



**CITY OF PHILADELPHIA  
Philadelphia Airport System**

**Municipal Securities Disclosure  
Annual Financial Information  
Fiscal Year Ended June 30, 2016**



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**Municipal Securities Disclosure Report  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2016**

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**Disclosure Requirements**  
**Fiscal Year Ended June 30, 2016**

This report has been prepared pursuant to certain provisions of the following Continuing Disclosure Agreements, collectively referred to as the “Disclosure Agreements”:

- Continuing Disclosure Agreements dated July 23, 1998 between the Philadelphia Authority for Industrial Development and the City of Philadelphia, Pennsylvania
- Continuing Disclosure Agreements dated August 4, 2005, August 1, 2007, April 14, 2009, November 15, 2010, December 1, 2011, and September 1, 2015 between the City of Philadelphia, Pennsylvania and Digital Assurance Certification, L.L.C.

This report contains financial information and operating data which, together with the City of Philadelphia’s Comprehensive Annual Financial Report (“CAFR”), constitute the “Annual Financial Information” as defined in the Disclosure Agreements.

In accordance with Section 3 of the Disclosure Agreements, the enclosed tables and financial information are substantially similar to the type set forth in the Official Statements for the Philadelphia Authority for Industrial Development Airport Revenue Bonds, Series 1998A and the City of Philadelphia, Pennsylvania Airport Revenue Bonds, Series, 2005C, 2007A/B, 2009A, 2010A/B/C/D, 2011A/B, and 2015A.

**Table 1**  
**City of Philadelphia Aviation Division**  
**Philadelphia International Airport (PHL)**  
**Recent Trends in Enplaned Passengers**  
**Fiscal Years 2014 - 2016**

<u>Airlines</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>	<u>Percentage Change</u>	<u>Fiscal Year 2016</u>	<u>Percentage Change</u>
<b>Domestic</b>					
Scheduled Major / National					
American	5,426,768	5,231,760	(3.6)%	5,890,212	12.6%
Other	3,357,499	3,490,560	4.0%	3,618,428	3.7%
	8,784,267	8,722,320	(0.7)%	9,508,640	9.0%
Scheduled Regional / Commuter	4,274,934	4,349,988	1.8%	3,975,528	(8.6)%
Charter	603	266	(55.9)%	85	(68.0)%
<b>Subtotal - Domestic</b>	<b>13,059,804</b>	<b>13,072,574</b>	<b>0.1%</b>	<b>13,484,253</b>	<b>3.1%</b>
<b>International</b>					
Scheduled Major / National	1,930,945	1,928,433	(0.1)%	1,911,233	(0.9)%
Scheduled Regional / Commuter	321,400	311,002	(3.2)%	285,252	(8.3)%
Charter	3,904	729	(81.3)%	2,820	286.8%
<b>Subtotal - International</b>	<b>2,256,249</b>	<b>2,240,164</b>	<b>(0.7)%</b>	<b>2,199,305</b>	<b>(1.8)%</b>
<b>Total Enplaned Passengers</b>	<b>15,316,053</b>	<b>15,312,738</b>	<b>(0.0)%</b>	<b>15,683,558</b>	<b>2.4%</b>

Note: The City's fiscal year ends June 30th.

**Table 2**

**City of Philadelphia Aviation Division  
Philadelphia International Airport (PHL)  
Airline Market Shares of Enplaned Passengers  
Fiscal Year 2016**

<u>Airlines</u>	<u>Enplaned Passengers</u>	<u>Percent of Total</u>
<b>Domestic</b>		
Scheduled Major / National		
American Airlines	5,890,212	37.6%
Southwest Airlines	1,133,501	7.2%
Delta Air Lines	973,307	6.2%
United Airlines	549,849	3.5%
Frontier Airlines	473,972	3.0%
Spirit Airlines	245,438	1.6%
JetBlue Airways	183,285	1.2%
Alaska Airlines	59,076	0.4%
	<u>9,508,640</u>	<u>60.6%</u>
Scheduled Regional / Commuter		
American Eagle		
Air Wisconsin Airlines	1,419,663	9.1%
Republic Airlines	1,326,308	8.5%
Piedmont Airlines	694,448	4.4%
PSA Airlines	307,357	2.0%
	<u>3,747,776</u>	<u>23.9%</u>
Other	227,752	1.5%
	<u>3,975,528</u>	<u>25.3%</u>
Charter	85	0.0%
<b>Subtotal - Domestic</b>	<b><u>13,484,253</u></b>	<b><u>86.0%</u></b>
<b>International</b>		
Scheduled Major / National		
American Airlines	1,536,251	9.8%
British Airways	128,290	0.8%
Frontier Airlines	80,497	0.5%
Lufthansa German Airlines	69,405	0.4%
Qatar Airways	61,745	0.4%
Delta Air Lines	35,045	0.2%
	<u>1,911,233</u>	<u>12.2%</u>
Scheduled Regional / Commuter		
American Eagle		
Air Wisconsin Airlines	160,730	1.0%
Republic Airlines	62,725	0.4%
	<u>223,455</u>	<u>1.4%</u>
Air Canada Express	61,797	0.4%
	<u>285,252</u>	<u>1.8%</u>
Charter	2,820	0.0%
<b>Subtotal - International</b>	<b><u>2,199,305</u></b>	<b><u>14.0%</u></b>
<b>Total Enplaned Passengers</b>	<b><u>15,683,558</u></b>	<b><u>100.0%</u></b>

Note: The City's fiscal year ends June 30th.

