212,763) | (110,197) |
| Member contributions | (34,787) | (34,645) |
| Project earnings on plan investments | (300,930) | (281,003) |
| Administrative expense | 6,276 | 6,046 |
| Other | (414) | (657) |
| **Total pension (benefit) expense** | $ (54,861) | $ 53,757 |

The Fund's proportionate shares of pension (benefit) expense were $(6,413.9) thousand and $6,040.9 thousand for the years ended June 30, 2025, and 2024, respectively.

## Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the Fund at June 30, 2025, and 2024 (in thousands):

| | June 30, 2025 | | | June 30, 2024 | | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund |
| Differences between expected and actual experience | $ 124 | $ (481) | $ (357) | $ 923 | $ (466) | $ 457 |
| Change of assumptions | — | — | — | — | (678) | (678) |
| Net difference between projected and actual earnings on pension plan investments | — | (21,615) | (21,615) | — | (23,980) | (23,980) |
| Change in proportion | 9,912 | — | 9,912 | 9,662 | — | 9,662 |
| **Total** | $ 10,036 | $ (22,096) | $ (12,060) | $ 10,585 | $ (25,124) | $ (14,539) |

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2025, will be recognized in pension expense as follows (in thousands):

| Year Ending Year Ending June 30 | | |
|---|---|---|
| 2026 | $ | 1,550 |
| 2027 | | (3,226) |
| 2028 | | (6,076) |
| 2029 | | (4,308) |
| **Total** | $ | (12,060) |

## Sensitivity of the net pension liability to changes in the discount rate

The following presents TPL and NPL, calculated using the current discount rate, as well as what the Fund's TPL and NPL would have been if they were calculated using a discount rate that is 1-percent-point lower and 1-percent-point higher than the current rate (in thousands):

| June 30, 2025 | | 1% Decrease | | Current Discount Rate | | 1% Increase |
|---|---|---|---|---|---|---|
| | | 6.00 % | | 7.00 % | | 8.00 % |
| Municipal Employees' Pension | $ | 1,793,747 | $ | 1,209,874 | $ | 750,937 |
| The Fund's proportionate share of NPL | $ | 209,711 | $ | 141,449 | $ | 87,794 |

| June 30, 2024 | | 1% Decrease | | Current Discount Rate | | 1% Increase |
|---|---|---|---|---|---|---|
| | | 6.00 % | | 7.00 % | | 8.00 % |
| Municipal Employees' Pension | $ | 2,032,436 | $ | 1,452,656 | $ | 964,646 |
| The Fund's proportionate share of NPL | $ | 228,392 | $ | 163,240 | $ | 108,401 |

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# Other Employee Benefits

The City's Other Post-Employment Benefit ("OPEB") plans consist of a health benefit plan and a long-term disability plan. As of and for the years ended June 30, 2025, and 2024, the Fund's total balances of OPEB related assets, deferred outflows of resources, liabilities, deferred inflows of resources, and expenses are as follows (in thousands):

| | June 30, 2025 | | | |
|---|---|---|---|---|
| Plan | Total OPEB Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Expenses (Benefits) |
| OPEB-Health | $ 55,078 | $ 8,160 | $ 23,443 | $ 453 |
| OPEB-LTD | 1,197 | 173 | 552 | 161 |
| Total | $ 56,275 | $ 8,333 | $ 23,995 | $ 614 |

| | June 30, 2024 | | | |
|---|---|---|---|---|
| Plan | Total OPEB Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Expenses (Benefits) |
| OPEB-Health | $ 61,379 | $ 10,516 | $ 20,190 | $ (260) |
| OPEB-LTD | 1,132 | 203 | 459 | 159 |
| Total | $ 62,511 | $ 10,719 | $ 20,649 | $ (101) |

# Retiree Health Insurance Benefits (OPEB-Health)

Pursuant to a City Ordinance, the City provides certain Other Post-employment Health Benefits ("OPEB-Health") for retired employees. Substantially all employees become eligible for these benefits if they reach normal retirement age while working for the City. The City is not required by law or contractual agreement to provide funding for OPEB-Health other than the pay-as-you-go amounts necessary to provide current benefits to retirees, eligible dependents, and beneficiaries. The cost of retiree health care premiums incurred by the City (employer and subscriber) amounted to approximately $60.9 million and $63.6 million for the years ended June 30, 2025, and 2024, respectively. Retiree health care is accounted for in the Health Benefits Fund, an Internal Service Fund for the City. As of June 30, 2024, there were 31,288 retirees including active survivors eligible to receive benefits. Effective August 1, 2011, all Medicare-eligible retirees must enroll in an insured Medicare Advantage Program Plan.

The City's OPEB-Health plan is a single-employer plan, and calculations are based on the OPEB-Health benefits provided under the terms of the plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. As a department of the City, HAS participates in the OPEB-Health plan of the City. A separate accounting is not done for the Fund's portion. It is allocated its share of expenses on an annual basis. For the years ended June 30, 2025, and 2024, the Fund made "pay-as-you-go" payments totaling approximately $1.9 million and $2.0 million, respectively, for the OPEB-Health plan.

## Membership

As of the most recent actuarial valuation of the net OPEB-Health liability, membership data is as follows:

| | City |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 9,893 |
| Active members | 21,395 |
| Total participants | 31,288 |

## Schedule of Assumptions

The total OPEB-Health liability is based on an actuarial valuation as of June 30, 2024, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Experience Study | June 30, 2022 |
| Inflation | 2.25% |
| Salary Increases | 3.25% to 33.25%, varies by job classification, service and age |
| Discount Rate | 3.93% and 3.65% for June 30, 2025 and 2024 reporting, respectively |
| Measurement Date | June 30, 2024 |
| Healthcare Costs Trend Rates: | |
| Medicare | 7.00% grading down to 4.50% by 0.25% per annum |
| Prescription Drug | 10.00% grading down to 4.50% by 0.50% per annum |
| Medicare Advantage | -2.64% in the first year, 6.00% in the second year, then 0.25% down per annum |
| Administrative Costs | 2.00% |
| Healthy Mortality Rates | Rates that vary by job classification and employee status. The rates are consistent with the pension plans valuation assumptions for the same employees. |

## OPEB-Health Liability

The total OPEB-Health liability was measured as of June 30, 2024, and 2023. The total OPEB-Health liability was determined from an actuarial valuation as of June 30, 2024, and 2022, respectively, for the years ended June 30, 2025, and 2024. The net OPEB-Health liability is the total OPEB-Health liability less the plan fiduciary net position. The total OPEB-Health liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, healthcare trends, and other actuarial assumptions.

**The Fund's Net OPEB-Health Benefits Liability (in thousands)**

Measurement Date: **June 30, 2024, and 2023**

Reporting Date: **June 30, 2025, and 2024**

| | 2025 | 2024 |
|---|---|---|
| Total OPEB-Health liability | $ 55,078 | $ 61,379 |
| Less: Fiduciary net position | – | – |
| Net OPEB-Health liability | $ 55,078 | $ 61,379 |

The Fund’s proportionate share of the net OPEB-Health liability at June 30, 2025, and 2024 was 3.17% and 3.14%, respectively. A schedule of net OPEB-Health liability, in addition to the information above, includes multi- year trend information (beginning with fiscal year 2018) and is presented in the Required Supplementary Information section.

| Schedule of Change in Net OPEB-Health Liability (in thousands) | 2025 | 2024 |
|---|---|---|
| Service cost | $ 96,247 | $ 89,215 |
| Interest | 73,664 | 64,343 |
| Difference between expected and actual experience | (142,841) | 10,771 |
| Assumptions changes | (180,051) | 91,495 |
| Benefit payments | (60,872) | (63,607) |
| Net change | (213,853) | 192,217 |
| Net OPEB-Health liability beginning | 1,952,112 | 1,759,895 |
| Net OPEB-Health liability ending | $ 1,738,259 | $ 1,952,112 |

## OPEB-Health Expense

For the years ended June 30, 2025, and 2024, the City recognized OPEB-Health expense (benefit) of $14.3 million and $(8.3) million, respectively. Components of OPEB-Health expense are as follows (in thousands):

| | 2025 | 2024 |
|---|---|---|
| Service Cost | $ 96,247 | $ 89,215 |
| Interest | 73,664 | 64,343 |
| Expensed portion of current difference in experience | (17,855) | 1,346 |
| Expensed Portion of current period changes of assumptions | (22,506) | 11,437 |
| Amortization of beginning of year deferred amounts | (115,241) | (174,617) |
| **OPEB-Health expense (benefit)** | $ 14,309 | $ (8,276) |

The Fund recognized OPEB-Health expense (benefit) of $453.4 thousand and $(260.2) thousand for the years ended June 30, 2025, and 2024, respectively.

## Schedule of Deferred Outflows and Inflows of Resources

Deferred inflows and outflows of resources related to the OPEB-Health plan reported by the Fund at June 30, 2025, and 2024 are as follows (in thousands):

| | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund |
| Change of assumptions | $ 5,774 | $ (18,782) | $ (13,008) | $ 7,770 | $ (18,668) | $ (10,898) |
| Differences between expected and actual experience | 677 | (4,661) | (3,984) | 817 | (1,522) | (705) |
| Contributions subsequent to the measurement date and prior to reporting date | 1,709 | – | 1,709 | 1,929 | – | 1,929 |
| **Total** | $ 8,160 | $ (23,443) | $ (15,283) | $ 10,516 | $ (20,190) | $ (9,674) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to net OPEB-Health liability at June 30, 2025, will be recognized in OPEB-Health expense as follows (in thousands):

| Year Ending June 30 | |
|---|---|
| 2026 | $ (3,467) |
| 2027 | (2,641) |
| 2028 | (3,828) |
| 2029 | (4,030) |
| 2030 | (874) |
| Thereafter | (2,152) |
| **Total** | $ (16,992) |

$1,709.2 thousand reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2026.

### Sensitivity of the Net OPEB-Health Liability to Changes in the Discount Rate and Healthcare Trend

The following presents the net OPEB-Health liability, calculated using the discount rate, as well as what the Fund's net OPEB-Health liability would have been if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate (in thousands):

| June 30, 2025 | 1% Decrease 2.93% | Current Discount Rate 3.93% | 1% Increase 4.93% |
|---|---|---|---|
| Net OPEB-Health Liability | $ 62,944 | $ 55,078 | $ 48,632 |

| June 30, 2024 | 1% Decrease 2.65% | Current Discount Rate 3.65% | 1% Increase 4.65% |
|---|---|---|---|
| Net OPEB-Health Liability | $ 72,242 | $ 61,379 | $ 52,798 |

The following presents the net OPEB-Health liability calculated using the current healthcare cost trend rate as of June 30, 2024, and 2023, as well as what the net OPEB-Health liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower and 1 percentage point higher than the current rate (in thousands):

| June 30, 2025 | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB-Health Liability | $ 47,302 | $ 55,078 | $ 64,956 |

| June 30, 2024 | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Net OPEB-Health Liability | $ 51,218 | $ 61,379 | $ 74,680 |

## Long-Term Disability Plan (OPEB-LTD)

The long-term disability plan (the "OPEB-LTD"), accounted for as an internal service fund of the City, is a part of the Income Protection Plan implemented on September 1, 1985 (renamed to the Compensable Sick Leave Plan ("CSL") in October 1996) and is provided at no cost to City employees who are CSL members. The OPEB-LTD plan is a single-employer plan. Coverage is effective upon completion of one year of continuous service. When an employee cannot work because of injury or illness, the plan provides income equal to 50% of base pay plus longevity, or 70% of base pay plus longevity when combined with income benefits available from other sources. The OPEB-LTD benefits may be payable after all CSL scheduled sick leave benefits, including frozen sick leave days, have been used, however, not before six months of absence from work. The OPEB-LTD is administered by Reed Group, which is reimbursed by the internal service fund as claims are paid, plus an administrative services fee. As a department of the City, HAS participates in the OPEB-LTD.

## Actuarially Determined Contribution and Total Claim Liability

For the years ended June 30, 2025 and 2024, there were a decrease of $727.0 thousand and a decrease of $641.0 thousand, respectively, in the amount of disabled life reserves.

| Schedule of Change in Net Disabled Life Reserves (in thousands) | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Changes for the year: | | |
| Changes due to assumption changes | $ (66) | $ (34) |
| Increase attributable to additions | 327 | 236 |
| Decrease attributable to terminations | (281) | (20) |
| Change attributable to passage of time and adjustments | (707) | (823) |
| Net change | (727) | (641) |
| Net disabled life reserves beginning | 5,275 | 5,916 |
| Net disabled life reserves ending | $ 4,548 | $ 5,275 |

| Schedule of Change in Net OPEB-LTD Liability (in thousands) | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Changes for the year: | | |
| Service cost | $ 1,589 | $ 1,558 |
| Interest | 638 | 628 |
| Experience | (1,328) | (1,644) |
| Assumptions changes | (262) | (95) |
| Benefit payments | (850) | (870) |
| Net change | (213) | (423) |
| Net OPEB-LTD liability beginning | 13,648 | 14,071 |
| Net OPEB-LTD liability ending | $ 13,435 | $ 13,648 |

The Fund's proportionate share of the total OPEB-LTD liability at June 30, 2025, and 2024, was $1,196.6 thousand and $1,131.8 thousand, respectively.

## OPEB-LTD Expense Components

| | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Service Cost | $ 1,590 | $ 1,558 |
| Interest | 638 | 628 |
| Differences between expected and actual experience | (636) | (504) |
| Changes in assumptions | 211 | 237 |
| **OPEB-LTD expense** | $ 1,803 | $ 1,919 |

For the years ended June 30, 2025, and 2024, the Fund recognized expense of $160.6 thousand and $159.3 thousand, respectively, related to the OPEB-LTD.

## Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, and 2024, the Fund reports deferred outflows of resources and deferred inflows of resources related to the OPEB-LTD from the following sources:

| | June 30, 2025 | | | June 30, 2024 | | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund | Deferred Outflows of Resources | Deferred Inflows of Resources | Total Fund |
| Change of assumptions | $ 136 | $ (91) | $ 45 | $ 157 | $ (76) | $ 81 |
| Differences between expected and actual experience | 37 | (461) | (424) | 46 | (383) | (337) |
| **Total** | $ 173 | $ (552) | $ (379) | $ 203 | $ (459) | $ (256) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB-LTD will be recognized in OPEB-LTD expense by the Fund as follows:

| Year Ending Year Ending June 30 | |
|---|---|
| 2026 | $ (38) |
| 2027 | (38) |
| 2028 | (37) |
| 2029 | (49) |
| 2030 | (68) |
| Thereafter | (149) |
| **Total** | $ (379) |

### Sensitivity of the Net OPEB-LTD Liability to Changes in the Discount Rate

The following presents the total OPEB-LTD liability, calculated using the discount rate of 4.81% and 4.31%, at June 30, 2025, and 2024, respectively, as well as what the total OPEB-LTD 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 (in thousands):

| June 30, 2025 | 1% Decrease 3.81% | Current Discount Rate 4.81% | 1% Increase 5.81% |
|---|---|---|---|
| Net OPEB-LTD Liability | $ 1,243 | $ 1,197 | $ 1,150 |

| June 30, 2024 | 1% Decrease 3.31% | Current Discount Rate 4.31% | 1% Increase 5.31% |
|---|---|---|---|
| Net OPEB-LTD Liability | $ 1,176 | $ 1,132 | $ 1,089 |

## Other Employee Benefit Plans

### Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "DCP"), created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The DCP, available to all City employees, permits employees to defer a portion of their salary until future years. The City does not make any matching or discretionary contributions to the DCP. The DCP is considered as an other employee benefit plan in accordance with paragraph 6 of GASBS No. 97. And the DCP is not considered a fiduciary activity of the City under the provisions of GASBS No. 84. The deferred compensation funds are not available until termination, retirement, death, or unforeseeable emergency. However, the Plan now offers loans to participant employees. The maximum loan amount is the lesser of $50,000 or 50% of the total account balance, less any outstanding loans. The minimum loan amount is $1,000. The DCP's assets are not subject to the City's general creditors and are not included in the accompanying financial statements.

### Workers' Compensation Self-Insurance Plan

The City has established a Workers' Compensation Self-Insurance Plan (the "WCSP"), accounted for within the various operating funds. The WCSP is administered by Tristar Insurance Group, Inc. Funds are wire-transferred to Tristar as needed to pay claims.