TABLE 3

**City of Philadelphia Aviation Division  
Philadelphia International Airport (PHL)  
Airline Market Shares of Landed Weight  
Fiscal Year 2016**

<u>Airlines</u>	<u>Landed Weight</u>	<u>Percent of Total</u>
<b>Domestic</b>		
Scheduled Major / National		
American Airlines	6,622,368,800	31.8%
Southwest Airlines	1,122,080,000	5.4%
Delta Air Lines	1,054,651,100	5.1%
United Airlines	593,949,100	2.9%
Frontier Airlines	463,421,858	2.2%
Spirit Airlines	265,760,220	1.3%
JetBlue Airways	219,833,622	1.1%
Alaska Airlines	55,911,600	0.3%
Air Canada	660,000	0.0%
	<u>10,398,636,300</u>	<u>49.9%</u>
Scheduled Regional / Commuter		
American Eagle		
Air Wisconsin Airlines	1,641,945,000	7.9%
Republic Airlines	1,573,718,187	7.6%
Piedmont Airlines	856,092,900	4.1%
PSA Airlines	393,415,000	1.9%
Envoy Airlines	447,700	0.0%
	<u>4,465,618,787</u>	<u>21.4%</u>
Other	<u>262,640,464</u>	<u>1.3%</u>
	<u>4,728,259,251</u>	<u>22.7%</u>
Charter	<u>679,404</u>	<u>0.0%</u>
<b>Subtotal - Domestic</b>	<b><u>15,127,574,955</u></b>	<b><u>72.7%</u></b>
<b>International</b>		
Scheduled Major / National		
American Airlines	2,575,400,800	12.4%
British Airways	293,399,570	1.4%
Qatar Airways	174,408,000	0.8%
Lufthansa German Airlines	155,153,844	0.7%
Delta Air Lines	81,551,600	0.4%
Frontier Airlines	76,825,044	0.4%
Air Canada	660,000	0.0%
JetBlue Airways	142,200	0.0%
	<u>3,357,541,058</u>	<u>16.1%</u>
Scheduled Regional / Commuter		
American Eagle		
Air Wisconsin Airlines	192,136,000	0.9%
Republic Airlines	79,175,770	0.4%
	<u>271,311,770</u>	<u>1.3%</u>
Air Canada Express	<u>105,717,988</u>	<u>0.5%</u>
	<u>377,029,758</u>	<u>1.8%</u>
Charter	<u>3,272,915</u>	<u>0.0%</u>
<b>Subtotal - International</b>	<b><u>3,737,843,731</u></b>	<b><u>18.0%</u></b>
<b>All-Cargo Airlines</b>	<b><u>1,955,783,988</u></b>	<b><u>9.4%</u></b>
<b>Total Landed Weight</b>	<b><u>20,821,202,674</u></b>	<b><u>100.0%</u></b>

Note: The City's Fiscal Year Ends June 30.



**Table 4**

**City of Philadelphia Aviation Division  
Philadelphia International Airport (PHL)  
Summary of Historical Project Revenues and Expenses of the Airport System  
(Fiscal Years ending June 30th - dollar amounts are listed in thousands)**

	<b><u>Fiscal Year 2012</u></b>	<b><u>Fiscal Year 2013</u></b>	<b><u>Fiscal Year 2014</u></b>	<b><u>Fiscal Year 2015</u></b>	<b><u>Fiscal Year 2016</u></b>
<b><u>Amounts Available for Debt Service</u></b>					
1. Space rentals	83,519	101,393	97,743	109,731	108,115
2. Landing fees	57,390	63,877	80,265	64,708	73,968
3. Ramp Area rentals	1,079	1,051	1,229	1,064	1,213
4. International Terminal revenues	<u>16,202</u>	<u>20,042</u>	<u>24,874</u>	<u>26,572</u>	<u>34,025</u>
5. Subtotal, Airline Rentals, Fees and Charges	158,190	186,363	204,111	202,075	217,322
6. Nonairline Revenues	111,196	103,519	112,759	119,096	123,434
7. Interest income and Contribution for carrier incentive program	<u>199</u>	<u>1,899</u>	<u>24</u>	<u>1,676</u>	<u>494</u>
8. Total Project Revenues	269,584	291,781	316,893	322,847	341,250
9. Passenger Facility Charges (PFCs) Available for Debt Service	31,573	31,160	31,168	31,169	31,176
10. Portion of Fund Balance Attributable to Amounts Available for Debt Service	<u>65,939</u>	<u>69,272</u>	<u>66,542</u>	<u>66,340</u>	<u>71,220</u>
11. Total Amounts Available for Debt Service	<u>367,096</u>	<u>392,213</u>	<u>414,604</u>	<u>420,356</u>	<u>443,646</u>
<b><u>Expenses</u></b>					
12. Net Operating Expenses	99,014	110,210	117,282	125,967	132,149
13. Required Renewal Fund Deposit	500	500	500	0	500
14. Revenue Bond Debt Service	103,042	109,836	125,397	125,248	120,595
15. Interdepartmental Charges	<u>92,666</u>	<u>101,858</u>	<u>103,902</u>	<u>108,692</u>	<u>106,775</u>
16. Total Expenses	<u>295,222</u>	<u>322,404</u>	<u>347,082</u>	<u>359,908</u>	<u>360,020</u>
17. Net Revenue	<u>\$ 71,874</u>	<u>\$ 69,808</u>	<u>\$ 67,522</u>	<u>\$ 60,448</u>	<u>\$ 83,626</u>
<b><u>Rate Covenant Tests of the Original General Airport Revenue Bond Ordinance</u></b>					
18. Test A (Line 11- Line 12- Line 13) / (Line 14)	2.60	2.56	2.37	2.35	2.58
19. Test B (Line 11- Line 12- Line 13- Line 15) / (Line 14)	1.70	1.64	1.54	1.48	1.69

Note: The information presented above reconciles to the Basic Financial Statements contained in the City's Comprehensive Annual Financial Report (CAFR), which is audited by the Office of the City Controller.

**Table 5**  
**City of Philadelphia Aviation Division**  
**Philadelphia International Airport (PHL)**  
**History of Applications to Use PFC Revenues**

<b>PFC</b>	<b>Approval</b>	<b>Initial</b>	<b>Amended</b>
<b><u>Application No.</u></b>	<b><u>Date</u></b>	<b><u>Approved</u></b>	<b><u>Approved</u></b>
		<b><u>Amount</u></b>	<b><u>Amount</u></b>
93-02-U-00-PHL	05/15/1993	\$ 14,250,000	\$ 12,805,493
95-03-C-00-PHL	02/27/1995	101,500,000	94,683,960
95-04-U-00-PHL	10/13/1995	950,000	1,270,605
95-05-C-00-PHL	11/21/1995	14,000,000	14,000,000
98-06-C-00-PHL	02/11/1998	26,150,000	19,534,950
99-08-U-00-PHL	10/12/1999	672,000,000	999,267,790
01-09-C-00-PHL	02/22/2000	22,250,000	24,177,050
06-10-C-00-PHL	02/16/2006	83,250,000	289,450,000
15-11-C-00-PHL	09/15/2015	109,080,000	109,080,000
	Totals	<u>\$ 1,043,430,000</u>	<u>\$ 1,564,269,848</u>

**Table 6**  
**City of Philadelphia Aviation Division**  
**Philadelphia International Airport (PHL)**  
**Historical PFC Revenues**  
**Fiscal Years 1993 - 2016**

<u>Fiscal Year</u>	<u>Collections</u>	<u>Interest</u>	<u>Total Revenues</u>
1993	\$ 14,484,101	\$ 142,790	\$ 14,626,891
1994	22,605,318	1,111,511	23,716,829
1995	21,828,173	2,285,485	24,113,658
1996	22,817,704	2,277,935	25,095,639
1997	27,229,901	1,837,334	29,067,235
1998	30,931,674	1,654,752	32,586,426
1999	29,408,652	2,018,264	31,426,916
2000	32,278,858	2,828,083	35,106,941
2001	31,880,729	3,362,695	35,243,424
2002	53,688,877	2,112,347	55,801,223
2003	43,961,971	1,537,729	45,499,700
2004	51,766,443	808,417	52,574,859
2005	61,378,549	1,284,025	62,662,574
2006	62,165,176	3,252,682	65,417,858
2007	65,328,768	5,047,045	70,375,813
2008	70,120,974	5,098,760	75,219,734
2009	60,898,941	1,886,741	62,785,682
2010	61,696,738	353,391	62,050,129
2011	62,338,653	191,092	62,529,745
2012	59,885,669	325,805	60,211,475
2013	58,495,629	414,832	58,910,461
2014	60,377,268	329,507	60,706,775
2015	60,644,305	436,648	61,080,953
2016	61,256,560	538,897	61,795,457
Totals	\$ 1,127,469,632	\$ 41,136,766	\$ 1,168,606,398
		Expenditures	\$ 1,075,216,419
		Balance	\$ 93,389,979

Note: The City's fiscal year ends June 30th.

**Table 7**  
**City of Philadelphia Aviation Division**  
**Philadelphia International Airport (PHL)**  
**Historical Enplaned Passengers**  
**Fiscal Years 1990 - 2016**

<u>Fiscal Year</u>	<u>Domestic</u>	<u>International</u>	<u>Total</u>	<u>Percentage Increase (Decrease)</u>
1990	7,400,854	379,667	7,780,521	
1991	7,322,959	388,954	7,711,913	(0.9)%
1992	7,041,274	534,004	7,575,278	(1.8)%
1993	7,645,396	582,621	8,228,017	8.6%
1994	7,777,184	607,718	8,384,902	1.9%
1995	8,419,133	634,955	9,054,088	8.0%
1996	8,538,732	665,334	9,204,066	1.7%
1997	9,502,168	890,094	10,392,262	12.9%
1998	10,601,187	1,104,443	11,705,630	12.6%
1999	10,737,979	1,329,813	12,067,792	3.1%
2000	10,652,391	1,326,524	11,978,915	(0.7)%
2001	11,149,732	1,521,721	12,671,453	5.8%
2002	10,501,846	1,499,659	12,001,505	(5.3)%
2003	10,519,234	1,617,391	12,136,625	1.1%
2004	11,149,952	1,938,821	13,088,773	7.8%
2005	13,427,191	2,063,378	15,490,569	18.4%
2006	13,563,540	2,011,457	15,574,997	0.5%
2007	13,864,721	1,986,970	15,851,691	1.8%
2008	13,971,056	2,081,917	16,052,973	1.3%
2009	13,357,446	2,005,297	15,362,743	(4.3)%
2010	13,113,239	2,080,502	15,193,741	(1.1)%
2011	13,407,158	2,204,425	15,611,583	2.8%
2012	13,134,251	2,209,875	15,344,126	(1.7)%
2013	13,021,515	2,194,370	15,215,885	(0.8)%
2014	13,059,804	2,256,249	15,316,053	0.7%
2015	13,072,574	2,240,164	15,312,738	(0.0)%
2016	13,484,253	2,199,305	15,683,558	2.4%
<hr/>				
	<u>Compound Annual Growth Rate</u>			
2001 - 2006	4.0%	5.7%	4.2%	
2001 - 2011	1.9%	3.8%	2.1%	
2001 - 2016	1.3%	2.5%	1.4%	
2006 - 2011	(0.2)%	1.8%	0.0%	
2006 - 2016	(0.1)%	0.9%	0.1%	
2011 - 2016	0.1%	(0.0)%	0.1%	

Note: The City's fiscal year ends June 30th.