On June 30, 2025, and 2024, the City has an accumulated liability of approximately $152.1 million and $143.2 million, respectively, covering estimates for approved but unpaid claims and incurred but not reported claims recorded in the City's government-wide statements of net position. The amount of liability is based on an actuarial study each year. The Fund's share of the liability totaled approximately $5.3 million and $5.7 million on June 30, 2025, and 2024, respectively.

| Schedule of Change in Liability (in thousands) | June 30, 2025 | June 30, 2024 |
|---|---|---|
| Beginning actuarial estimate of claims liability, July 1 | $ 143,238 | $ 146,202 |
| Incurred claims for fiscal year | 27,007 | 20,726 |
| Payments on claims | (26,265) | (25,889) |
| Actuarial adjustment | 8,169 | 2,199 |
| Ending actuarial estimate of claims liability, June 30 | $ 152,149 | $ 143,238 |

## Due to and Due from the City of Houston

Amounts due to and due from other funds of the City at June 30, 2025, and 2024, are as follows (in thousands):

| | June 30, 2025 | | June 30, 2024 | |
|---|---|---|---|---|
| | Due to | Due from | Due to | Due from |
| General Fund | $ 1,942 | $ 38 | $ 1,156 | $ 1,032 |
| Debt Service Fund | 1,248 | – | – | – |
| Total | $ 3,190 | $ 38 | $ 1,156 | $ 1,034 |

As of June 30, 2025, and 2024, the amounts due to the General Fund mainly consisted of payments for services provided to the Fund by the firefighter department. In additions, payments were due to the general fund for administrative, information technology, and fleet management services. The amount due to the Debt Service Fund at June 30, 2025, consisted of principal and interest payment for the General Obligation Bonds Series 2024A.

The amount due from the General Fund at June 30, 2024, primarily consisted of amounts due from the City's police department and fleet management department for over-payments made by the Fund during the year.

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Concentration of Financial Resource Provider

## Major Customers

The Fund accounts for the City's airport operations and reports approximately $2.37 billion and $2.49 billion of revenue bonds outstanding on June 30, 2025, and 2024, respectively. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. A loss of revenue from major customers could adversely affect the Fund.

For the years ended June 30, 2025, and 2024, the Fund earned approximately 36.6% and 40.8%, respectively, of its operating revenues from two major customers, United and Southwest. No other companies or customers individually represent more than 5% of total operating revenues. The two major companies and their respective percentage of revenue and outstanding receivable (billed receivable) as of and for the years ended June 30, 2025, and 2024, are as follows:

| | Percentage of Operating Revenue | |
|---|---|---|
| | **2025** | **2024** |
| United | 27.8 % | 31.1 % |
| Southwest | 8.8 % | 9.7 % |

| | Percentage of Accounts Receivable | |
|---|---|---|
| | **2025** | **2024** |
| United | 0.9 % | 35.8 % |
| Southwest | 0.3 % | 9.4 % |

See Note 10 to the financial statements for conduit debt obligations.

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The City has authorized various issues of Special Facilities Bonds to enable United (formerly known as Continental Airlines, Inc.), a publicly traded company, to construct facilities at the Intercontinental Airport ("Special Facilities") that were deemed to be in the public interest. These bonds are limited special obligations of the City, payable solely from and secured by a pledge of revenues generated from lease agreements with United. Collected pledged revenues are remitted directly to a trustee by United. In addition, no commitments beyond the payments from United and maintenance of the tax-exempt status of the conduit debt obligation were extended by the City. On June 30, 2025, the bonds had an aggregate outstanding principal amount payable of approximately $2.1 billion.

Under the terms of the related lease agreements, United operates, maintains, and insures the terminals, and manages and retains revenues from all concessions operated in the Terminal B and E Special Facilities. The City operates, maintains, insures, manages and retains revenues from all concessions operated in all other terminal facilities.

The City holds legal title to the completed facilities, as they are constructed on airport property, but the constructed facilities are operated and controlled by United through long-term leases, and the Airport System will enjoy no direct financial benefit from these facilities for the term of the lease agreements. Accordingly, the Airport System accounts for the Special Facilities Bonds shown in the following table as conduit debt, and neither the debt nor the related assets have been recorded in the accompanying financial statements of the Fund.

| **Conduit Debt Outstanding at June 30, 2025 and 2024** (in thousands) | **June 30, 2025** | **June 30, 2024** |
|---|---|---|
| Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), $113,305,000 original principal, matures in 2038 | $ 113,305 | $ 113,305 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project), Series 2014 (AMT), $308,660,000 original principal, matures in 2029 | 169,965 | 199,355 |
| Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT), $176,650,000 principal, matures in 2035 | 176,650 | 176,650 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Technical Operations Center), Series 2018 (AMT), 90,650,000 original principal, matures in 2028 | 90,650 | 90,650 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT), $46,425,000 original principal, matures in 2028 | 46,425 | 46,425 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020A (AMT), $34,165,000 original principal, matures in 2027) | 34,165 | 34,165 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2020B-2 (AMT), $47,470,000 original principal, matures in 2027 | 47,470 | 47,470 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT), $66,890,000 principal, matures in 2027 | 66,890 | 66,890 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021A (AMT), $70,175,000 original principal, matures in 2041 | 70,175 | 70,175 |
| Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2021B-1 (AMT), $219,320,000 original principal, matures in 2041 | 219,320 | 219,320 |
| Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2024B (AMT), $1,100,000 original principal, matures in 2039 | 1,100,000 | — |
| **Total Conduit Debt Outstanding** | $ 2,135,015 | $ 1,064,405 |

### Conduit Debt Obligations

On December 2, 2024, the City issued $1.1 billion in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2024B (the "United 2024B Series Bonds"), on behalf of United, for the purpose of 1) financing the costs of design, construction, improvement and installation of certain facilities in terminal B at IAH and 2) paying related costs of issuance. Interest rates range from 5.250% to 5.500%, with yields range from 4.480% to 4.660%. The final maturity date for the United 2024B Series Bonds is July 15, 2039.

On August 25, 2021, the City issued $70.2 million and $219.3 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal E Project and Terminal Improvement Projects), Series 2021A and 2021B-1, respectively, on behalf of United, for the purpose of 1) financing the costs of development, construction, and acquisition of a new multi-terminal baggage handling system and other infrastructure improvements at IAH and 2) paying related costs of issuance. Interest rate for both series is 4% per annum. Maturity dates are July 1, 2041 and July 15, 2041 for Series 2021A and 2021B-1, respectively.

On June 29, 2020, the City issued $34.2 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020A (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020A costs of issuance. The bonds were issued as a 5% Term Bond due July 1, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $47.5 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020B-2 (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020B-2 costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.375%.

On June 29, 2020, the City issued $66.9 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2020C (AMT) on behalf of United, to refund certain outstanding Special Facilities Revenue Bonds, and to pay the Series 2020C costs of issuance. The bonds were issued as a 5% Term Bond due July 15, 2027, with a yield of 4.625%.

On February 20, 2018, the City issued $90.7 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Technical Operations Center Project), Series 2018 (AMT) on behalf of United, to finance the construction of a technical operations center and related facilities at IAH. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On February 20, 2018, the City issued $46.4 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Airport Improvement Projects), Series 2018C (AMT) on behalf of United, to finance the improvement, renovation, expansion and repair of certain special facilities at IAH, including improvements to an existing aircraft maintenance hangar facility, construction of an aircraft shops facility, and renovation of a maintenance and parts storage facility. The bonds were issued as a 5% Term Bond due July 15, 2028, with a yield of 3.60%.

On March 16, 2015, the City issued $176.7 million in Airport System Special Facilities Revenue Bonds (United Airlines, Inc. Terminal Improvement Projects), Series 2015B-1 (AMT) on behalf of United, to finance the construction of a new North Concourse building at Terminal B with jet bridge loading, and to make improvements to related facilities. The bonds were issued with a coupon rate of 5.00%, and a yield of 4.75%, to mature in varying amounts from 2026 to 2035.

On May 8, 2014, the City issued $308.7 million in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal E Project) Series 2014 on behalf of United, at coupon rates ranging from 4.50% to 5.00%. The bonds mature in varying amounts from 2020 to 2029. Proceeds of the bonds were used to refund a portion of the City's outstanding Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal E project) Series 2001 and to pay costs of issuance.

On November 17, 2011, the City issued $113.3 million in Airport System Special Facilities Revenue Bonds (Continental Airlines, Inc. Terminal Improvement Projects), Series 2011 (AMT), at coupon rates ranging from 6.50% to 6.625%, to finance the replacement of two flight stations at Terminal B, with a new South Concourse building to serve United Airlines' regional jet operations.

## Environmental Liabilities

Management of HAS is aware of sites polluted by asbestos, mold, and soil contamination. The assessment and remediation of asbestos, mold, and groundwater contamination are ongoing and included in the costs of the capital project at the time it becomes an obligating event under GASBS No. 49. Management has determined the costs of this additional remediation for which the Fund is ultimately liable would not be material in these financial statements.

## Federal Grants

HAS has received federal grants for specific purposes under Airport Improvement Program that are subject to review and audit by the grantor agency. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of HAS, disallowed costs, if any, would not be material.

## Commitments for Capital Facilities

At June 30, 2025, and 2024, the Fund had contracted for, but not spent, approximately $1,046.6 million and $1,158.8 million, respectively, for capital projects.

## Litigation and Claims

The City is the defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. These matters affecting the Fund are primarily contract and real property disputes. The status of such litigation ranges from early discovery to various levels of appeal, against which the City will continue to vigorously defend itself. Additionally, there are also various personal injury claims filed against HAS which will also be vigorously defended. The amount of damages is limited in certain cases under the Texas Torts Claim Act and is subject to appeal. Management has determined the amounts of loss, if any, would not be material in these financial statements.

## Risk Management

The City purchases fidelity coverage to comply with City ordinance, boiler and machinery insurance with a per occurrence loss limit of $125.0 million and commercial property insurance with a per occurrence loss limit of $200.0 million. The commercial property insurance sub-limit for flood is $200.0 million. The commercial property insurance provides deductibles as follows: $2.0 million per occurrence for all perils, except (1) 3% of the damaged insured value for windstorm or hail from a named storm, subject to a $2.5 million minimum and a $20.0 million maximum deductible and (2) 3% of the damaged insured value for flood, subject to a $2.5 million minimum and a $20.0 million maximum deductible. Should a named storm event occur that involves both perils of windstorm and flood, the maximum deductible is $20.0 million. The City’s property insurance retention is 10% of the $50.0 million primary limits, not to exceed the $5.0 million retention limit.

The City has a separate terrorism policy which covers insured property value. The policy insures up to $250.0 million aggregate loss limit (including $25.0 million sub-limit for nuclear, chemical, biological, and biochemical coverage) with a $500,000 deductible on all claims except a 48-hour waiting period deductible on business interruption.

## Electricity Futures Contracts

On July 1, 2020, the City entered into an electricity supply agreement with Reliant Energy Retail Services, Inc. for a 5-year term with two 1-year renewal options. The total committed price is approximately $640.1 million for the expected duration of the 7-year contract term. As of June 30, 2025, the remaining commitment is approximately $232 million.

On November 14, 2015, the City entered into a 20-year power purchase agreement with ENGIE. The 50MW solar power plant is in Alpine, Texas and provides solar power to City of Houston operations. The solar power purchase agreement started in April 2017 with a total contract value of approximately $124.7 million. As of June 30, 2025, the remaining commitment is approximately $80.5 million.

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Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 12, 2025, and determined that the following items require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

## OPEB Trust Fund

On August 6, 2025, City Council approved the establishment of a qualifying Other Postemployment Benefits (OPEB) trust. Contributions from all departments are anticipated to begin in fiscal year 2026. The trust is intended to reduce the City and the Fund's total OPEB liability over time and improve long-term financial sustainability.

## Subordinate Lien Revenue Bonds

On August 13, 2025, HAS issued $699.8 million in Airport System Subordinate Lien Bonds in two series: 2025A (AMT) in the amount of $677.8 million and 2025B (Non-AMT) in the amount of $22.0 million (the "Series 2025 Bonds") with interest rates on bonds ranging from 5.00% to 5.50%. The Series 2025A Bonds mature on July 1, 2055, and the Series 2025B Bonds mature on July 1, 2055. The Series 2025 Bonds were issued for the purpose of providing funds to among others: (a) refunding $34.2 million of Commercial Paper Notes and (b) pay certain costs of issuance with respect to the Series 2025 Bonds, and (c) provide financing for the Terminal B project at IAH as well as terminal expansion at HOU. No deferred gain or loss was recognized for this transaction.

## Special Facilities Revenue Refunding Bonds

On December 2, 2025, the City issued $277.4 million in Airport System Special Facilities Revenue Refunding Bonds (United Airlines, Inc. Terminal Improvement Projects) Series 2025B (the "Series 2025B United Bonds"), with interest rates ranging from 5.25% to 5.50%. These bonds are limited special obligations of the City. The Series 2025B United Bonds mature in varying amounts from 2026 to 2038. The Series 2025B United Bonds were issued for the purpose of: (a) defeasing and refunding the Airport System Special Facilities Revenue Bonds, Series 2011 (AMT) and Series 2015B-1 (AMT) and (b) paying costs of issuance of the Series 2025B United Bonds.

## Commercial Paper

Between July 1, 2025 and December 12, 2025, the Fund issued a total of $112.0 million in Commercial Paper with interest rates ranging from 2.43% to 3.05%. The outstanding balance of Commercial Paper was $77.8 million as of December 12, 2025.

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## Schedule of the Fund's Proportionate Share of Net Pension Liability and Related Ratios
## For Fiscal Years Ended June 30
(in thousands)

| | The Fund's proportionate percentage | Total pension liability (TPL) | Plan fiduciary net position | Net pension liability (NPL) | Covered Payroll | The Fund's proportionate share of NPL as a percentage of covered payroll | Plan fiduciary net position as a percentage of TPL |
|---|---|---|---|---|---|---|---|
| **2016** | 10.74% | $540,464 | $(257,653) | $282,811 | $67,704 | 417.72% | 47.67% |
| **2017** | 10.79% | $535,376 | $(280,956) | $254,420 | $61,881 | 411.14% | 52.48% |
| **2018** | 10.87% | $555,982 | $(324,983) | $230,999 | $61,638 | 374.77% | 58.45% |
| **2019** | 10.76% | $563,449 | $(333,692) | $229,757 | $61,076 | 376.18% | 59.22% |
| **2020** | 10.54% | $561,822 | $(303,599) | $258,223 | $65,881 | 391.95% | 54.04% |
| **2021** | 10.27% | $558,694 | $(397,149) | $161,545 | $66,028 | 244.66% | 71.09% |
| **2022** | 10.28% | $571,532 | $(406,119) | $165,413 | $69,703 | 237.31% | 71.06% |
| **2023** | 10.96% | $624,425 | $(446,214) | $178,211 | $77,847 | 228.92% | 71.46% |
| **2024** | 11.24% | $653,209 | $(489,969) | $163,240 | $84,114 | 194.07% | 75.01% |
| **2025** | 11.69% | $693,626 | $(552,177) | $141,449 | $91,871 | 153.96% | 79.61% |

## Schedule of the Fund's Contributions for Municipal Pension Plans
## For Fiscal Years Ended June 30
(in thousands)

| | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| **2016** | $17,148 | $16,908 | $240 | $67,704 | 25.0% |
| **2017** | $18,898 | $18,676 | $222 | $61,881 | 30.2% |
| **2018** | $42,738 | $42,493 | $245 | $61,638 | 68.9% |
| **2019** | $17,719 | $17,520 | $199 | $61,076 | 28.7% |
| **2020** | $19,283 | $18,596 | $687 | $65,881 | 28.2% |
| **2021** | $19,338 | $18,975 | $363 | $66,028 | 28.7% |
| **2022** | $20,067 | $20,278 | ($211) | $69,703 | 29.1% |
| **2023** | $22,141 | $22,456 | ($315) | $77,847 | 28.8% |
| **2024** | $23,540 | $23,937 | ($397) | $84,114 | 28.5% |
| **2025** | $25,349 | $25,175 | $174 | $91,871 | 27.4% |

## Schedule of the Fund's Investment Returns
## For Fiscal Years Ended June 30
(in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Annual Return** | 11.77% | 9.75% | 6.06% | 5.03% | 38.61% | (3.72)% | 6.20% | 8.72% | 12.18% | 0.90% |

# Notes to Required Pension Supplementary Information

| | |
|---|---|
| **Valuation Date:** | July 1, 2024 and 2023 |
| **Notes:** | Actuarially determined contribution rates are calculated as of July 1, which is 12 months prior to the beginning of the fiscal year in which they are contributed. The assumptions shown below apply to the Actuarially Determined Employer Contribution for fiscal year 2025 and 2024 which was determined by the July 1, 2023 and 2022 actuarial valuation. These assumptions are the same as those used to determine the Net Pension Liability as of June 30, 2025 and 2024. |

## Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| **Actuarial cost method:** | Entry Age Normal |
| **Amortization method:** | Level Percentage of Payroll, Open |
| **Remaining amortization period:** | 23 years |
| **Assets valuation method:** | 5 year smoothed market, direct offset of deferred gains and losses |
| **Inflation:** | 2.25% |
| **Salary increases:** | 3.25% to 5.50% including inflation |
| **Investment rate of return:** | 7.00% |
| **Retirement age:** | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2021 valuation pursuant to an experience study of the period 2015– 2020. |
| **Mortality:** | PUB-2010 Mortality Table, amount weighted, Below-Median Income, with a 2-year set forward. The rates are then projected on a fully generational basis by the long-term rates of improvement of MP-2020. |
| **Other information:** | 1. The actuarially determined contribution includes the Legacy Liability payment as specified by the January 1, 2016 Risk Sharing Valuation Study and a calculated employer rate equal to the normal cost and the amortization of any new unfunded liabilities over a closed 30 year period from the valuation date the liability base was created.<br>2. Investment rate of return was lowered from 8.50% to 8.00% as of July 1, 2015 and subsequently lowered to 7.00% as of July 1, 2017.<br>3. Salary increases were changed as of July 1, 2016 from 3.25% - 6.00%, including inflation, to 3.25% - 5.50%, including inflation. |