## **FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION**

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

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

The accounting policies of the City of Philadelphia, as reflected in the accompanying Aviation Fund financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board. Accounting principles generally accepted in the United States of America for proprietary funds, such as the Aviation Fund, require that both earnings and expenses be recorded as they accrue, and that depreciation of fixed assets be recorded as an expense. The financial statements for fiscal year 2016 are presented in accordance with accounting principles generally accepted in the United States of America.

The financial statements contained in the Financial Section of this document are reconcilable with the Basic Financial Statements contained in the City’s Comprehensive Annual Financial Report for fiscal year 2016, which are audited by the Office of the Controller of the City of Philadelphia.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2016

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## **INTRODUCTION**

Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE) are owned by the City of Philadelphia (the City) and operated by the Division of Aviation (the Division). The following discussion and analysis of the financial performance and activity of the Division is to provide an introduction and understanding of the basic financial statements of the City's Aviation Fund (Aviation Fund) for the fiscal year ended June 30, 2016 (FY 2016) with selected comparative information for the fiscal year ended June 30, 2015 (FY 2015).

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

## **BACKGROUND INFORMATION ON THE AVIATION FUND**

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

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

## **DESCRIPTION OF PHILADELPHIA AIRPORT SYSTEM**

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the nineteenth busiest airport in the United States, serving 31.4 million passengers in calendar year 2015, and was ranked the fourteenth busiest in the nation based on aircraft operations.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2016

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

***Philadelphia International Airport***

Land: Approximately 2,425 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia.

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

Terminal Buildings: Approximately 3.3 million square feet, consisting of seven terminal units (A-West, A-East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger holdrooms, baggage claim areas and approximately 180 food, retail and service establishments.

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

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

***Northeast Philadelphia Airport***

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

**AIRPORT ACTIVITIES AND HIGHLIGHTS**

- ➔ **Financial Position:** In FY 2016, the Aviation Fund strengthened its financial position with total revenues, including capital contributions, exceeding total expenses by \$62.0 million while assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$866.2 million, a 7.7% increase over the FY 2015 total of \$804.3 million. Unrestricted net position also increased \$19.6 million, or 18.8%, in FY 2016.
- ➔ **Passenger and Other Traffic Activity:** In FY 2016, domestic enplaned passenger traffic grew as PHL's low-cost carriers, specifically Frontier Airlines and Spirit Airlines, began

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serving several new destination cities. JetBlue Airways also added twice daily service to Fort Lauderdale, FL during the course of FY 2016. This growth was offset by slight reductions in outbound international traffic, which was mainly attributable to American Airlines discontinuing year-round service to Tel Aviv, Israel in early January 2016 and seasonal service to Edinburgh, Scotland, which did not return in May 2015. Additionally, American temporarily suspended service to Brussels, Belgium in March 2016 after a series of coordinated bombings in the city, two of which occurred at Brussels Airport. American later closed the Brussels station across their entire network.

PHL experienced a decline in aircraft operations while also experiencing a slight increase in landed weight in FY 2016 due mainly to changes in aircraft fleet mix instituted by PHL's mainline carriers as they move to eliminate many of the regional aircraft from their respective route networks.

**Enplanements and Operations Activity at PHL**

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2015</b>	<b>Percentage Increase (Decrease)</b>
Domestic Enplanements (Outbound passengers):	13,484,253	13,072,574	3.1%
International Enplanements (Outbound passengers):	2,199,305	2,240,164	(1.8)%
Total Enplanements (Outbound passengers):	<u>15,683,558</u>	<u>15,312,738</u>	<u>2.4%</u>
Operations (Takeoffs & landings):	407,968	414,121	(1.5)%
Landed Weight (1,000-pound units):	20,821,203	20,772,632	0.2%

➔ **Highlights of Airline Operations at the Airport:** During calendar year 2016, the composition and volume of passenger activity at PHL changed as low cost carriers, such as Frontier, Spirit, Southwest and JetBlue, expanded service at PHL, while American made changes at its hub resulting in an overall decline in capacity. As a result of these changes, low cost carriers have gained market share and passengers have more options in key markets. While origin-destination (O&D) passenger volumes at PHL have increased from 57% to approximately 62%, total passengers have declined 4.1% on fewer connecting passengers.

Low cost carriers drove an expansion of service and more options for PHL passengers in 2016. Frontier Airlines added more departing seat capacity from PHL than any other carrier, adding service to 13 additional destinations and growing total departing seats by 39%. Frontier's passengers increased 34% calendar year over year. Spirit Airlines added service to 5 additional destinations and grew its departing seats by 66% and passengers by 65%. Low cost carrier growth has resulted in more competition in key markets at PHL, 17 of which gained an additional carrier in the nonstop market. Low cost carriers, inclusive of Frontier, Spirit,



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Southwest and JetBlue, represented 14% of PHL's total departing seat share in calendar year 2016, up from 12% in calendar year 2015.