## Schedule of the Fund's Proportionate Share of OPEB Liability and Related Ratios

(in thousands)

### Health Benefits

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | $ 55,078 | $ 61,379 | $ 53,282 | $ 69,874 | $ 82,344 | $ 70,738 | $ 73,286 | $ 89,450 |
| Plan fiduciary net position | – | – | – | – | – | – | – | – |
| Net OPEB liability | $ 55,078 | $ 61,379 | $ 53,282 | $ 69,874 | $ 82,344 | $ 70,738 | $ 70,738 | $ 89,450 |
| Fund's proportion of TOPEBL | 3.17 % | 3.14 % | 3.03 % | 2.99 % | 3.15 % | 3.19 % | 3.25 % | 3.67 % |
| Fund's covered-employee payroll | $ 84,114 | $ 77,847 | $ 69,703 | $ 66,028 | $ 65,881 | $ 61,076 | $ 61,638 | $ 61,881 |
| Total OPEB liability as a percentage of the Fund's covered-employee payroll | 65.48 % | 78.85 % | 76.44 % | 105.82 % | 124.99 % | 115.82 % | 118.90 % | 144.55 % |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

## Schedule of the Fund's Proportionate Share of OPEB Liability and Related Ratios

(in thousands)

### Long Term Disability

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | $ 1,197 | $ 1,132 | $ 1,102 | $ 1,048 | $ 1,150 | $ 774 | $ 586 | $ 457 |
| Plan fiduciary net position | – | – | – | – | – | – | – | – |
| Net OPEB liability | $ 1,197 | $ 1,132 | $ 1,102 | $ 1,048 | $ 1,150 | $ 774 | $ 457 | $ 457 |
| Fund's proportion of TOPEBL | 8.91 % | 8.30 % | 7.83 % | 7.40 % | 8.12 % | 4.97 % | 6.94 % | 4.14 % |
| Fund's covered-employee payroll | $ 97,339 | $ 83,818 | $ 74,706 | $ 66,275 | $ 58,830 | $ 54,880 | $ 41,439 | $ 35,841 |
| Total OPEB liability as a percentage of the Fund's covered-employee payroll | 1.23 % | 1.35 % | 1.48 % | 1.58 % | 1.95 % | 1.41 % | 1.41 % | 1.28 % |

The schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

# Notes to Required Other Post-Employment Supplementary Information

## Retiree Health Insurance Benefits

**Note:**

There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

**Measurement Date:**

June 30, 2024 for reporting date as of June 30, 2025.

**Benefit Changes:**

*Reflected June 30, 2024 and 2023*

No changes.

*Reflected June 30, 2022*

- Effective July 1, 2022, the OOP maximum for all non-Medicare Advantage plans increased from $8,150 to $8,700 for the purposes of this valuation. The impact of this change was considered negligible.

Reflected June 30, 2021

- Texas Plus, Cigna Health Spring, and UHC Plan F plans have all been terminated as of 12/31/2020 and a new plan, Aetna PO1 PPO Basic, was added as of 1/1/2021.

Reflected June 30, 2020

No changes.

Reflected June 30, 2019

Effective May 1, 2019:
For Cigna Limited Network Plan:
- Deductible increased from $150 / $450 (individual / family) to $200 / $600.
- OOP maximum increased from $4,500 / $9,000 to $7,900 / $15,800.
- Prescription Drug deductible increased from $100 /$300 to $150 /$450.

For Cigna Open Access Plan:
- Deductible increased from $750 / $1,500 (individual / family) to $850 / $1,700
- OOP maximum increased from $6,840 / $13,700 to $7,900 / $15,800.

For Consumer Driven Plan:
- OOP maximum increased from $6,840 / $13,700 to $7,900 / $15,800.

Retirees of Texas plan has been discontinued.

Effective May 1, 2020:
For Cigna Limited Network Plan:
- OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300.

For Cigna Open Access Plan:
- OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300.

For Consumer Driven Health Plan:
- OOP Maximum increased from $7,900 to $15,800 to $8,150/$16,300 in network and $12,000/ $24,000 to $16,000/$32,000 out of network.
- Prescription coinsurance increased from 40% to 60%.

For Kelsey Care Advantage:
- Specialist copay increased from $15 to $20.

For Cigna Health Spring
- Emergency Room Copay increased from $100 to $120.
- Non-preferred generic pharmacy copay increased from $10 to $45.
- Mail order prescription drugs moved to two times retail for all tiers.

Aetna PPO:
- Inpatient copay increased from $80 to $250 for in network and from $80 to 20% per stay for out of network.
- Non-preferred generic pharmacy copay increased from $20 to $40 for out of network.
- Preferred brand name pharmacy copay increased from $40 to $80 for out of network.

## Notes to Required Other Post-Employment Benefits Supplementary Information, continued:

Reflected June 30, 2018

• KelseyCare Advantage HMO – Specialty Drug copay increased to $75
• Texas Plus – Inpatient copay increased to $325, emergency room copay rates to $100, prescription drug copays increased to $10/$15/$40/$55/$75.
• Cigna HealthSpring – Emergency room copay increased to $100, mail order prescription drugs move to two times retail for all tiers.

### Changes of Assumptions:

Effective June 30, 2024

• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 3.93% compared to 3.65% in prior year.

Effective June 30, 2023

• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 3.65% compared to 3.54% in prior year.
• The trend rates associated with the starting healthcare claims and contribution were updated to reflect recent experience and expected impacts due to the Inflation Reduction Act (IRA) legislation effective in 2025.

Effective June 30, 2022

• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 3.54% compared to 2.16% in prior year.
• Medicare and prescription drug claims costs and trend rates were updated to reflect recent experience.
• The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs retired) from Segal's claims data warehouse.

Effective June 30, 2021

• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 2.16% compared to 2.21% in prior year.
• The demographic assumptions (mortality, turnover, disability and retirement) for the Fire department were updated to be consistent with the Houston Firefighter's Relief and Retirement Fund Actuarial Certification as of July 1, 2020, dated September 16, 2021, completed by Buck Consulting.

Effective June 30, 2020

• Medical and prescription drug claims costs and trend rates were updated to reflect recent experience.
• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in discount rate to 2.21 compared to 3.50% in prior year.
• Active participation rates upon retirement were updated to reflect recent experience.
• Life insurance to be fully retiree paid and is no longer being valued.

Effective June 30, 2019

• The excise tax regulation was repealed by Congress in December 2019.
• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in the discount rate to 3.50% compared to 3.87% in the prior year.
• Post-Medicare starting costs were adjusted for the actual premiums charged. Similar adjustments were made for contribution rates.
• Prescription drug trend rates were changed to reflect future expectations by extending the number of years until the ultimate trend is reached.

# Notes to Required Other Post-Employment Benefits Supplementary Information, continued:

Reflected June 30, 2018

• Medical, prescription drug, Medicare Plan, and administrative expected claims and payments were changed, based on experience through June 30, 2018.
• Medical, prescription drug, Medicare Plan, and administrative trend rates were changed to reflect future expectations.
• Demographic changes included mortality changes for all participants, changes to the salary scale for
• Municipal and Police participants, and changes to the retirement rates for Police and Fire participants.
• The basis for the discount rate remained the same (20-year, general obligation, municipal bond index), resulting in a change in the discount rate to 3.87% compared to 3.58% in the prior year.

## Long Term Disability

**Note:** There are no assets in a trust compliant with GASB codification P22.101 or P52.101 to pay related benefits.

**Measurement Date:** June 30, 2025 for reporting date as of June 30, 2025.

**Changes of Assumptions:** Discount rate - FY2025: 4.81%; FY2024: 4.31%; FY2023: 4.13%; FY2022: 3.54%; FY2021: 2.16%; FY2020: 3.50%; FY2019: 3.50%; FY2018: 3.87%.

**Employees Covered:** Houston Fire Department is covered by this LTD Plan in addition to all municipal employees. Houston Police Department is not covered by this LTD Plan.

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# STATISTICS

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# STATISTICAL SECTION

This section contains statistical information and differs from the financial statements because it usually covers more than one fiscal year and may present non-accounting data.

## This information is presented in five categories:

**FINANCIAL TREND** – intended to assist users in understanding and assessing how the Houston Airport System's financial position has changed over time.

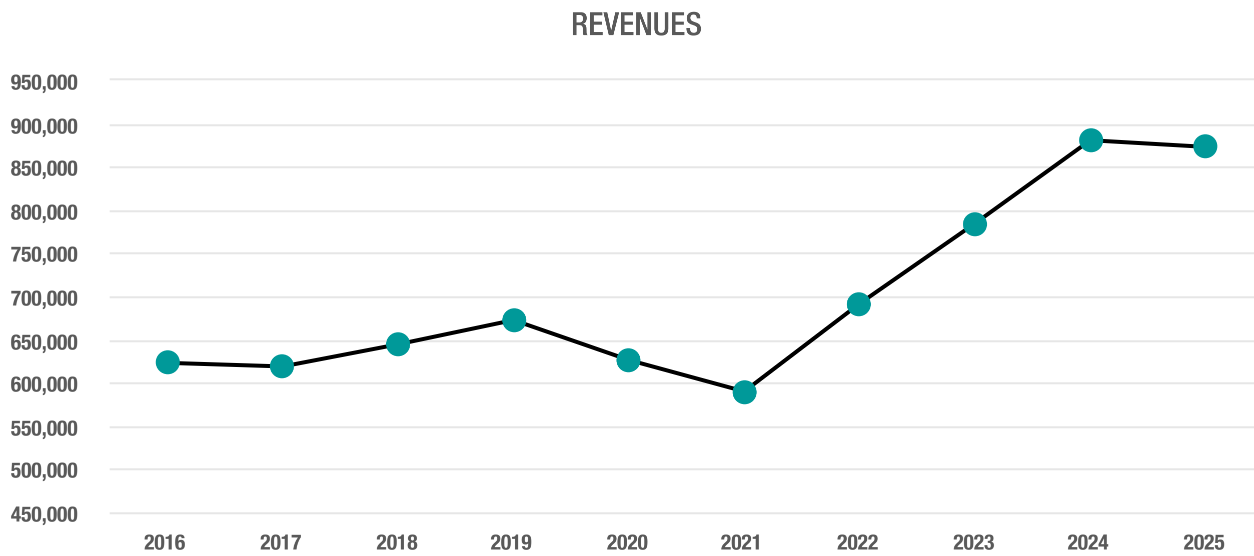
**REVENUE CAPACITY** – intended to assist users in understanding and assessing the factors affecting the Houston Airport System's ability to generate its own sources of revenues.

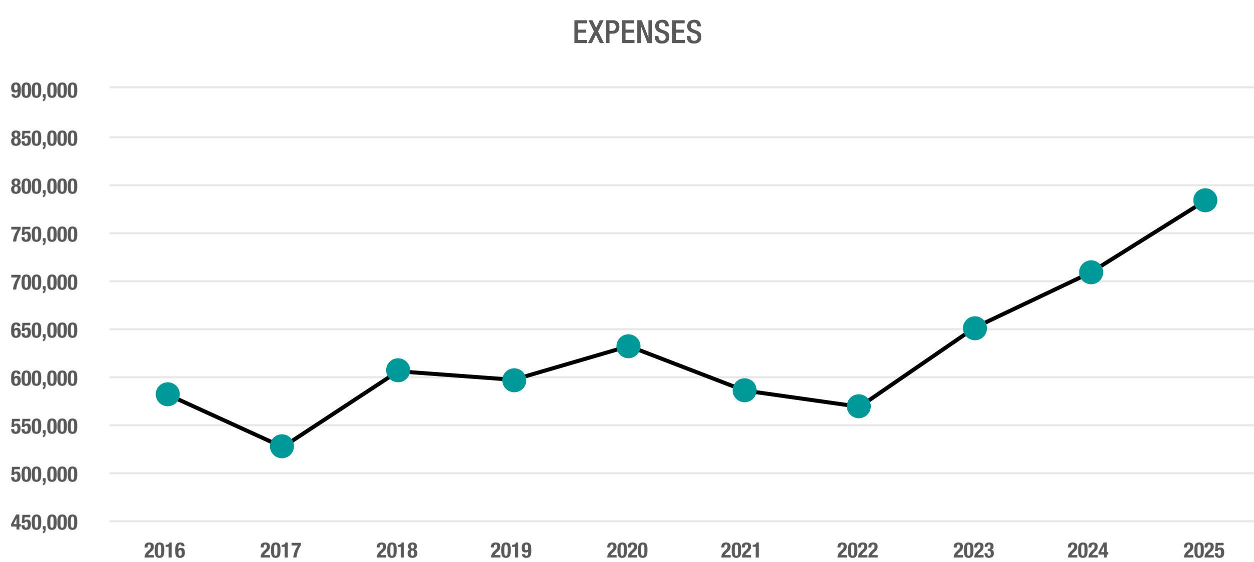
**DEBT CAPACITY** – intended to assist users in understanding and assessing the Houston Airport System's debt burden and its ability to cover and issue additional debt.

**OPERATIONAL INFORMATION** – intended to provide contextual information about the Houston Airport System's operations and resources to assist readers in using financial statement information to understand and assess the Houston Airport System economic condition.

**DEMOGRAPHIC AND ECONOMIC** – intended to assist users in understanding the socioeconomic environment within which the Houston Airport System operates and to provide information that facilitates comparisons of financial statement information over time and among similar entities.

# TOTAL ANNUAL REVENUES AND EXPENSES (in thousands)




SOURCE: Houston Airport System

## TOTAL ANNUAL REVENUES & EXPENSES (in thousands)

| CHANGE IN NET POSITION | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Operating Revenues** | | | |
| Landing area fees | $ 101,145 | $ 98,556 | $ 92,601 |
| Building and ground area fees | 271,795 | 250,353 | 234,751 |
| Concession, parking, and other revenues | 265,212 | 246,654 | 232,895 |
| **Total Operating Revenues** | 638,152 | 595,563 | 560,247 |
| **Nonoperating Revenues** | | | |
| Investment income (loss) | 87,606 | 91,803 | 38,706 |
| Passenger Facility Charges | 116,533 | 117,407 | 108,754 |
| Customer Facility Charges | 18,223 | 17,946 | 16,075 |
| Other nonoperating revenues | 12,377 | 57,883 | 60,546 |
| **Total Nonoperating Revenues** | 234,739 | 285,039 | 224,081 |
| **TOTAL REVENUES** | 872,891 | 880,602 | 784,328 |
| **Operating Expenses** | | | |
| Maintenance and operating | | | |
| Personnel costs | 126,642 | 129,866 | 116,009 |
| Supplies | 10,821 | 9,279 | 8,236 |
| Services | 368,971 | 296,000 | 274,798 |
| Non-capital outlay | 1,936 | 2,033 | 1,913 |
| Total M & O expenses | 508,370 | 437,178 | 400,956 |
| Depreciation expense | 182,854 | 170,747 | 170,922 |
| **Total Operating Expenses** | 691,224 | 607,925 | 571,878 |
| **Nonoperating Expenses** | | | |
| Interest expense and others | 91,993 | 99,966 | 78,938 |
| **Total Nonoperating Expenses** | 91,993 | 99,966 | 78,938 |
| **TOTAL EXPENSES** | 783,217 | 707,891 | 650,816 |
| **Contributions to governmental activities** | (27,017) | – | – |
| **Capital contributions** | 47,581 | 6,508 | 37,087 |
| **TOTAL CHANGE IN NET POSITION** | $ 110,238 | $ 179,219 | $ 170,599 |

SOURCE: Houston Airport System

## TOTAL ANNUAL REVENUES AND EXPENSES (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ 94,253 | $ 70,578 | $ 95,863 | $ 87,767 | $ 95,779 | $ 88,046 | $ 86,870 |
| 192,029 | 155,598 | 223,301 | 211,323 | 220,214 | 221,181 | 216,018 |
| 194,892 | 92,379 | 152,748 | 199,374 | 194,871 | 184,814 | 186,009 |
| 481,174 | 318,555 | 471,912 | 498,464 | 510,864 | 494,041 | 488,897 |
| (47,109) | 1,523 | 43,701 | 45,067 | 8,591 | 3,403 | 13,260 |
| 98,446 | 62,541 | 78,418 | 111,155 | 109,021 | 101,539 | 104,230 |
| 13,723 | 8,769 | 13,320 | 17,439 | 17,374 | 14,200 | 16,417 |
| 145,281 | 198,447 | 18,877 | 340 | (1,420) | 5,596 | 124 |
| 210,341 | 271,280 | 154,316 | 174,001 | 133,566 | 124,738 | 134,031 |
| 691,515 | 589,835 | 626,228 | 672,465 | 644,430 | 618,779 | 622,928 |
| 79,515 | 84,652 | 119,481 | 119,841 | 133,253 | 56,721 | 123,872 |
| 7,089 | 7,020 | 8,223 | 8,390 | 8,219 | 7,794 | 8,140 |
| 227,656 | 225,405 | 204,811 | 196,608 | 184,826 | 184,032 | 177,677 |
| 1,741 | 1,491 | 37,915 | 12,638 | 8,806 | 5,912 | 5,730 |
| 316,001 | 318,568 | 370,430 | 337,477 | 335,104 | 254,459 | 315,419 |
| 166,792 | 170,820 | 175,573 | 174,266 | 176,053 | 184,203 | 179,398 |
| 482,793 | 489,388 | 546,003 | 511,743 | 511,157 | 438,662 | 494,817 |
| 85,427 | 95,803 | 85,426 | 84,578 | 94,061 | 87,574 | 86,259 |
| 85,427 | 95,803 | 85,426 | 84,578 | 94,061 | 87,574 | 86,259 |
| 568,220 | 585,191 | 631,429 | 596,321 | 605,218 | 526,236 | 581,076 |
| – | – | – | – | – | – | – |
| 41,047 | 24,757 | 10,927 | 16,599 | 13,784 | 35,513 | 22,542 |
| $ 164,342 | $ 29,401 | $ 5,726 | $ 92,743 | $ 52,996 | $ 128,056 | $ 64,394 |