PHL maintained its critical role in the American Airlines route network in calendar year 2016. It was American's fourth largest hub in terms of departing flights and fifth largest hub in terms of departing seats and total destinations served. However, American has made capacity adjustments at PHL as it completes its integration with US Airways and responds to market conditions. Additionally, commuter service has been negatively impacted by the nationwide shortage of pilots, which is affecting all airports and route systems. These changes resulted in 9% fewer scheduled departures and 7% fewer scheduled departing seats. American passengers at PHL declined 9% in calendar year 2016.

American eliminated transatlantic service to Tel Aviv, Brussels and Zurich and reduced service to London and Frankfurt. Overall weakness in the transatlantic market, which is not specific to American or PHL, was a contributing factor to the capacity reductions. PHL's transition from a Star Alliance hub before the AA-US merger to a oneworld hub post-merger may have also contributed to the decision to reduce or eliminate service to Frankfurt, Brussels and Zurich, all of which are Star Alliance hubs. Despite these changes PHL has maintained its status as American's primary transatlantic hub, with the most destinations served and the highest share of departing seats and connecting passengers. It does not appear that the decline in transatlantic connecting passengers at PHL represents a shift to other American hubs, all of which experienced a decline in transatlantic connecting passengers in calendar year 2016.

Frontier continues to expand at PHL in 2017 with new year-round service to Houston, Texas (IAH) and seasonal service to West Palm Beach, Florida starting March 2017, resulting in a 14% increase in flights and an 8% increase in departing seats. While Spirit has not scheduled service to any new destinations from PHL in 2017, its total departing seats are scheduled to increase 28% due to additional frequencies in existing markets. Additionally in 2017, Southwest will transition its Fort Lauderdale service from seasonal to year-round service starting in June 2017; Alaska Airlines will be adding seasonal service to Portland, Oregon starting in May 2017; and Icelandair will launch seasonal service to Reykjavik, Iceland four times a week starting May 2017.

- ➔ **Use and Lease Agreement:** In June 2015, the City Council of Philadelphia approved a five-year Airport-Airline Use and Lease Agreement (Airline Agreement) between PHL and the airlines. The Airline Agreement began July 1, 2015, and includes options for two one-year extensions.
- ➔ **Airport Revenue Refunding Bonds:** In August 2015, Airport Revenue Bonds, Refunding Series 2015A in the amount of \$97.8 million were issued. Serial bonds were issued with interest rates ranging from 4.0% to 5.0% with a final maturity in 2035. The proceeds of Series

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2015A were used to refund \$105.9 million of the Series 2005A Airport Revenue Bonds, maturing from 2016 through 2035 and to pay issuance costs on the bonds. The refunding structure of the 2015A bonds realized a net present value savings of approximately \$9.3 million, or 8.75% of the principal amount of the refunded bonds.

- ➔ **Grant Funding:** In FY 2016, PHL was awarded a \$14.0 million grant from the FAA for the construction of Runway 9R-27L Extension and an \$800 thousand grant from the Pennsylvania Department of Transportation's (PennDOT) Bureau of Aviation to rehabilitate Taxiway S, which includes signage and lighting upgrades.
- ➔ **Transportation Network Companies (TNCs):** The Pennsylvania General Assembly temporarily authorized TNC operations in the City of Philadelphia via a budget bill during the summer of 2016. In July, PHL negotiated temporary license agreements with two national TNCs. These temporary agreements expired on September 30, 2016. The Pennsylvania General Assembly passed a comprehensive bill addressing TNCs across the Commonwealth in October. The bill provided that PHL may adopt contracts, licenses, and regulations relating to the duties and responsibilities on Airport property of TNCs, including the imposition of reasonable fees. PHL thereafter negotiated long-term license agreements with two TNCs to allow them to operate at the Airport. Both the temporary and long-term license agreements provide that the TNCs pay per-trip fees to PHL based on the number of Airport passenger drop offs and pick-ups.

➔ **Environmental Stewardship**

Lighting Improvements: In FY 2016, PHL and airport concessionaires continued to install light emitting diode (LED) fixtures for numerous applications. Both interior and exterior LED lighting applications are being completed whenever feasible. The Philadelphia Parking Authority installed 1,400 LED lights along Arrivals Roadway. PECO rewarded PHL with a rebate check of nearly \$122 thousand as a result of the PPA project and the new lighting is estimated to save the Airport approximately \$120 thousand per year in energy costs.

Restroom Renovations: In FY 2016, PHL continued restroom renovations that incorporated water and energy saving features throughout the design and installation, including low flow toilets and urinals. Additionally, LED lighting, new hand dryers, and new rooftop air handling units are being installed. Water bottle filling stations have also been installed outside restroom areas for passengers to reduce waste by refilling and reusing bottles.

Noise Abatement: The Airport's Noise Abatement Program addresses airport noise concerns throughout the Philadelphia region and into northern Delaware. During the overnight hours (11 p.m. to 6 a.m.), voluntary air traffic control procedures are in place to direct aircraft departing from PHL to fly along the Delaware River until reaching an altitude of 3,000 feet. The Airport

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worked collaboratively with the FAA to monitor and improve compliance with these procedures. On an average month, 99.7% of departure flights at PHL complied with the noise abatement procedures.

Electric Vehicles: In December 2015, seven electric vehicle charging stations were installed in the short-term and long-term parking facilities located at PHL. Each station can charge two vehicles at once, allowing fourteen electric vehicles to be charged at the Airport while parked. Two stations are located on level one of parking garage C, two on level one of garage D and three near the exit tollbooths in the economy parking lot.

➔ **Awards and Recognition**

World Heritage City: In November 2015, Philadelphia was recognized by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as the nation's first World Heritage City. At an International Awards Ceremony travel trade show held at ITB Berlin, the Pacific Area Travel Writers Association (PATWA) named Philadelphia the best destination for heritage and culture.

Best in US 2016: With its historic roots, craft breweries and restaurants options, Philadelphia, PA was named America's top destination in 2016 by Lonely Planet Travel News, a worldwide travel publisher.

Ranked Among Nation's Most Affordable Airports: According to Cheapflights.com, PHL is one of the most affordable airports to travel from in the country. Cheapflights.com ranked PHL sixth out of 101 US airports that the site surveyed in its sixth annual Airport Affordability Index. The survey looked at average airfares that travelers found on the site during the month of June 2015 to a mix of popular domestic and international destinations and used the data to rank the 101 airports on its list.

Healthy Eating Choices Ranking: For 2015, the Physicians Committee for Responsible Medicine, a non-profit advocacy group of physicians that promotes nutrition's critical role in preventative medicine, named PHL as one of the healthiest airports in the nation for its healthy eating options. Out of 24 airports surveyed, PHL ranked third, tied with San Francisco International Airport. The Committee conducted its study by surveying registered dietitians and considered several healthy-eating criteria, including the availability of cholesterol-free, plant-based and fiber-packed meals. PHL jumped up eight spots on the list after tying for 11th place in the 2014 survey.

Fast Public WiFi: PHL ranked second among 20 airports in speed for its free WiFi service in its terminals. Ookla, a Seattle-based broadband speed testing firm, conducted upload and

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download testing during the last three months of 2016 and found that connection speeds at PHL were second only to Denver International Airport.

Airport Property Manager of the Year: James Tyrrell, Chief Revenue Officer at PHL was named 2015 Airport Property Manager of the Year at the 2016 Airport Revenue News (ARN) Conference and Exhibition in Dallas, TX. Each year, ARN recognizes individuals who have performed at the top of the industry.

Distinguished Public Service Award: In October 2015, The International Municipal Lawyers Association presented PHL Divisional Deputy City Solicitor Joseph F. Messina with the Joseph I. Mulligan, Jr. Distinguished Public Service Award for his work on behalf of PHL and the City of Philadelphia in forging an agreement between the City and Tinicum Township and the Interboro School District.

Veterans of Influence Award: In July 2016, The Philadelphia Business Journal presented Airport CEO Chellie Cameron with its 2016 Veterans of Influence Award recognizing distinguished veterans in the Philadelphia region. Ms. Cameron spent seven years as an active duty officer in the U.S. Air Force, achieving the rank of captain.

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## **FINANCIAL STATEMENTS OVERVIEW**

The basic financial statements of the Aviation Fund are designed to provide the reader with a broad overview of the organization's finances, in a manner similar to the private sector. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements of the Aviation Fund are presented on an accrual basis, and accordingly, income is recorded as earned and expenses as incurred. Operating revenues are comprised of airline and non-airline revenues. Airline revenues are those paid by PHL's agreement carriers and include rents, landing fees, and per passenger fees. Non-airline revenues are all other operating revenues that do not qualify as airline revenue. These consist of concession fees, other rents, utilities and other operating revenue. Operating expenses include payroll and employee benefits; the purchase of services, materials and supplies; and depreciation/amortization. Non-operating revenue and expense items include interest income, interest expense, CFC and PFC revenues, and operating grants.

Aviation Fund financial activity is presented in three financial statements:

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

The Aviation Fund financial statements can be found in Section II of this report. The Notes provide additional information that is essential to a full understanding of the data provided in the Aviation Fund financial statements. In addition to the basic financial statements and accompanying notes, government accounting standards require presentation of *required supplementary information* (RSI).

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**FINANCIAL HIGHLIGHTS**

***Net Position Summary***

The following table summarizes the Airport's assets, deferred outflows, liabilities and net position at June 30, 2016 and June 30, 2015:

**City of Philadelphia – Aviation Fund**  
**Statements of Net Position**  
(amounts expressed in thousands)

	<b>Fiscal Year 2016</b>	<b>Fiscal Year 2015</b>	<b>Dollar Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
Current assets	\$ 146,011	\$ 101,973	\$ 44,039	43.2%
Non-current assets	366,119	420,130	(54,011)	(12.9)%
Capital assets, net	1,990,633	1,948,873	41,760	2.1%
Total assets	2,502,763	2,470,975	31,789	1.3%
Deferred outflows	49,852	34,755	15,096	43.4%
Current liabilities	333,781	303,239	30,541	10.1%
Non-current liabilities	1,351,094	1,398,230	(47,136)	(3.4)%
Total liabilities	1,684,875	1,701,469	(16,595)	(1.0)%
Deferred inflows	1,522	-	1,522	-
Net position:				
Net investment in capital assets	800,301	702,391	97,910	13.9%
Restricted for capital projects	73,033	125,136	(52,102)	(41.6)%
Restricted for debt service	77,598	81,078	(3,480)	(4.3)%
Unrestricted	(84,715)	(104,344)	19,629	(18.8)%
Total net position	\$ 866,218	\$ 804,261	\$ 61,957	7.7%

Total net position serves as a indicator of the Airport's financial position. At June 30, 2016, the Aviation Fund's assets and deferred outflows exceeded liabilities and deferred inflows by \$866.2 million. Between FY 2015 and FY 2016, total net position increased by nearly \$62.0 million. Changes in total net position are summarized below:

**Total assets** increased by \$31.8 million. Current assets increased by \$44.0 million primarily due to increases in cash and investments in the Operating Fund. Conversely, non-current assets decreased by \$54.0 million due primarily to decreases in cash and investments in the Capital Fund. Additionally, capital assets increased by a net of nearly \$41.8 million due to capital outlays totaling \$142.0 million resulting from ongoing Airport capital projects, and offset by net depreciation of nearly \$100.3 million.