SOURCE: Houston Airport System

# CHANGES IN NET POSITION (in thousands)

| NET POSITION AT YEAR END | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Net investment in capital assets | $ 935,102 | $ 728,106 | $ 591,494 | $ 507,167 | $ 495,497 |
| Restricted net position | | | | | |
| Restricted for debt service | 528,582 | 492,900 | 472,782 | 412,293 | 384,267 |
| Restricted for maintenance and operations | 63,914 | 63,032 | 55,457 | 55,332 | 54,232 |
| Restricted for special facility | 70,128 | 62,152 | 55,143 | 50,953 | 52,362 |
| Restricted for renewal and replacement | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Restricted for capital improvement | 714,921 | 763,782 | 851,491 | 681,093 | 627,464 |
| Unrestricted surplus (deficit) | (64,866) | 27,571 | (68,043) | 80,887 | 9,561 |
| **TOTAL NET POSITION** | $ 2,257,781 | $ 2,147,543 | $ 1,968,324 | $ 1,797,725 | $ 1,633,383 |

| NET POSITION AT YEAR END | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Net investment in capital assets | $ 514,164 | $ 542,125 | $ 531,232 | $ 542,363 | $ 537,172 |
| Restricted net position | | | | | |
| Restricted for debt service | 464,280 | 428,856 | 357,588 | 287,858 | 333,635 |
| Restricted for maintenance and operations | 54,807 | 60,525 | 56,891 | 54,805 | 54,942 |
| Restricted for special facility | 55,105 | 43,442 | 36,049 | 29,369 | 26,944 |
| Restricted for renewal and replacement | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Restricted for capital improvement | 619,884 | 651,664 | 657,050 | 676,360 | 561,071 |
| Unrestricted surplus (deficit) | (114,258) | (138,356) | (143,297) | (126,938) | (178,003) |
| **TOTAL NET POSITION** | $ 1,603,982 | $ 1,598,256 | $ 1,505,513 | $ 1,473,817 | $ 1,345,761 |

SOURCE: Houston Airport System

# PASSENGER FACILITY CHARGE COLLECTIONS (in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Intercontinental | $ 92,723 | $ 91,738 | $ 84,629 | $ 76,422 | $ 46,994 |
| Hobby | 23,810 | 25,669 | 24,125 | 22,024 | 15,547 |
| Total | $ 116,533 | $ 117,407 | $ 108,754 | $ 98,446 | $ 62,541 |
| **Year-over-Year Change** | **(0.74)%** | **7.96%** | **10.47%** | **57.41%** | **(20.25)%** |

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Intercontinental | $ 61,120 | $ 85,167 | $ 83,220 | $ 77,351 | $ 80,574 |
| Hobby | 17,298 | 25,988 | 25,801 | 24,188 | 23,656 |
| Total | $ 78,418 | $ 111,155 | $ 109,021 | $ 101,539 | $ 104,230 |
| **Year-over-Year Change** | **(29.45)%** | **1.96%** | **7.37%** | **(2.58)%** | **22.06%** |

SOURCE: Houston Airport System

# PLEDGED REVENUES (in thousands)

| OPERATING REVENUES | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Landing area fees** | | | |
| Landing fees | $ 96,313 | $ 93,726 | $ 87,329 |
| Aviation fuel | 1,441 | 1,535 | 1,593 |
| Aircraft parking | 3,391 | 3,295 | 3,679 |
| Subtotal | 101,145 | 98,556 | 92,601 |
| **Building and ground area revenues** | | | |
| Terminal space rentals | 238,849 | 221,613 | 208,854 |
| Cargo building rentals | 2,060 | 2,015 | 2,009 |
| Other rentals | 5,174 | 5,230 | 5,901 |
| Hangar rental | 6,788 | 6,455 | 5,879 |
| Ground rental | 18,924 | 15,040 | 12,108 |
| Subtotal | 271,795 | 250,353 | 234,751 |
| **Parking, concession, and other revenues** | | | |
| Retail concessions | 55,106 | 52,151 | 48,962 |
| Auto parking | 133,301 | 122,588 | 117,460 |
| Auto rental concession | 39,051 | 38,849 | 37,301 |
| Ground transportation | 27,341 | 25,332 | 21,428 |
| Other operating revenues | 10,413 | 7,734 | 7,744 |
| Subtotal | 265,212 | 246,654 | 232,895 |
| **TOTAL OPERATING REVENUES** | $ 638,152 | $ 595,563 | $ 560,247 |

Gross revenues include all operating revenue of the Airport Fund, and all nonoperating revenue except for revenue with legal spending restrictions. Maintenance and operating expenses include all operating expenses of the system except for depreciation and capital expenses. Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

SOURCE: Houston Airport System

## PLEDGED REVENUES (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ 88,757 | $ 65,550 | $ 91,271 | $ 83,318 | $ 91,258 | $ 84,036 | $ 82,703 |
| 1,705 | 1,302 | 1,249 | 1,554 | 1,679 | 1,350 | 1,527 |
| 3,791 | 3,726 | 3,343 | 2,895 | 2,842 | 2,660 | 2,640 |
| 94,253 | 70,578 | 95,863 | 87,767 | 95,779 | 88,046 | 86,870 |
| | | | | | | |
| 166,444 | 129,527 | 196,844 | 185,943 | 195,198 | 196,162 | 191,321 |
| 2,078 | 2,164 | 2,378 | 2,391 | 2,390 | 2,448 | 2,484 |
| 6,332 | 6,256 | 6,574 | 6,454 | 6,460 | 6,453 | 6,808 |
| 5,921 | 6,339 | 6,821 | 6,530 | 6,691 | 6,813 | 6,577 |
| 11,254 | 11,312 | 10,684 | 10,005 | 9,475 | 9,305 | 8,828 |
| 192,029 | 155,598 | 223,301 | 211,323 | 220,214 | 221,181 | 216,018 |
| | | | | | | |
| 39,570 | 14,584 | 32,265 | 41,521 | 41,245 | 39,999 | 35,215 |
| 98,418 | 43,815 | 81,172 | 110,136 | 103,961 | 99,752 | 101,650 |
| 34,055 | 20,596 | 23,400 | 28,949 | 28,767 | 28,735 | 30,737 |
| 15,192 | 6,913 | 10,072 | 12,645 | 11,062 | 10,402 | 10,083 |
| 7,657 | 6,471 | 5,839 | 6,123 | 9,836 | 5,926 | 8,324 |
| 194,892 | 92,379 | 152,748 | 199,374 | 194,871 | 184,814 | 186,009 |
| $ 481,174 | $ 318,555 | $ 471,912 | $ 498,464 | $ 510,864 | $ 494,041 | $ 488,897 |

SOURCE: Houston Airport System

# PLEDGED REVENUES (in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **NET REVENUE** | | | |
| Operating revenue | $ 638,152 | $ 595,563 | $ 560,247 |
| Interest on investments - revenue fund | 41,796 | 38,756 | 21,820 |
| Other nonoperating revenues | 726 | 424 | 165 |
| Gross revenues | 680,674 | 634,743 | 582,232 |
| Less: Maintenance and operating expenses | (362,131) | (344,346) | (315,487) |
| Net pledged revenue | $ 318,543 | $ 290,397 | $ 266,745 |
| **DEBT SERVICE** | | | |
| Principal | $ 126,831 | $ 122,925 | $ 119,710 |
| Interest | 103,081 | 106,160 | 88,441 |
| | 229,912 | 229,085 | 208,151 |
| Less PFC revenue available for debt service | (82,439) | (73,926) | (68,743) |
| Less grant revenue available for debt service | – | (46,736) | (50,000) |
| Total debt service | $ 147,473 | $ 108,423 | $ 89,408 |
| **COVERAGE OF DEBT SERVICE** | 2.16 | $ 2.68 | 2.98 |
| Net Required revenue per bond rate covenant | $ 161,821 | $ 119,500 | $ 99,688 |
| **RATIO OF REQUIRED REVENUE** | 1.97 | $ 2.43 | 2.68 |

(1) Calculations not performed for the year ended 6/30/21 and 6/30/22 as HAS paid all debt service in fiscal year 2021 and 2022 from PFC's along with CARES, CCRSA, and ARPA Act proceeds.

Debt service requirements is equal to interest expense (excluding amortization of bond discount and amounts provided for payment of interest by bond proceeds and other sources and deposited into a restricted fund for that purpose) for each respective fiscal year ended June 30, plus principal payment payable on the next July 1. Certain grant revenue and passenger facility charge revenue is available to cover net required revenue and required debt service. In Fiscal Year 2016, $6,250,000 in remaining series 2009A proceeds were used to pay senior lien bond debt service.

Net revenues in each fiscal year are required to be at least equal to the larger of either: (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125%, 110% and 100% of the debt service requirements for such fiscal year of the Senior Lien Bonds (or Commercial Paper assumed to be refinanced as Senior Lien Revenue Bonds), Subordinate Lien Revenue Bonds and Inferior Lien debt, respectively.

Revenues and expenses cannot be included in net pledged revenue if they are accounted for outside of the Airport Revenue Fund, and do not affect amounts available for transfer to debt service funds.

SOURCE: Houston Airport System

## PLEDGED REVENUES (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ 481,174 | $ 318,555 | $ 471,912 | $ 498,464 | $ 510,864 | $ 494,041 | $ 488,897 |
| 7,556 | 10,403 | 19,503 | 19,681 | 13,349 | 9,306 | 6,986 |
| 76 | 152 | 122 | 47 | (1,805) | 7,177 | (52) |
| 488,806 | 329,110 | 491,537 | 518,192 | 522,408 | 510,524 | 495,831 |
| (255,377) | (251,939) | (313,925) | (315,153) | (326,889) | (254,506) | (314,715) |
| $ 233,429 | $ 77,171 | $ 177,612 | $ 203,039 | $ 195,519 | $ 256,018 | $ 181,116 |
| | | | | | | |
| $ 77,700 | $ 75,580 | $ 89,090 | $ 80,110 | $ 81,137 | $ 82,707 | $ 79,093 |
| 85,803 | 69,769 | 91,641 | 96,202 | 93,319 | 92,315 | 84,812 |
| 163,503 | 145,349 | 180,731 | 176,312 | 174,456 | 175,022 | 163,905 |
| (59,819) | (56,365) | (55,040) | (60,646) | (50,642) | (54,673) | (42,320) |
| (103,684) | (88,984) | (14,169) | – | – | – | (13,888) |
| $ – | $ – | $ 111,522 | $ 115,666 | $ 123,814 | $ 120,349 | $ 107,697 |
| (I) | (I) | 1.59 | 1.76 | 1.58 | 2.13 | 1.68 |
| $ 355 | $ 310 | $ 122,935 | $ 127,430 | $ 137,474 | $ 134,348 | $ 120,125 |
| (I) | (I) | 1.44 | 1.59 | 1.42 | 1.91 | 1.51 |

SOURCE: Houston Airport System

## RECONCILIATION OF HISTORICAL FINANCIAL RESULTS (in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Net Revenues under Bond Resolution** | | | |
| Revenues | $ 680,674 | $ 634,743 | $ 582,232 |
| Operation and Maintenance Expenses | (362,131) | (344,346) | (315,487) |
| **Net Revenues under Bond Resolution** | $ 318,543 | $ 290,397 | $ 266,745 |
| | | | |
| **Reconciliation of Change in Net Assets to Bond Resolution Net Revenues** | | | |
| Change in Net Position | $ 110,238 | $ 179,219 | $ 170,599 |
| **Exclusion:** | | | |
| Passenger Facility Charge Revenues Collected | 116,533 | 117,407 | 108,754 |
| Interest Income - Total | 87,606 | 91,803 | 38,706 |
| Interest Expenses | (90,365) | (92,476) | (78,655) |
| Gain/(Loss) on Disposal of Assets | (30) | (415) | 405 |
| Customer Facility Charges | 18,223 | 17,946 | 16,075 |
| Specialist Facility Cost | (30) | (206) | (283) |
| Cost of Issuance for Debt | (1,568) | (6,869) | – |
| Other Revenue (Expenses) | 12,377 | 11,147 | 9,911 |
| CARES Act/CRRSAA/ARPA | – | 46,736 | 50,230 |
| Non-cash contributions to governmental activities | (27,017) | – | – |
| Capital Contributions | 47,581 | 6,508 | 37,087 |
| **Total Exclusion** | 163,310 | 191,581 | 182,230 |
| **Inclusion:** | | | |
| Net Expense Adjustment under Bond Resolution | | | |
| Operating Expenses Exc. Depreciation & Amortization in other funds | | | |
| Fund 8000 HAS Grants | 3,109 | – | (89) |
| Fund 8010 Renewal & Replacement Fund | 28,656 | 31,041 | 27,962 |
| Fund 8011 Airport Improvement Fund | 68,093 | 58,914 | 53,869 |
| Fund 8012 HAS-AIF Capital Outlay | – | (29) | (73) |
| Fund 8037 HAS - O&M Grants | – | – | – |
| Fund 8044 HAS Disaster Recovery O&M | – | – | – |
| Fund 8045 CARES Act | – | – | (49) |
| Fund 8051 HAS State Energy Conservation Loan CL311 | – | – | – |
| Fund 8052 HAS State Energy Conservation Loan CL312 | – | – | – |
| Fund 8059 CRRSAA grant fund | – | – | 57 |
| Fund 8062 ARPA grant fund | – | – | 173 |
| Fund 8064 ATP fund | 4,899 | 1,269 | – |
| Fund 8065 AIG fund | 3,168 | – | – |
| Fund 8206 HAS-Consolidated2011 Construction | 40,182 | 2,028 | 4,034 |
| Fund 8207 HAS Consolidated ITRP AMT Construction | 11 | – | – |
| SECO loan interest and Pension bond interest expense | (367) | (391) | (415) |
| Yield restriction/arbitrage rebate expense | (1,509) | – | – |
| Miscellaneous | (3) | – | – |
| **Total Inclusion** | 146,239 | 92,832 | 85,469 |
| Changes in Net Position less Exclusion plus Inclusion | 93,167 | 80,470 | 73,838 |
| Depreciation & Amortization | 182,854 | 170,747 | 170,922 |
| Interest on investments - Eligible per Bond Resolution | 41,796 | 38,756 | 21,820 |
| Other revenues - Eligible per Bond Resolution | 726 | 424 | 165 |
| **Net Revenues Per Bond Resolution** | $ 318,543 | $ 290,397 | $ 266,745 |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

SOURCE: Houston Airport System

## RECONCILIATION OF HISTORICAL FINANCIAL RESULTS (in thousands), continued

| 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|
| $ 488,806 | $ 329,110 | $ 491,537 | $ 518,192 |
| (255,377) | (251,939) | (313,925) | (315,153) |
| $ 233,429 | $ 77,171 | $ 177,612 | $ 203,039 |
| | | | |
| $ 164,342 | $ 29,401 | $ 5,726 | $ 92,743 |
| | | | |
| 98,446 | 62,541 | 78,418 | 111,155 |
| (47,109) | 1,523 | 43,701 | 45,067 |
| (76,705) | (62,107) | (74,533) | (81,575) |
| (8,594) | (27,601) | (10,856) | 119 |
| 13,723 | 8,769 | 13,320 | 17,439 |
| (128) | (75) | (37) | (43) |
| – | (6,020) | – | (2,960) |
| 10,660 | 11,078 | 10,820 | 221 |
| 134,621 | 187,369 | 8,057 | – |
| – | – | – | – |
| 41,047 | 24,757 | 10,927 | 16,599 |
| 165,961 | 200,234 | 79,817 | 106,022 |
| | | | |
| – | 12 | – | 994 |
| 18,877 | 31,697 | 19,310 | 10,189 |
| 9,940 | 5,044 | 56 | 9,437 |
| (39) | (58) | 425 | 636 |
| – | – | – | – |
| – | – | – | 15 |
| – | 29,981 | – | – |
| – | – | 214 | – |
| – | – | 110 | – |
| – | – | – | – |
| 30,671 | – | – | – |
| – | – | – | – |
| – | – | – | – |
| 1,585 | – | – | – |
| – | 250 | 36,500 | 1,165 |
| (410) | (297) | (110) | (107) |
| – | 109 | (109) | – |
| – | – | – | (5) |
| 60,624 | 66,738 | 56,396 | 22,324 |
| 59,005 | (104,095) | (17,695) | 9,045 |
| 166,792 | 170,820 | 175,573 | 174,266 |
| 7,556 | 10,403 | 19,503 | 19,681 |
| 76 | 152 | 122 | 47 |
| $ 233,429 | $ 77,280 | $ 177,503 | $ 203,039 |