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**Deferred outflows of resources** increased by a net of \$15.1 million. The increase is entirely attributable to employer pension contributions, mainly the net difference between projected and actual earnings on pension plan investments.

**Total liabilities** decreased by a net of \$16.6 million. The current portion of total liabilities increased \$30.5 million primarily due to the Division drawing \$22.3 million of additional commercial paper notes to finance airline-approved capital improvement projects. Unearned revenue also increased \$20.1 million due to an increase in prepaid rents from PHL tenants and overcollection of revenues from the airlines in FY 2016. These increases were offset by a \$12.6 million decrease in construction contracts payable in FY 2016. The non-current portion of total liabilities decreased by a net of \$47.1 million primarily due to the change in the non-current portion of bonds payable totaling \$72.2 million which was offset by a \$19.1 million increase in the Airport's net pension liability.

**Deferred inflows of resources** were recorded at \$1.5 million in FY 2016. This includes nearly \$0.2 million resulting from the gain on refunding debt and \$1.3 million of deferred pension revenue.

**Net investment in capital assets** increased by \$97.9 million. Capital assets increased by \$142.0 million, less \$100.3 million in depreciation expense. This overall net increase in capital assets of \$41.7 million was supplemented by net decreases in related debt of \$56.1 million. The change in related debt included a net reduction in bonds payable, the issuance of additional commercial paper, and a net increase in the unamortized premiums and refunding losses totaling \$41.2 million. This decrease in related debt was offset by an increase of \$2.3 million in unspent capital debt proceeds and a \$12.6 million decrease in construction contracts payable. Although these capital assets assist the Airport in providing services to the traveling public, they are generally not available to fund operations of future periods.

**Restricted for capital projects** represents funds available but restricted for construction of capital assets, reduced by debt payable on those funds. This balance decreased by \$52.1 million in FY 2016 as a result of a \$51.5 million decrease in the PFC balance reserved for "Pay as you go" construction.

**Restricted for debt service** decreased by \$3.5 million. This decrease is entirely attributable to the reduction in the sinking fund reserve requirement which resulted from the FY 2015 retirement of the Airport's Revenue Refunding Bonds, Series 2010B, as well as the FY 2016 issuance of Airport Revenue Refunding Bonds, Series 2015A.

**Unrestricted net position** increased by \$19.6 million. The unrestricted component of net position represents the net amount of total assets, deferred outflows of resources, total liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets nor the restricted component of net position. The net increase in unrestricted net position

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results from an increase of \$43.1 million in total assets, the \$16.3 million increase in deferred outflows of resources related to pensions, an increase of \$38.3 million in total liabilities and the \$1.4 million recognition of deferred inflows of resources related to pensions.

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

The following table compares the changes in revenues, expenses and fund net position between June 30, 2016 and June 30, 2015:

**City of Philadelphia – Aviation Fund**  
**Statements of Revenues, Expenses and Changes in Fund Net Position**  
(amounts expressed in thousands)

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Dollar</b>	<b>Percentage</b>
	<b>2016</b>	<b>2015</b>	<b>Increase</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
Operating revenues	\$ 340,796	\$ 322,365	\$ 18,432	5.7%
Operating expenses	346,107	332,809	13,298	4.0%
Operating loss	(5,310)	(10,444)	5,134	(49.2)%
Non-operating revenue, net	43,064	51,865	(8,801)	(17.0)%
Income before capital contributions	37,753	41,421	(3,668)	(8.9)%
Capital contributions	24,204	35,550	(11,346)	(31.9)%
Changes in net position	61,957	76,971	(15,014)	(19.5)%
Net position beginning of year	804,261	894,969	(90,708)	(10.1)%
Change in accounting principle	-	(167,679)	167,679	(100.0)%
Net position end of year	<u>\$ 866,218</u>	<u>\$ 804,261</u>	<u>\$ 61,957</u>	<u>7.7%</u>

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

The change in net position represents the results of operations and is a useful indicator of whether the overall financial condition of the Airport has improved or declined during the year. In FY 2016, net position increased by \$62.0 million from the prior year. This increase reflects net income and capital contributions.