SOURCE: Houston Airport System

# RECONCILIATION OF HISTORICAL FINANCIAL RESULTS (in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Operations and Maintenance Expense Reconciliation** | | | |
| Operations and Maintenance Expense per Financial Statement | $ 691,224 | $ 607,925 | $ 571,878 |
| **Exclusion:** | | | |
| Depreciation & Amortization | (182,854) | (170,747) | (170,922) |
| Allowable Exclusions per Bond Resolution | | | |
| Fund 8000 HAS Grants | (3,109) | – | 89 |
| Fund 8010 Renewal & Replacement Fund | (28,656) | (31,041) | (27,962) |
| Fund 8011 Airport Improvement Fund | (68,093) | (58,914) | (53,869) |
| Fund 8037 HAS - O&M Grants | – | – | 73 |
| Fund 8012 AIF Capital Outlay | – | 29 | – |
| Fund 8044 HAS Disaster Recovery O&M | – | – | – |
| Fund 8045 CARES Act | – | – | 49 |
| Fund 8051 HAS State Energy Conservation Loan CL311 | – | – | – |
| Fund 8052 HAS State Energy Conservation Loan CL312 | – | – | – |
| Fund 8059 CRRSAA grant fund | – | – | (57) |
| Fund 8062 ARPA grant fund | – | – | (173) |
| Fund 8064 ATP fund | (4,899) | (1,269) | – |
| Fund 8065 AIG fund | (3,168) | – | – |
| Fund 8206 HAS-Consolidated2011 Construction | (40,182) | (2,028) | (4,034) |
| Fund 8207 HAS Consolidated ITRP AMT Construction | (11) | – | – |
| Miscellaneous (SECO Int, POB Interest, and Arbitrage Rebate) | 1,879 | 391 | 415 |
| **Total Operation and Maintenance Expense per Bond Resolution** | $ 362,131 | $ 344,346 | $ 315,487 |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

The Airport System's operation and maintenance expense per our Statement of Revenues, Expenditures and Changes in Net Position (financial statement) and our Master Bond Ordinance (bond resolution) differ due to allowable exclusions in the definition of operation and maintenance expense in the Master Bond Ordinance. The Operations and Maintenance Expense Reconciliation above provides a listing of allowable exclusions by fund.

SOURCE: Houston Airport System

## RECONCILIATION OF HISTORICAL FINANCIAL RESULTS (in thousands), continued

| 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|
| $ 482,793 | $ 489,388 | $ 546,003 | $ 511,743 |
| (166,792) | (170,820) | (175,573) | (174,266) |
| – | (12) | – | (994) |
| (18,877) | (31,697) | (19,310) | (10,189) |
| (9,940) | (5,044) | (56) | (9,437) |
| 39 | 58 | (425) | (636) |
| – | – | – | – |
| – | – | – | (15) |
| – | (29,981) | – | – |
| – | – | (214) | – |
| – | – | (110) | – |
| – | – | – | – |
| (30,671) | – | – | – |
| – | – | – | – |
| – | – | – | – |
| (1,585) | – | – | – |
| – | (250) | (36,500) | (1,165) |
| 410 | 297 | 110 | 112 |
| $ 255,377 | $ 251,939 | $ 313,925 | $ 315,153 |

SOURCE: Houston Airport System

# PLEDGED REVENUES FOR CONSOLIDATED RENTAL CAR FACILITY

(not rounded to the nearest thousand)

| | For Years Ended December 31: 2024 | 2023 | 2022 |
|---|---|---|---|
| **Resources Available for Debt Service** | | | |
| Customer facility charge collections | $ 18,579,336 | $ 16,932,707 | $ 14,634,186 |
| Interest income | 481,185 | 442,445 | 127,345 |
| Transfers from Facility Improvement Fund | 225,000 | 3,000,000 | 6,000,000 |
| Transfers from Coverage Account | 3,169,143 | 3,169,143 | 3,169,143 |
| **Total Resources Available for Debt Service** | $ 22,454,664 | $ 23,544,295 | $ 23,930,674 |
| **Annual Debt Service** | | | |
| Special Facility Revenue Bonds, Series 2001: | | | |
| Principal | $ 9,630,000 | $ 8,870,000 | $ 8,165,000 |
| Interest | 3,002,776 | 3,613,032 | 4,174,784 |
| Subtotal Series 2001 | 12,632,776 | 12,483,032 | 12,339,784 |
| Special Facility Refunding Bonds, Series 2014: | | | |
| Principal | – | – | – |
| Interest | – | – | – |
| Subtotal Series 2014 | – | – | – |
| **Total Annual Debt Service** | $ 12,632,776 | $ 12,483,032 | $ 12,339,784 |
| **DEBT SERVICE COVERAGE RATIO** | 1.78 | 1.89 | 1.94 |

Customer Facility Charges are used first to pay debt service on the Airport System Special Facilities Taxable Revenue Bonds (Consolidated Rental Car Facility Project), Series 2001 and on the Airport System Special Facilities Taxable Revenue Refunding Bonds (Consolidated Rental Car Facility Project), Series 2014. Additional collections are used to pay administrative costs for the special facility agreement, and then for capital improvements and major repairs on the special facility. Customer facility charges are kept and invested separately by BNY Mellon Bank as trustee and cannot be used for any other City or Airport Fund purpose as long as any Special Facility Revenue Bonds (CRCF) remain outstanding.

No other City or Airport Fund revenues are pledged toward the payment of Special Facility Revenue Bonds (CRCF).

The Special Facilities Revenue Bond (CRCF) covenants require the Airport Fund to maintain a debt service coverage ratio of at least 125%

The City imposed a $3.00 Customer Facility Charge as of April 1, 2001, which was increased to $3.50 effective July 1, 2003, reduced to $3.25 effective April 1, 2005, reduced to $3.00 effective July 1, 2006, increased to $3.75 effective November 1, 2009, increased to $4.25 effective April 1, 2011, reduced to $4.00 effective April 1, 2013, and reduced again to $3.00 effective April 1, 2016, and increased to $4.00 effective April 1, 2017.

For purposes of coverage calculation, collections are considered available for debt service when they are received by the trustee.

For purposes of coverage calculation, interest and principal is calculated on the accrual basis, for instance, in 2008, funding is accumulated for payments due on 7/1/2008 and 1/1/2009.

For more information on the Consolidated Rental Car Facility assets and debt, see Notes 1 and 5.

SOURCE: Houston Airport System

## PLEDGED REVENUES FOR CONSOLIDATED RENTAL CAR FACILITY, continued

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ 11,360,307 | $ 8,761,929 | $ 17,615,108 | $ 17,311,972 | $ 15,669,757 | $ 14,822,377 | $ 17,359,920 |
| 2,139 | 36,807 | 167,666 | 131,162 | 56,976 | 29,003 | $ 3,840 |
| 8,500,000 | 11,250,000 | – | – | – | – | – |
| 3,169,143 | 3,169,143 | 3,169,143 | 3,169,143 | 3,169,143 | 3,169,143 | 3,169,143 |
| $ 23,031,589 | $ 23,217,879 | $ 20,951,917 | $ 20,612,277 | $ 18,895,876 | $ 18,020,523 | $ 20,532,903 |
| | | | | | | |
| $ 7,505,000 | $ – | $ – | $ – | $ – | $ – | $ – |
| 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 |
| 12,196,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 | 4,691,128 |
| | | | | | | |
| – | 6,240,000 | 5,960,000 | 5,715,000 | 5,490,000 | 5,305,000 | 5,160,000 |
| – | 186,389 | 346,534 | 478,893 | 584,082 | 652,835 | 691,019 |
| – | 6,426,389 | 6,306,534 | 6,193,893 | 6,074,082 | 5,957,835 | 5,851,019 |
| $ 12,196,128 | $ 11,117,517 | $ 10,997,662 | $ 10,885,021 | $ 10,765,210 | $ 10,648,963 | $ 10,542,147 |
| | | | | | | |
| 1.89 | 2.09 | 1.91 | 1.89 | 1.76 | 1.69 | 1.95 |

SOURCE: Houston Airport System

# OUTSTANDING DEBT (in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **OUTSTANDING DEBT BY TYPE (1)** | | | |
| Senior lien revenue bonds, fixed rate | $ – | $ – | $ – |
| Subordinate lien revenue bonds, fixed rate | 2,370,395 | 2,493,320 | 2,055,965 |
| Subordinate lien revenue bonds, periodic auction rate | – | – | – |
| Subordinate lien revenue bonds, variable rate | – | – | – |
| Subtotal, revenue bonds | 2,370,395 | 2,493,320 | 2,055,965 |
| Unamortized discount | – | – | (231) |
| Unamortized premium | 197,552 | 217,875 | 177,762 |
| Revenue bonds, net | 2,567,947 | 2,711,195 | 2,233,496 |
| Senior lien commercial paper | – | – | 350,000 |
| Inferior lien contract | – | – | – |
| Pension obligation bonds (2) | 2,006 | 2,006 | 2,006 |
| General obligation bonds (3) | 26,417 | – | – |
| Note payable (4) | – | – | – |
| Direct borrowing loans (5) | 12,341 | 13,582 | 14,800 |
| Special facilities revenue bonds, rental car (6) | 34,015 | 43,645 | 52,515 |
| Lease liabilities | 8 | 18 | 63 |
| Subscriptions liabilities | 1,333 | 2,464 | 3,894 |
| **TOTAL OUTSTANDING DEBT PAYABLE** | $ 2,644,067 | $ 2,772,910 | $ 2,656,774 |
| Total enplaned passengers | 31,140,135 | 31,012,572 | 28,945,018 |
| Outstanding debt per enplaned passenger | $ 84.91 | $ 89.41 | $ 91.79 |
| **OUTSTANDING CONDUIT DEBT** | | | |
| Special facilities revenue bonds (7) | $ 2,135,015 | $ 1,064,405 | $ 1,092,420 |

(1) Includes both current and long-term liabilities.

(2) A portion of the City of Houston Taxable General Obligation Pension Bonds, Series 2005 and Series 2017, have been allocated to the Airport Fund for payment. Series 2017 was paid on March 1, 2019.

(3) A portion of the City of Houston General Obligation Refunding Bonds, Series 2024A, have been allocated to the Airport Fund for payment.

(4) A Note payable to Southwest Airlines for the construction of the Hobby International Terminal project was paid with Revenue and Refunding Bond Series 2018A proceeds on March 20, 2018.

(5) Two flex loans were executed in 2019 with the Texas State Energy Conservation Office (SECO). These 2% loans are capped at $8.2 and $7.8 million including interest during the construction period, payable over 14.6 and 10 years with the first payments to be made on August 31, 2022.

(6) The Special Facilities Revenue and Refunding Bonds (Consolidated Rental Car Facility), Series 2001 and Series 2014, are included in the Airport Fund financial statements (See Note 5).

(7) These Special Facilities Revenue Bonds are conduit debt secured solely by lease payments from United Airlines. No revenues of the Airport System Fund are pledged to pay these bonds.

SOURCE: Houston Airport System

## OUTSTANDING DEBT (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ – | $ – | $ – | $ – | $ 420,420 | $ 430,645 | $ 440,385 |
| 2,133,665 | 2,209,245 | 1,763,235 | 1,843,145 | 1,331,795 | 1,232,585 | 1,284,860 |
| – | – | – | – | 242,275 | 254,475 | 266,925 |
| – | – | 92,105 | 92,305 | 92,505 | 92,705 | 92,905 |
| 2,133,665 | 2,209,245 | 1,855,340 | 1,935,450 | 2,086,995 | 2,010,410 | 2,085,075 |
| (434) | (502) | (599) | (675) | (2,422) | (2,717) | (3,016) |
| 198,181 | 213,263 | 162,949 | 179,927 | 112,362 | 61,302 | 68,118 |
| 2,331,412 | 2,422,006 | 2,017,690 | 2,114,702 | 2,196,935 | 2,068,995 | 2,150,177 |
| 185,000 | 20,000 | 132,973 | 48,473 | 21,473 | 87,000 | 87,000 |
| – | – | – | – | – | 6,240 | 12,155 |
| 2,006 | 2,006 | 2,006 | 2,006 | 29,616 | 2,006 | 2,006 |
| – | – | – | – | – | – | – |
| – | – | – | – | – | 115,421 | 120,439 |
| 15,993 | 14,421 | 324 | – | – | – | – |
| 60,680 | 68,185 | 74,425 | 80,385 | 86,100 | 91,590 | 96,895 |
| 111 | 239 | – | – | – | – | – |
| – | – | – | – | – | – | – |
| $ 2,595,202 | $ 2,526,857 | $ 2,227,418 | $ 2,245,566 | $ 2,334,124 | $ 2,371,252 | $ 2,468,672 |
| 26,080,017 | 14,969,110 | 21,828,781 | 29,807,598 | 27,712,789 | 27,390,398 | 27,815,032 |
| $ 99.51 | $ 168.80 | $ 102.04 | $ 75.34 | $ 84.23 | $ 86.57 | $ 88.75 |
| $ 1,103,940 | $ 850,035 | $ 850,035 | $ 848,865 | $ 848,865 | $ 711,790 | $ 711,790 |

SOURCE: Houston Airport System

# SUMMARY OF CERTAIN FEES AND CHARGES

| IAH | 2025 | 2024 | 2023 |
|---|---|---|---|
| Landing Rates **(1) (3)** | $2.277 | $2.431 | $2.557 |
| Terminal Space Rentals **(2) (3)** | $20.44 - $94.82 | $22.04 - $78.75 | $20.16 - $76.05 |
| Apron Rentals **(2) (3)** | $2.54 - $3.23 | $2.25 - $2.46 | $2.08 - $2.25 |
| Aircraft Parking (per day) | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 |
| Cargo (per day) | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 |
| Parking Rates **(4)** | | | |
| Economy (ecopark) Uncovered **(8) (11) (12)** | $9.00 | $8.00 | $7.00 |
| Economy (ecopark) Covered **(8) (11) (12)** | $11.00 | $10.00 | $9.00 |
| Economy (ecopark2) Covered **(8) (11) (12)** | $10.00 | $9.00 | $8.00 |
| Structured **(7) (10)** | $25.00 | $25.00 | $25.00 |
| Sure Park **(6)** | $– | $– | $– |
| Valet **(5) (9) (10)** | $30.00 | $30.00 | $30.00 |

| HOU | 2025 | 2024 | 2023 |
|---|---|---|---|
| Landing Rates **(1) (3)** | $2.930 | $2.566 | $2.684 |
| Terminal Space Rentals **(2) (3)** | $77.10 - $97.48 | $72.70 - $89.43 | $63.10 - $80.83 |
| Apron Rentals **(2) (3)** | $3.080 | $2.690 | $2.618 |
| Aircraft Parking (per day) | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 |
| Cargo (per day) | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 |
| Parking Rates **(4)** | | | |
| Economy (Ecopark2) | $10.00 | $10.00 | $10.00 |
| Structured **(7) (12)** | $25.00 | $24.00 | $24.00 |
| Valet **(5) (12)** | $29.00 | $28.00 | $28.00 |

(1) Per 1,000 pounds of landing weight.
(2) Range per square foot.
(3) 2015-2024 actual rates provided; 2025 budgeted rates provided.
(4) Maximum per day.
(5) New rates for Valet effective February 4, 2019.
(6) Sure Park ceased as an offered product in March 2021.
(7) New rates for Garages effective on July 29, 2021.
(8) New rates ecopark JFK & ecopark2 effective January 15, 2022.
(9) New rates for Terminal C effective May 1, 2022.
(10) New rates for IAH Garages & Valet effective February 1, 2023.
(11) New rates for ecopark JFK & ecopark2 effective April 1, 2024.
(12) New rates ecopark JFK & ecopark2 effective February 3, 2025.

SOURCE: Houston Airport System

## SUMMARY OF CERTAIN FEES AND CHARGES, continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $2.437 | $2.821 | $3.108 | $2.561 | $2.763 | $2.571 | $2.635 |
| $18.19 - $64.53 | $20.37 - $41.67 | $24.63 - $68.98 | $24.02 - $69.27 | $24.26 - $72.69 | $22.95 - $72.46 | $22.88 - $76.08 |
| $1.89 - $2.05 | $2.28 - $2.44 | $2.45 - $2.68 | $2.70 - $2.98 | $2.45 - $2.78 | $2.24 - $2.65 | $2.16 - $2.70 |
| $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 |
| $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 |
| | | | | | | |
| $7.00 | $6.00 | $6.00 | $6.00 | $6.00 | $6.00 | $6.00 |
| $9.00 | $8.00 | $8.00 | $8.00 | $8.00 | $8.00 | $8.00 |
| $8.00 | $7.00 | $7.00 | $7.00 | $6.00 | $6.00 | $5.00 |
| $24.00 | $15.00 | $10.00 | $24.00 | $22.00 | $22.00 | $20.00 |
| $– | $– | $26.00 | $26.00 | $24.00 | $24.00 | $24.00 |
| $28.00 - $30.00 | $28.00 | $28.00 | $28.00 | $26.00 | $26.00 | $26.00 |

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $3.025 | $2.914 | $2.722 | $2.000 | $2.013 | $1.982 | $1.835 |
| $59.04 - $77.31 | $40.94 - $48.15 | $55.04 - $66.46 | $54.33 - $73.42 | $48.10 - $68.15 | $64.79 - $67.29 | $87.62 - $90.12 |
| $2.655 | $2.08 - $2.11 | $2.14 - $2.15 | $1.87 - $1.92 | $1.79-$1.85 | $1.65-$1.85 | $1.765 |
| $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 | $100.00 - $400.00 |
| $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 | $200.00 - $600.00 |
| | | | | | | |
| $– | $– | $– | $– | $– | $– | $– |
| $10.00 | $10.00 | $10.00 | $10.00 | $10.00 | $10.00 | $10.00 |
| $24.00 | $15.00 | $10.00 | $24.00 | $22.00 | $22.00 | $20.00 |
| $28.00 | $28.00 | $28.00 | $28.00 | $26.00 | $26.00 | $26.00 |

SOURCE: Houston Airport System

# PASSENGER STATISTICS (in thousands)

## DOMESTIC PASSENGERS

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **IAH** | | | |
| Enplanements & Deplanements | 36,028 | 35,384 | 33,449 |
| Percentage Change | 1.8 % | 5.8 % | 7.7 % |
| **HOU** | | | |
| Enplanements & Deplanements | 13,103 | 13,620 | 12,656 |
| Percentage Change | (3.8)% | 7.6 % | 8.6 % |
| **DOMESTIC TOTAL** | | | |
| Enplanements & Deplanements | 49,131 | 49,004 | 46,106 |
| Percentage Change | 0.3 % | 6.3 % | 8.0 % |

## INTERNATIONAL PASSENGERS

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **IAH** | | | |
| Enplanements & Deplanements | 12,217 | 12,012 | 10,688 |
| Percentage Change | 1.7 % | 12.4 % | 26.7 % |
| **HOU** | | | |
| Enplanements & Deplanements | 904 | 995 | 976 |
| Percentage Change | (9.1)% | 1.9 % | 15.8 % |
| **INTERNATIONAL TOTAL** | | | |
| Enplanements & Deplanements | 13,121 | 13,007 | 11,664 |
| Percentage Change | 0.9 % | 11.5 % | 25.7 % |

## TOTAL PASSENGERS

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **HAS PASSENGERS GRAND TOTAL** | | | |
| Enplanements & Deplanements | 62,252 | 62,011 | 57,769 |
| Percentage Change | 0.4 % | 7.3 % | 11.1 % |

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

SOURCE: Houston Airport System

## PASSENGER STATISTICS (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| 31,045 | 17,645 | 25,068 | 33,972 | 31,102 | 30,809 | 31,959 |
| 75.9 % | (29.6)% | (26.2)% | 9.2 % | 1.0 % | (3.6)% | – % |
| 11,656 | 7,738 | 9,998 | 13,629 | 12,864 | 12,423 | 12,209 |
| 50.6 % | (22.6)% | (26.6)% | 5.9 % | 3.5 % | 1.8 % | 3.1 % |
| 42,702 | 25,383 | 35,066 | 47,601 | 43,967 | 43,232 | 44,168 |
| 68.2 % | (27.6)% | (26.3)% | 8.3 % | 1.7 % | (2.1)% | 0.8 % |

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| 8,436 | 3,892 | 7,969 | 10,939 | 10,404 | 10,662 | 10,904 |
| 116.8 % | (51.2)% | (27.2)% | 5.1 % | (2.4)% | (2.2)% | 8.8 % |
| 843 | 421 | 591 | 965 | 957 | 860 | 519 |
| 100.2 % | (28.8)% | (38.8)% | 0.8 % | 11.3 % | 65.7 % | 12875.0 % |
| 9,279 | 4,313 | 8,560 | 11,904 | 11,361 | 11,522 | 11,423 |
| 115.1 % | (49.6)% | (28.1)% | 4.8 % | (1.4)% | 0.9 % | 14.0 % |

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| 51,981 | 29,696 | 43,626 | 59,505 | 55,327 | 54,754 | 55,591 |
| 75.0 % | (31.9)% | (26.7)% | 7.6 % | 1.0 % | (1.5)% | 3.3 % |

SOURCE: Houston Airport System

# PASSENGER STATISTICS BY CARRIER

## MAJOR AIRLINE MARKET SHARE

| CARRIER | FY2025 | % | FY2024 | % | FY2023 | % | FY2022 | % | FY2021 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| United Airlines | 35,238,260 | 56.6 % | 34,152,771 | 55.1 % | 31,959,131 | 55.3 % | 29,357,278 | 56.5 % | 15,894,776 | 53.5 % |
| Southwest | 13,289,529 | 21.3 % | 14,865,524 | 24.0 % | 13,915,118 | 24.1 % | 12,787,950 | 24.6 % | 7,829,259 | 26.4 % |
| Spirit Airlines | 3,224,340 | 5.2 % | 3,027,549 | 4.9 % | 2,948,481 | 5.1 % | 2,477,109 | 4.8 % | 1,869,558 | 6.3 % |
| American Airlines | 2,567,181 | 4.1 % | 2,549,058 | 4.1 % | 2,388,344 | 4.1 % | 2,392,419 | 4.6 % | 1,511,037 | 5.1 % |
| Delta Airlines | 2,310,231 | 3.7 % | 2,334,257 | 3.8 % | 2,196,412 | 3.8 % | 1,993,556 | 3.8 % | 1,050,260 | 3.5 % |
| Frontier Airlines | 1,292,107 | 2.1 % | 813,109 | 1.3 % | 654,869 | 1.1 % | 347,903 | 0.7 % | 314,269 | 1.1 % |
| VivaAerobus | 444,581 | 0.7 % | 397,795 | 0.6 % | 347,772 | 0.6 % | 355,339 | 0.7 % | 299,239 | 1.0 % |
| Air Canada | 342,743 | 0.6 % | 355,192 | 0.6 % | 250,713 | 0.4 % | 134,785 | 0.3 % | 12,833 | – % |
| Alaska Airlines | 279,064 | 0.4 % | 266,587 | 0.4 % | 223,960 | 0.4 % | 181,477 | 0.3 % | 99,388 | 0.3 % |
| Turkish Airlines | 268,507 | 0.4 % | 245,895 | 0.4 % | 223,379 | 0.4 % | 169,837 | 0.3 % | 82,496 | 0.3 % |
| Other Airlines | 2,995,538 | 4.9 % | 3,002,838 | 4.8 % | 2,661,102 | 4.7 % | 1,783,080 | 3.4 % | 732,478 | 2.5 % |
| | 62,252,081 | 100.0 % | 62,010,575 | 100.0 % | 57,769,281 | 100.0 % | 51,980,733 | 100.0 % | 29,695,593 | 100.0 % |

| CARRIER | FY2020 | % | FY2019 | % | FY2018 | % | FY2017 | % | FY2016 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| United Airlines | 25,081,324 | 57.5 % | 34,793,301 | 58.5 % | 32,094,388 | 58.0 % | 32,130,930 | 58.7 % | 33,251,479 | 59.8 % |
| Southwest | 9,994,165 | 22.9 % | 13,674,536 | 23.0 % | 12,893,987 | 23.3 % | 12,344,834 | 22.5 % | 11,791,308 | 21.2 % |
| Spirit Airlines | 1,948,341 | 4.5 % | 2,426,727 | 4.1 % | 2,144,740 | 3.9 % | 1,889,818 | 3.5 % | 1,896,577 | 3.4 % |
| American Airlines | 2,090,353 | 4.8 % | 2,774,961 | 4.7 % | 2,592,345 | 4.7 % | 2,542,485 | 4.6 % | 2,951,244 | 5.3 % |
| Delta Airlines | 1,567,170 | 3.6 % | 2,024,867 | 3.4 % | 1,963,878 | 3.5 % | 1,922,778 | 3.5 % | 1,889,715 | 3.4 % |
| Frontier Airlines | 297,303 | 0.7 % | 192,057 | 0.3 % | 285,337 | 0.5 % | 421,754 | 0.8 % | 494,804 | 0.9 % |
| VivaAerobus | 88,184 | 0.2 % | 81,766 | 0.1 % | 38,072 | 0.1 % | 40,879 | 0.1 % | 63,103 | 0.1 % |
| Air Canada | 231,407 | 0.5 % | 329,540 | 0.6 % | 349,571 | 0.6 % | 353,721 | 0.6 % | 293,193 | 0.5 % |
| Alaska Airlines | 163,808 | 0.4 % | 188,351 | 0.3 % | 185,838 | 0.3 % | 185,191 | 0.3 % | 137,433 | 0.2 % |
| Turkish Airlines | 148,092 | 0.3 % | 197,000 | 0.3 % | 189,048 | 0.3 % | 167,402 | 0.3 % | 193,892 | 0.3 % |
| Other Airlines | 2,016,193 | 4.6 % | 2,821,987 | 4.7 % | 2,590,126 | 4.8 % | 2,754,206 | 5.1 % | 2,628,248 | 4.9 % |
| | 43,626,340 | 100.0 % | 59,505,093 | 100.0 % | 55,327,330 | 100.0 % | 54,753,998 | 100.0 % | 55,590,996 | 100.0 % |

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

SOURCE: Houston Airport System

# CARRIERS BY AIRPORT
# AS OF JUNE 30, 2025

| IAH | | | HOU | | |
|---|---|---|---|---|---|
| **Mainline Carriers** | **Regional Carriers** | **Cargo Carriers** | **Mainline Carriers** | **Regional Carriers** | **Cargo Carriers** |
| AeroMéxico | Commute Air | Air Transport International | Allegiant Air | Envoy Air | |
| Air Canada | Envoy Air | Atlas Air | Avelo Airlines | PSA Airlines | |
| Air France | Mesa Airlines | C.A.L Cargo/ Challenge Airlines | American Airlines | SkyWest Airlines | |
| Air New Zealand | PSA Airlines | Cargolux | Delta Air Lines | | |
| Alaska Airlines | Republic Airlines | Cathay Cargo | Southwest Airlines | | |
| All Nippon Airways | SkyWest Airlines | DHL | Sun Country Airlines | | |
| American Airlines | | Emirates SkyCargo | | | |
| Avianca S.A. | | Federal Express | | | |
| British Airways | | Lufthansa Cargo | | | |
| Delta Air Lines | | Qatar Airways Cargo | | | |
| Emirates | | Silk Way West Airlines | | | |
| EVA Air | | Turkish Cargo | | | |
| Frontier Airlines | | UPS | | | |
| JetBlue Airways | | | | | |
| KLM Royal Dutch Airlines | | | | | |
| Lufthansa | | | | | |
| Qatar Airways | | | | | |
| Spirit Airlines | | | | | |
| Turkish Airlines | | | | | |
| United Airlines | | | | | |
| VivaAerobus | | | | | |
| Volaris | | | | | |
| Volaris El Salvador | | | | | |
| WestJet | | | | | |
| ZIPAIR | | | | | |

SOURCE: Houston Airport System

# ORIGINATING PASSENGER ENPLANEMENTS

| IAH | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Originating Enplanements | 14,867,365 | 14,702,201 | 13,595,791 | 11,510,410 | 6,416,622 |
| Connecting Enplanements | 9,269,957 | 9,015,897 | 8,525,018 | 8,301,901 | 4,444,726 |
| Total Enplaned Passengers | 24,137,322 | 23,718,098 | 22,120,809 | 19,812,311 | 10,861,348 |
| Originating Enplanement Percentage | 61.6% | 62.0% | 61.5% | 58.1% | 59.1% |
| **HOU** | | | | | |
| Originating Enplanements | 4,562,504 | 4,528,428 | 4,246,684 | 3,834,198 | 2,579,889 |
| Connecting Enplanements | 2,440,307 | 2,766,044 | 2,577,525 | 2,433,507 | 1,527,872 |
| Total Enplaned Passengers | 7,002,811 | 7,294,472 | 6,824,209 | 6,267,705 | 4,107,761 |
| Originating Enplanement Percentage | 65.2% | 62.1% | 62.2% | 61.2% | 62.8% |
| **HOUSTON AIRPORT SYSTEM** | | | | | |
| Originating Enplanements | 19,429,869 | 19,230,629 | 17,842,475 | 15,344,608 | 8,996,511 |
| Connecting Enplanements | 11,710,264 | 11,781,941 | 11,102,543 | 10,735,408 | 5,972,598 |
| Total Enplaned Passengers | 31,140,133 | 31,012,570 | 28,945,018 | 26,080,016 | 14,969,109 |
| Originating Enplanement Percentage | 62.4% | 62.0% | 61.6% | 58.8% | 60.1% |

| IAH | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Originating Enplanements | 9,274,821 | 12,410,800 | 11,332,305 | 11,127,432 | 11,130,370 |
| Connecting Enplanements | 7,252,407 | 10,067,653 | 9,443,423 | 9,602,708 | 10,301,326 |
| Total Enplaned Passengers | 16,527,228 | 22,478,453 | 20,775,728 | 20,730,140 | 21,431,696 |
| Originating Enplanement Percentage | 56.1% | 55.2% | 54.5% | 53.7% | 51.9% |
| **HOU** | | | | | |
| Originating Enplanements | 3,656,831 | 4,996,510 | 4,829,823 | 4,852,811 | 4,695,633 |
| Connecting Enplanements | 1,644,721 | 2,332,635 | 2,107,238 | 1,807,446 | 1,687,702 |
| Total Enplaned Passengers | 5,301,552 | 7,329,145 | 6,937,061 | 6,660,257 | 6,383,335 |
| Originating Enplanement Percentage | 69.0% | 68.2% | 69.6% | 72.9% | 73.6% |
| **HOUSTON AIRPORT SYSTEM** | | | | | |
| Originating Enplanements | 12,931,652 | 17,407,310 | 16,162,128 | 15,980,243 | 15,826,003 |
| Connecting Enplanements | 8,897,128 | 12,400,288 | 11,550,661 | 11,410,154 | 11,989,028 |
| Total Enplaned Passengers | 21,828,780 | 29,807,598 | 27,712,789 | 27,390,397 | 27,815,031 |
| Originating Enplanement Percentage | 59.2% | 58.4% | 58.3% | 58.3% | 56.9% |

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

SOURCE: Houston Airport System

# AIRCRAFT OPERATIONS, LANDING WEIGHT AND CARGO ACTIVITY

## AIRCRAFT OPERATIONS
(in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 730 | 734 | 690 | 691 | 512 | 624 | 752 | 735 | 760 | 787 |
| Increase (Decrease) | (4) | 44 | (1) | 179 | (112) | (128) | 17 | (25) | (27) | (29) |
| Percentage Change | (0.54)% | 6.38 % | (0.14)% | 34.96 % | (17.95)% | (17.02)% | 2.31 % | (3.29)% | (3.43)% | (3.55)% |

## AIRCRAFT LANDED WEIGHT
(in million pounds)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 39,005 | 38,762 | 35,885 | 33,863 | 23,464 | 30,346 | 37,339 | 34,828 | 34,648 | 35,519 |
| Increase (Decrease) | 243 | 2,877 | 2,022 | 10,399 | (6,882) | (6,993) | 2,511 | 180 | (871) | 550 |
| Percentage Change | 0.63 % | 8.02 % | 5.97 % | 44.32 % | (22.68)% | (18.73)% | 7.21 % | 0.52 % | (2.45)% | 1.57 % |

## CARGO ACTIVITY
(in metric tons)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Domestic Freight | 320,988 | 341,892 | 328,285 | 321,056 | 309,270 | 285,135 | 267,630 | 231,670 | 209,345 | 195,644 |
| International Freight | 210,189 | 197,790 | 191,233 | 212,883 | 153,552 | 199,241 | 243,594 | 234,384 | 224,226 | 205,361 |
| Mail | 26,955 | 7,896 | 19,446 | 26,760 | 21,197 | 19,857 | 23,413 | 23,790 | 24,983 | 25,713 |
| Total Cargo | 558,132 | 547,578 | 538,964 | 560,699 | 484,019 | 504,233 | 534,637 | 489,844 | 458,554 | 426,718 |
| Year-over-Year Change | 1.9 % | 1.6 % | (3.9)% | 15.8 % | (4.0)% | (5.7)% | 9.1 % | 6.8 % | 7.5 % | (10.2)% |

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

SOURCE: Houston Airport System

# PERFORMANCE MEASURES

| PERFORMANCE MEASURES | 2025 | 2024 | 2023 |
|---|---|---|---|
| Revenue per Enplaned Passenger | $ 28.03 | $ 28.40 | $ 27.10 |
| Maintenance and Operations Expenses per Enplaned Passenger | 16.33 | 14.10 | 13.85 |
| Debt Service per Enplaned Passenger | 7.74 | 7.76 | 7.66 |
| Outstanding Debt per Enplaned Passenger (1) | 78.46 | 82.31 | 85.52 |
| Intercontinental Budgeted Airline Cost per Est. Enplaned Passenger (2) | 11.25 | 11.49 | 10.06 |
| Intercontinental Actual Airline Cost per Enplaned Passenger (2) | 10.95 | 10.36 | 10.71 |
| Hobby Budgeted Airline Cost per Est. Enplaned Passenger (2) | 8.59 | 8.75 | 8.39 |
| Hobby Actual Airline Cost per Enplaned Passenger (2) | 8.92 | 8.38 | 8.09 |

(1) The calculation of outstanding debt per enplaned passenger does not include unamortized discount and premium.

(2) Airline Costs include terminal building charges, aircraft parking apron charges, and landing fees only for passenger carriers. The costs are calculated during the rates and charges process based on budget and estimate of passengers. They are then recalculated, after the annual audit, during the rates and charges reconciliation process. The estimated costs utilized are based on projected results and are subjected to change.

SOURCE: Houston Airport System

## PERFORMANCE MEASURES, continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ 26.52 | $ 39.40 | $ 28.69 | $ 22.56 | $ 23.25 | $ 22.59 | $ 22.40 |
| 12.12 | 21.28 | 16.97 | 11.32 | 12.09 | 9.29 | 11.34 |
| 6.73 | 11.28 | 8.79 | 6.30 | 7.07 | 7.49 | 7.09 |
| 91.92 | 154.58 | 94.60 | 69.32 | 80.26 | 84.21 | 85.98 |
| 15.70 | 19.28 | 10.48 | 11.57 | 11.38 | 11.31 | 10.94 |
| 10.47 | 14.50 | 14.19 | 10.48 | 11.39 | 11.08 | 10.62 |
| 10.16 | 13.92 | 6.44 | 6.52 | 6.22 | 6.48 | 6.76 |
| 8.72 | 9.58 | 9.21 | 6.64 | 6.40 | 6.15 | 7.15 |

SOURCE: Houston Airport System

# CASH AVAILABLE BY DAYS FUNDED (in thousands)

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Airport System Revenue Fund (1) (2) | $ 138,931 | $ 194,282 | $ 107,903 |
| CARES Act/CRRSAA/ARPA Grants | 2 | 18,630 | 5,592 |
| Operating & Maintenance Reserve | 65,566 | 65,566 | 58,821 |
| Renewal & Replacement Fund (3) | 11,320 | 9,747 | 14,765 |
| Airport Improvement Fund (3) | 189,516 | 201,066 | 271,805 |
| **Total cash available for operations** | $ 405,335 | $ 489,291 | $ 458,886 |
| Maintenance and operating expense (4) (5) | $ 362,131 | $ 344,346 | $ 315,487 |
| Days in fiscal year | 365 | 366 | 365 |
| **Daily cash requirement** | $ 992 | $ 941 | $ 864 |
| Days funded | 409 | 520 | 531 |
| **TOTAL AIRPORT SYSTEM CASH AND INVESTMENTS** | $ 1,651,262 | $ 1,897,971 | $ 1,925,547 |

(1) The funds are listed in order of availability; each fund must be fully depleted before the next can be used.

(2) Available funding in the Airport System Revenue Fund on June 30th is transferred to the Airports Improvement Fund to comply with airport bond ordinances.

(3) Available funding in the Airport System Revenue Fund on June 30th is transferred to the Airports Improvement Fund to comply with airport bond ordinances.

(4) Excludes capital asset impairments and retirements, and expense incurred on cancelled capital projects. Includes interest expense for the Series 2005 pension obligation bonds and the debt service on the note payable to Southwest Airlines.

(5) Maintenance and operating expense funded by cash available for operations decreased by $60.2 million between Fiscal Year 2017 and Fiscal Year 2016, primarily due to a $67.4 million decrease in pension expense associated with pension reform enacted in 2017. Without the reform, it is estimated that days funded at June 30, 2017 would be 557.

* Fiscal Year 2019 maintenance and operating expenses is updated due to allowable exclusions in the definition of maintenance and operating expense in the Master Bond Ordinance

** Fiscal Year 2019 daily cash requirement and days funded are updated accordingly.

SOURCE: Houston Airport System

## CASH AVAILABLE BY DAYS FUNDED (in thousands), continued

| 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| $ 105,775 | $ 20,070 | $ – | $ – | $ – | $ – | $ – |
| 17,257 | 54,314 | – | – | – | – | – |
| 58,820 | 55,845 | 55,845 | 55,845 | 52,686 | 51,807 | 51,615 |
| (601) | 15,628 | (15,378) | 18,770 | 11,483 | 10,514 | 10,001 |
| 304,805 | 330,419 | 384,169 | 410,795 | 444,464 | 417,930 | 449,768 |
| $ 486,056 | $ 476,276 | $ 424,636 | $ 485,410 | $ 508,633 | $ 480,251 | $ 511,384 |
| $ 255,377 | $ 251,939 | $ 313,925 | $ 315,153 | $ 326,889 | $ 254,506 | $ 314,715 |
| 365 | 365 | 366 | 365 | 365 | 365 | 365 |
| $ 700 | $ 690 | $ 858 | $ 863 | $ 896 | $ 697 | $ 862 |
| 694 | 690 | 495 | 562 | 568 | 689 | 593 |
| $ 1,907,143 | $ 1,727,514 | $ 1,454,903 | $ 1,456,679 | $ 1,362,459 | $ 1,259,622 | $ 1,248,346 |

SOURCE: Houston Airport System

# AIRPORT INFORMATION

| | IAH | | HOU | | EFD (1) | |
|---|---|---|---|---|---|---|
| LOCATION | 15 miles N of downtown Houston | | 8 miles SE of downtown Houston | | 15 miles SE of downtown Houston | |
| AREA | 10.11 | | 1.50 | | 1.94 | |
| ELEVATION | 96 MSL | | 46 MSL | | 33 MSL | |
| AIRPORT CODE | IAH | | HOU | | EFD | |
| RUNWAYS | 8R-26L | 9,402x150 ft | 13L-31R | 5,148x100 ft | 17L-35R | 4,609x75 ft |
| | 9-27 | 10,000x150 ft | 13R-31L | 7,602x150 ft | 17R-35L | 9,001x150 ft |
| | 15L-33R | 12,001x150 ft | 4-22 | 7,602x150 ft | 4-22 | 8,001x150 ft |
| | 15R-33L | 10,000x150 ft | | | | |
| | 8L-26R | 9,000x150 ft | | | | |
| TERMINAL SPACE | Airlines | 3,378,205 sf | Airlines | 530,043 sf | n/a | |
| | Tenants | 238,898 sf | Tenants | 63,672 sf | | |
| | Public/Common | 746,748 sf | Public/Common | 152,648 sf | | |
| | Mechanical | 346,808 sf | Mechanical | 115,815 sf | | |
| | Other | 220,317 sf | Other | 47,615 sf | | |
| | Total | 4,930,976 sf | Total | 909,793 sf | | |
| NUMBER OF GATES/HARDSTAND POSITIONS | 126/10 | | 30/5 | | n/a | |
| COMMERCIAL AIRLINES APRON | 4,241,300 sf | | 815,239 sf | | n/a | |
| RENTAL CAR FACILITY | 11 Rental Car Agencies | | 12 Rental Car Agencies | | 1 Rental Car Agency | |
| PARKING SPACES | S-T Hourly | 13,693 | S-T Hourly | 5,248 | S-T Hourly | — |
| | L-T ECO | 8,612 | L-T ECO | 958 | L-T ECO | — |
| | Employee | 7,098 | Employee | 1,879 | Employee | 23 |
| | Total | 29,403 | Total | 8,085 | Total | 23 |

(1) No scheduled commercial flights

SOURCE: Houston Airport System

# PRINCIPAL EMPLOYERS

## PRINCIPAL EMPLOYERS
## Last Ten Years (1)
(Listed alphabetically)

| 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Baker Hughes | AT&T | Amazon | CHI St. Luke's Health | ExxonMobil |
| ConocoPhillips | Baker Hughes | CHI St. Luke's Health | ExxonMobil | HEB |
| Enterprise Product Partners | CenterPoint Energy | ExxonMobil | HCA Houston Healthcare | HCA Houston Healthcare |
| Exxon Mobil | ConocoPhillips | HCA Houston Healthcare | HEB | Houston Methodist |
| Hewlett Packard Enterprise | Enterprise Products Partners | HEB | Houston Methodist | Kroger |
| LyondellBasell Industries | EOG Resources | Houston Methodist | Kroger | Memorial Hermann Health System |
| Occidental Petroleum | ExxonMobil | Kroger | Memorial Hermann Health System | Schlumberger |
| Phillips 66 | Group 1 Automotive | Memorial Hermann Health System | UT MD Anderson Cancer Center | United Airlines |
| Plains All American Pipeline | Halliburton | Schlumberger | Schlumberger | UT MD Anderson Cancer Center |
| Sysco | Kinder Morgan | Walmart | Walmart | Walmart |

| 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| ExxonMobil | HEB | Exxon Mobil | HEB | ExxonMobil |
| HEB | Houston Methodist | HEB | Houston Methodist | HEB |
| HCA Houston Healthcare | Kroger | Houston Methodist | Kroger Company | Houston Methodist |
| Houston Methodist | McDonald's Corp | Kroger Company | McDonald's Corp | Kroger |
| Kroger | Memorial Hermann Health System | McDonald's Corp | Memorial Hermann Health System | McDonald's Corp |
| Memorial Hermann Health System | Schlumberger | UT MD Anderson Cancer Center | UT MD Anderson Cancer Center | Schlumberger |
| Shell Oil Company | Shell Oil Company | United Airlines | United Airlines | Memorial Hermann Health System |
| United Airlines | United Airlines | Texas Children Hospital | Walmart | United Airlines |
| UT MD Anderson Cancer Center | UT MD Anderson Cancer Center | Memorial Hermann Health System | Shell Oil Company | Walmart |
| Walmart | Walmart | Walmart | Schlumberger Limited | Shell Oil Company |

(1) Starting fiscal year 2022, information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

SOURCE: Greater Houston Partnership

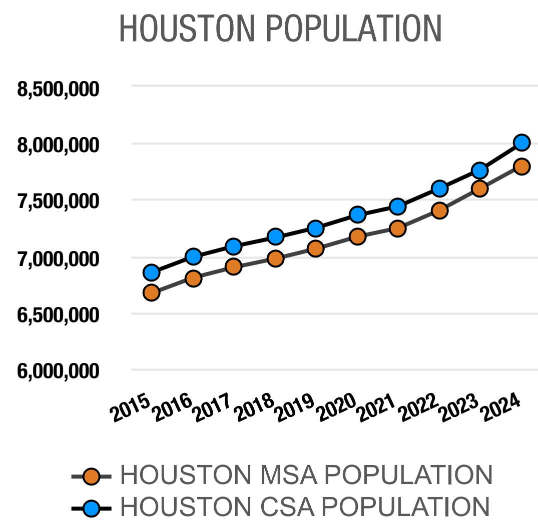
# SERVICE AREA AND SERVICE AREA POPULATION/CAREER SERVICE EMPLOYEES

The primary service region for the Houston Airport System, the ten-county Houston-Pasadena-The Woodlands Metropolitan Statistical Area (MSA), has a diverse economic base and is recognized as a major national and international energy, financial, medical, transportation, retail, and distribution center. The MSA extends out to four additional counties of Matagorda, Walker, Washington, and Wharton for the broader Houston-Pasadena Combined Statistical Area (CSA). According to the U.S. Bureau of the Census, the population estimate was 7.8 million for the MSA and 8.0 million for the CSA as of July 1, 2024.

Houston, the nation's fourth most populous city, is the largest in the South and Southwest. The Houston MSA ranks fifth in population among the nation's metropolitan areas.

## SERVICE AREA POPULATION

| As of July 1, | Houston MSA Population | Houston CSA Population |
|---|---|---|
| 2015 | 6,670,803 | 6,854,564 |
| 2016 | 6,806,315 | 6,991,576 |
| 2017 | 6,898,912 | 7,085,197 |
| 2018 | 6,974,948 | 7,161,568 |
| 2019 | 7,063,400 | 7,249,052 |
| 2020 | 7,169,728 | 7,359,974 |
| 2021 | 7,246,956 | 7,439,319 |
| 2022 | 7,403,068 | 7,597,264 |
| 2023 | 7,598,011 | 7,764,140 |
| 2024 | 7,796,182 | 7,996,140 |




In 2023, San Jacinto county was added to the Houston MSA and CSA populations. Additionally, Trinity county was removed from the Houston CSA population.

**Career Service Employees**
**Last Ten Years**

| Fiscal Year | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Employees | 1,276 | 1,299 | 1,197 | 1,127 | 1,147 | 1,110 | 1,091 | 1,113 | 1,141 | 1,191 |

SOURCE: Houston Airport System

# DEMOGRAPHIC AND ECONOMIC

| Fiscal Year | Population (1)(2) | Personal Income (in thousands) (3) | Per Capita Income (3) | Median Age (4) | Education Level in Years of Formal Schooling (4) | School Enrollment (4) | Average Unemployment Rate (percentage) (5) |
|---|---|---|---|---|---|---|---|
| 2016 | 2,283,616 | $351,012 | $51,572 | 32.6 | 1,384,097 | 1,849,065 | 5.6 |
| 2017 | 2,306,360 | $377,978 | $54,788 | 32.6 | 1,433,072 | 1,874,344 | 5.1 |
| 2018 | 2,313,079 | $403,674 | $57,875 | 32.7 | 1,490,351 | 1,893,312 | 4.6 |
| 2019 | 2,314,478 | $415,920 | $58,884 | 32.9 | 1,522,732 | 1,932,292 | 4.0 |
| 2020 | 2,315,720 | $428,501 | $59,893 | 32.9 | 1,508,624 | 1,915,864 | 11.5 |
| 2021 | 2,300,027 | $467,267 | $64,837 | 33.4 | 1,675,719 | 1,920,741 | 7.0 |
| 2022 | 2,288,250 | $501,653 | $68,344 | 35.3 | 1,715,458 | 1,911,456 | 4.5 |
| 2023 | 2,302,878 | $542,046 | $72,453 | 35.4 | 1,763,563 | 1,943,808 | 4.4 |
| 2024 | 2,314,157 | Not available | Not available | 35.7 | 1,896,297 | 2,005,380 | 4.7 |
| 2025 | 2,390,125 | Not available | Not available | Not available | Not available | 2,082,886 | 4.3 |

**(1) Source:** U.S. Census Bureau - QuickFacts: Houston, TX; Population estimates, July 1, 2015 - July 1, 2019.

**(2) Source:** U.S. Census Bureau - Annual Estimates of the Resident Population for Incorporated Places of 20,000 or More: estimate as of July 1, 2020 - July 1, 2024, for fiscal years 2021 - 2025.

**(3) Source:** (3) Source: U.S. Department of Commerce, Bureau of Economic Analysis. Amounts as of year ended December 31, 2023, for the Houston-Pasadena-The Woodlands, TX Metropolitan Statistical Area (“MSA”). Information for the years ended December 31, 2024, and 2025, are not yet available.

**(4) Source:** U.S. Census Bureau - American Community Survey, Houston-Pasadena-The Woodlands, TX MSA. Median age and educational attainment for the year ended December 31, 2025, are not yet available.

**(5) Source:** U.S. Bureau of Labor Statistics. Information is as of June every year for the Houston-Pasadena-The Woodlands, TX MSA.

Information presented is based on the most current statistical data available; numbers from prior years are subject to change.

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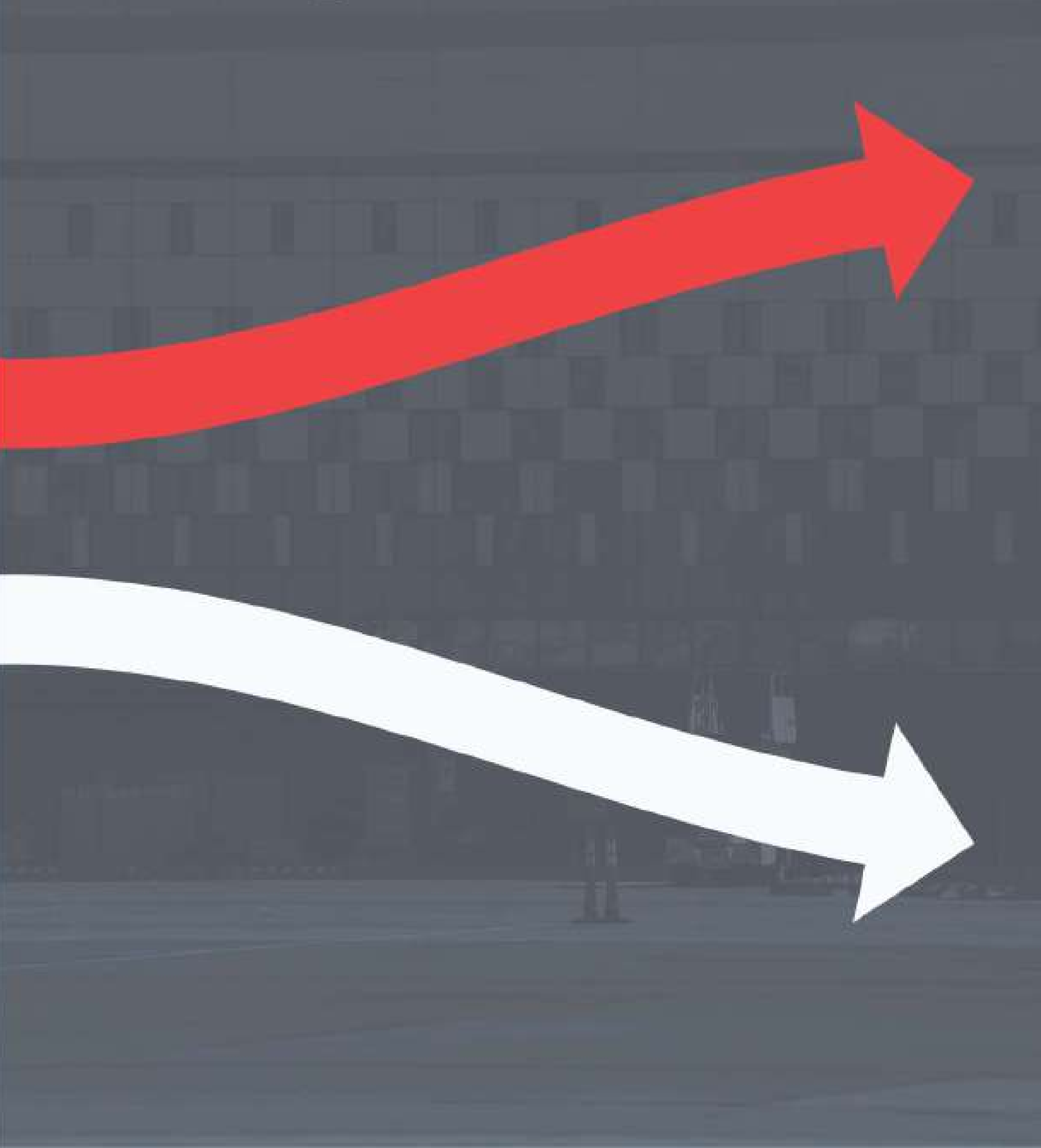
# Compliance



CITY OF HOUSTON
TEXAS

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

**Independent Auditor's Report on Compliance with the Passenger Facility Charge Program; Report on Internal Control over Compliance; and Report on Schedules of Passenger Facility Charge Program Revenues and Disbursements required by the *Passenger Facility Charge Audit Guide for Public Agencies***

To the Honorable Mayor, Members of City Council and
City Controller of City of Houston, Texas

**Report on Compliance**

***Opinion on the Passenger Facility Charge Program***

We have audited the City of Houston, Texas' (the City) compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the Guide) issued by the Federal Aviation Administration that could have a direct and material effect on the Houston Airport Systems' (HAS) Passenger Facility Charge Program (the Program) for the year ended June 30, 2025.

In our opinion, HAS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Passenger Facility Charge Program for the year ended June 30, 2025.

***Basis for Opinion on the Passenger Facility Charge Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) and the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HAS and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the Program. Our audit does not provide a legal determination of the HAS's compliance with the compliance requirements referred to above.

***Responsibility of Management for Compliance***

HAS's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with federal statutes, regulations, contracts, and the terms and conditions applicable to its Program.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HAS's compliance based on our audit. 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, *Government Auditing Standards* and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HAS's compliance with the requirements of the Program as a whole.

To the Honorable Mayor, Members of City Council and
City Controller of City of Houston, Texas

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HAS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HAS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of HAS's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor, Members of City Council and
City Controller of City of Houston, Texas

**Report on Schedules of Passenger Facility Charge Program Revenues and Disbursements**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2025, which contained unmodified opinions on those financial statements and a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedules of Passenger Facility Charge Program Revenues and Disbursements are presented for purposes of additional analysis as required by the Guide and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Passenger Facility Charge Program Revenues and Disbursements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The cumulative total columns as of June 30, 2025 and 2024, presented in the Schedules of Passenger Facility Charge Program Revenues and Disbursements have not been subjected to the auditing procedures applied in the audit of the Schedule and, accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
December 12, 2025

## FOR THE YEAR ENDED JUNE 30, 2025

| | FY 2024 Program Total | Quarter 1 Jul-Sept | Quarter 2 Oct-Dec | Quarter 3 Jan-Mar | Quarter 4 Apr-Jun | FY 2025 Total | FY 2025 Program Total |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Collections (Note 3) | $ 1,010,427,772 | $ 23,920,056 | $ 24,012,874 | $ 21,332,378 | $ 23,691,045 | $ 92,956,353 | $ 1,103,384,125 |
| Other revenue-insurance (Note 3) | 2,059,629 | – | – | – | – | – | 2,059,629 |
| Interest | 34,078,007 | 1,842,525 | 1,836,776 | 1,964,724 | 2,115,682 | 7,759,707 | 41,837,714 |
| Total Revenues | 1,046,565,408 | 25,762,581 | 25,849,650 | 23,297,102 | 25,806,727 | 100,716,060 | 1,147,281,468 |
| **DISBURSEMENTS** | | | | | | | |
| 1.01 Automated People Mover System | 278,077,361 | – | 2,299,733 | – | 14,019,170 | 16,318,903 | 294,396,264 |
| 1.02 Terminal B Expansion & Improvements | 130,921,556 | – | 569,077 | – | 1,472,039 | 2,041,116 | 132,962,672 |
| 1.03 Central FIS Facility | 151,978,893 | – | 1,915,631 | – | 11,448,576 | 13,364,207 | 165,343,100 |
| 1.04 North Parallel Runway 8L/26R | 47,639,543 | – | 464,989 | – | 3,274,203 | 3,739,192 | 51,378,735 |
| 1.05 Administrative Costs | 112,917 | – | – | – | – | – | 112,917 |
| 1.06 Central Plant HVAC Upgrades | 20,986,932 | – | 319,562 | – | 698,245 | 1,017,807 | 22,004,739 |
| 1.07 Terminal A/B South Taxiways | 20,660,313 | – | 349,664 | – | 1,522,567 | 1,872,231 | 22,532,544 |
| Total Disbursements | 650,377,515 | – | 5,918,656 | – | 32,434,800 | 38,353,456 | 688,730,971 |
| 2.01 Mickey Leland International Terminal (MLIT), Rehabilitation and Expansion | 151,801,692 | 6,925,525 | 9,995,723 | 7,708,449 | 10,292,168 | 34,921,865 | 186,723,557 |
| 2.02 Federal Inspection Services (FIS) Rehabilitation and Expansion | 32,612,725 | – | 5,850,086 | – | 7,362,444 | 13,212,530 | 45,825,255 |
| 2.03 Terminal Facilities Utilities (Enabling Utilities Landside) | 998,960 | – | 582,586 | – | 595,658 | 1,178,244 | 2,177,204 |
| 2.04 IAH Terminal Roadway Reconstruction | 651,011 | – | 868,579 | – | 868,579 | 1,737,158 | 2,388,169 |
| 2.05 Terminal A Baggage Handling System | 1,166,895 | – | 545,859 | – | 595,052 | 1,140,911 | 2,307,806 |
| 2.06 IAH Roadway Signage Replacement | 14,781,907 | – | 40,194 | – | 40,859 | 81,053 | 14,862,960 |
| 2.07 Terminal A Restroom Rehabilitation | – | – | – | – | – | – | – |
| 2.08 Terminal D Restroom Rehabilitation | – | – | – | – | – | – | – |
| Total Disbursements | 202,013,190 | 6,925,525 | 17,883,027 | 7,708,449 | 19,754,760 | 52,271,761 | 254,284,951 |
| Net PFC Revenues | 194,174,703 | 18,837,056 | 2,047,967 | 15,588,653 | (26,382,833) | 10,090,843 | 204,265,546 |
| PFC Account Balance | $ 194,174,703 | $ 213,011,759 | $ 215,059,726 | $ 230,648,379 | $ 204,265,546 | $ 204,265,546 | $ 204,265,546 |

## FOR THE YEAR ENDED JUNE 30, 2025

| | FY 2024 Program Total | Quarter 1 Jul-Sept | Quarter 2 Oct-Dec | Quarter 3 Jan-Mar | Quarter 4 Apr-Jun | FY 2025 Total | FY 2025 Program Total |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Collections (Note 3) | $ 312,920,547 | $ 6,111,607 | $ 4,025,532 | $ 5,379,199 | $ 6,629,217 | $ 22,145,555 | $ 335,066,102 |
| Other revenue-insurance (Note 3) | 755,196 | – | – | – | – | – | 755,196 |
| Interest | 7,815,334 | 407,948 | 419,381 | 450,222 | 499,256 | 1,776,807 | 9,592,141 |
| Total Revenues | 321,491,077 | 6,519,555 | 4,444,913 | 5,829,421 | 7,128,473 | 23,922,362 | 345,413,439 |
| **DISBURSEMENTS** | | | | | | | |
| 1.01 Rehab Runways | 4,036,884 | – | 5,206 | – | 65,900 | 71,106 | 4,107,990 |
| 1.02 Rehab & Modification to Taxiways | 16,098,825 | – | 15,390 | – | 194,814 | 210,204 | 16,309,029 |
| 1.03 Expand Taxiway Electrical System | 3,220,026 | – | – | – | – | – | 3,220,026 |
| 1.04 Arpt Drainage & Stormwater Improvs | 6,400,345 | – | 61,030 | – | 392,414 | 453,444 | 6,853,789 |
| 1.05 Acquire Runway 17 Protection Zone | 738,083 | – | 4,442 | – | 22,675 | 27,117 | 765,200 |
| 1.06 Airfield Lighting & Control | 7,786,161 | – | 15,701 | – | 91,881 | 107,582 | 7,893,743 |
| 1.07 Central Terminal Expansion | 34,333,171 | – | 110,194 | – | 700,285 | 810,479 | 35,143,650 |
| 1.08 Conduct Master Plan | 393,948 | – | – | – | – | – | 393,948 |
| 1.09 Central Concourse Equipment | 14,564,179 | – | 73,987 | – | 157,239 | 231,226 | 14,795,405 |
| 1.10 Apron Reconstruction | 4,824,114 | – | 94,911 | – | 181,311 | 276,222 | 5,100,336 |
| 1.11 Taxiway & Taxilane Reconstruction | 10,098,739 | – | 198,686 | – | 379,555 | 578,241 | 10,676,980 |
| 1.12 Overlay Runway 12R/30L | 5,605,297 | – | 24,773 | – | 43,023 | 67,796 | 5,673,093 |
| 1.13 Perimeter Fencing & Obstruction | 1,530,583 | – | 948 | – | 1,646 | 2,594 | 1,533,177 |
| 1.14 Access Controls & Telecom | 1,108,601 | – | 27,914 | – | 48,480 | 76,394 | 1,184,995 |
| 1.15 Environmental Impact Statement | 356,433 | – | 2,235 | – | 21,445 | 23,680 | 380,113 |
| 1.16 Land Acquisition RW4 RPZ | 625,542 | – | – | – | – | – | 625,542 |
| 1.17 Drainage/Stormwater Plan | 1,383,883 | – | 399 | – | 5,047 | 5,446 | 1,389,329 |
| 1.18 PFC Consulting, Admin, Audit | 97,621 | – | – | – | – | – | 97,621 |
| Subtotal HOU 1.00 Projects | 113,202,435 | – | 635,816 | – | 2,305,715 | 2,941,531 | 116,143,966 |
| 2.01 International Terminal Expansion | 39,912,373 | – | 1,817,588 | – | 4,629,631 | 6,447,219 | 46,359,592 |
| 2.02 International Terminal - Apron | 6,440,808 | – | 293,311 | – | 747,101 | 1,040,412 | 7,481,220 |
| 2.03 International Terminal - Roadways | 7,759,142 | – | 247,524 | – | 470,930 | 718,454 | 8,477,596 |
| 2.04 Elevated passenger walkway | 1,909,354 | – | 81,068 | – | 153,798 | 234,866 | 2,144,220 |
| 2.05 Satellite utilities plant - Phase I | 7,130,511 | – | 258,447 | – | 657,948 | 916,395 | 8,046,906 |
| 2.06 Passenger walkway canopy | – | – | – | – | – | – | – |
| 2.07 Central concourse expansion | 93,820,553 | – | 1,924,310 | – | 5,223,107 | 7,147,417 | 100,967,970 |
| 2.08 Explosive detection baggage equip. | 5,295,282 | – | – | – | – | – | 5,295,282 |
| 2.09 Partial reconstruction R/W 4-22 | 2,718,474 | – | 34,824 | – | 175,749 | 210,573 | 2,929,047 |
| 2.10 Partial reconstruction Taxiway C | 689,191 | – | 8,829 | – | 44,556 | 53,385 | 742,576 |
| 2.11 Partial reconstruct NE perimeter rd | 421,174 | – | 5,395 | – | 27,228 | 32,623 | 453,797 |
| 2.12 Air units - central concourse | – | – | – | – | – | – | – |
| Subtotal HOU 2.00 Projects | 166,096,862 | – | 4,671,296 | – | 12,130,048 | 16,801,344 | 182,898,206 |
| Total Disbursements | 279,299,297 | – | 5,307,112 | – | 14,435,763 | 19,742,875 | 299,042,172 |
| Net PFC Revenues | 42,191,780 | 6,519,555 | (862,199) | 5,829,421 | (7,307,290) | 4,179,487 | 46,371,267 |
| PFC Account Balance | $ 42,191,780 | $ 48,711,335 | $ 47,849,136 | $ 53,678,557 | $ 46,371,267 | $ 46,371,267 | $ 46,371,267 |

## NOTE 1 – Passenger Facility Charge Program

The Passenger Facility Charge ("PFC'') was established by Title 49, United States Code ("U.S.C."), Section 40117, which authorizes the Secretary of Transportation (further delegated to the FAA Administrator) to approve the local imposition of an airport PFC of $1, $2, $3, $4, or $4.50 per enplaned passenger for use on certain airport projects. Under Part 158, public agencies (as defined in the statute and regulation) controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects.

## NOTE 2 – Summary of Significant Accounting Policies

Basis of *Accounting* - The accompanying passenger facility charge revenues and disbursements schedules present revenues received on a cash basis, while expenditures are reported based upon the allocation of costs to approved projects.

## NOTE 3 – Reconciliation to Statement of Revenues, Expenses and Changes in Net Position

Passenger facility charges are reported on an accrual basis in the City of Houston Airport System Fund Statement of Revenues, Expenses and changes in Net Position in the Annual Comprehensive Financial Report. Reporting standards adopted by the FAA require for purposes of the PFC Revenues and Disbursements Schedule such charges be reported on a cash basis. A reconciliation between cash collections and revenue reported on the accrual basis is as follows:

**FOR THE YEAR ENDED JUNE 30, 2025**

| Passenger Facility Charges | HOU | IAH | HAS Total |
|---|---|---|---|
| Amounts per Statement of Revenues, Expenses and Changes in Net Position - accrual basis | $ 23,809,554 | $ 92,723,055 | $ 116,532,609 |
| Add: prior year accrual | 2,593,254 | 15,549,801 | 18,143,055 |
| Less: current year accrual | (4,257,253) | (15,316,503) | (19,573,756) |
| Collection amounts per Passenger Facility Charge Revenue and Disbursement Schedule - cash basis | $ 22,145,555 | $ 92,956,353 | $ 115,101,908 |

| | | | |
|---|---|---|---|
| **1.** | Type of report issued on PFC financial statements. | Unmodified | |
| **2.** | Type of report on PFC compliance. | Unmodified | |
| **3.** | Quarterly Revenues and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts. | X Yes | ___ No |
| **4.** | PFC Revenues and Interest are accurately reported. | X Yes | ___ No |
| **5.** | The Public Agency maintains a separate financial accounting record for each application. | X Yes | ___ No |
| **6.** | Funds disbursed were for PFC-eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects. | X Yes | ___ No |
| **7.** | Monthly carrier receipts were reconciled with quarterly carrier reports. | X Yes | ___ No |
| **8.** | PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | X Yes | ___ No |
| **9.** | Serving carriers were notified of PFC program actions/changes approved by the FAA. | X Yes | ___ No |
| **10.** | Quarterly Reports were transmitted (or available via website) to remitting carriers. | X Yes | ___ No |
| **11.** | The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | X Yes | ___ No |
| **12.** | Project design and implementation are carried out in accordance with Assurance 9. | X Yes | ___ No |
| **13.** | Program administration is carried out in accordance with Assurance 10. | X Yes | ___ No |
| **14.** | For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | X Yes | ___ No |

## A. Summary of Auditor's Results

1) There were no material weaknesses identified during the audit of the passenger facility charge program.

2) There were no significant deficiencies identified during the audit of the passenger facility charge program.

3) The auditor's report on compliance for the passenger facility charge program expresses an unmodified opinion.

## B. Findings and Questioned Costs

None reported.

HOUSTON AIRPORTS

HOUSTON SPACEPORT