**Revenues**

Approximately 74% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. CFC and PFC revenues account for another 20%, with the remainder coming from federal and state grants and interest

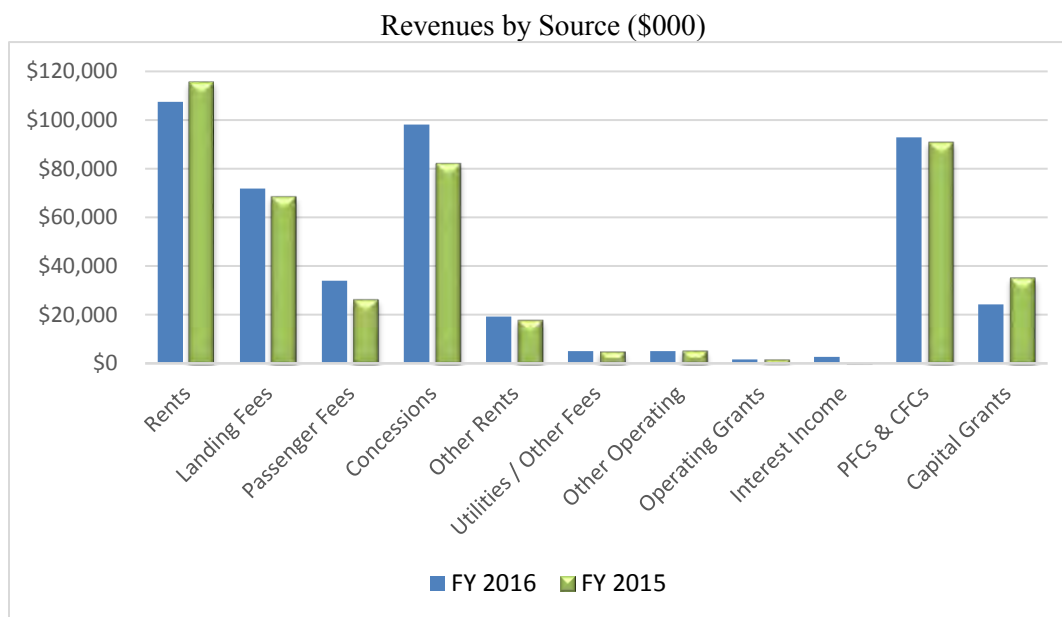


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earnings. Approximately 37% of operating revenues came from nonairline revenue such as parking, rental cars, concessions and other fees. A further breakdown of revenues can be found in the Statistical Section.

The graph below presents the major components of revenue for FY 2016 and FY 2015, followed by explanations of changes in these categories between years.



**Operating revenues** are comprised of airline and non-airline revenues. Airline revenues are those paid by PHL's agreement carriers (signatory) and include the first three categories in the above chart; rents, landing fees, and passenger fees. Non-airline revenues are all other operating revenues that do not qualify as airline revenue. These consist of concession fees, other rents, utilities and other operating revenue. Operating revenues increased by \$18.4 million (5.7%) in FY 2016.

- **Rents** derived from PHL's signatory airlines decreased by \$8.1 million (7.0%) from FY 2015 to FY 2016 due primarily to the recognition of accrued revenue and unearned revenue. In FY 2015, the Airport recognized accrued revenue of nearly \$2.3 million, whereas in FY 2016, the Airport recorded unearned revenue of \$3.6 million, reflecting a net decrease of \$5.9 million. In addition, in FY 2016, the Airport recorded approximately \$1.7 million offset to revenue to reflect that the airlines repaid one-third of the \$5 million Operation and Maintenance (O&M) Account accrual from FY 2015.
- **Landing fees** derived from PHL's signatory airlines increased by \$2.9 million (4.3%) from FY 2015 to FY 2016 primarily due to the increase in the landing fee rate. The signatory landing fee rate was increased \$0.47 per 1,000 lb. unit (12.3%) in FY 2016. This increase in revenue resulting from the rate increase was offset by recognition of accrued revenue and

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unearned revenue. In FY 2015, the Airport accrued revenue of nearly \$5.5 million, whereas in FY 2016, the Airport recorded unearned revenue of \$8.6 million, reflecting a net decrease of \$14.1 million. In addition, in FY 2016, the Airport recorded approximately \$1.7 million offset to revenue to reflect that the airlines repaid one-third of the \$5 million O&M Account accrual from FY 2015.

- **Passenger fees** derived from PHL's signatory airlines increased by \$7.4 million (27.7%) in FY 2016 due primarily to an average increase of 19.3% in the signatory passenger rates in FY 2016. Additionally, PHL experienced an increase in domestic and international passenger traffic in the terminals (A-East and A-West) that result in such revenue.
- **Concessions** consist primarily of revenues derived from food and beverage/retail/service establishments, on-Airport and off-Airport parking operations, and rental car operations. Concessions increased \$15.8 million (19.2%) in FY 2016 mainly due to revenue attributable to the Airport's concession development program operated by MarketPlace PHL, LLC (MPPHL). PHL experienced a one-time \$12.2 million increase in revenue from MPPHL in FY 2016 as the company transitioned contracts from the former entity, MarketPlace Philadelphia, LP (MPPLP), effective January 1, 2015. As part of this transition, there was a close-out of the former contract which resulted in several operating reserve accounts being closed and paid to the Airport in FY 2016 that actually related to FY 2015 and the original service agreement with MPPLP. In addition, PHL experienced increases in advertising, parking, and rental car revenue in FY 2016 of \$1.1 million, \$0.9 million and \$1.0 million, respectively.

**Non-operating revenues**, which consist of federal, state and local grants for non-capital purposes, PFCs, CFCs, and interest income, increased by \$3.8 million (4.0%) in FY 2016.

- **Grants** from other governments for non-capital purposes (operating grants) decreased by nearly \$0.3 million (14.0%) in FY 2016. This decrease in revenue is attributable to the decrease in the Transportation Security Administration's (TSA) federal grant reimbursement for PHL's deployment of law enforcement officers.
- **PFCs** decreased by less than \$0.3 million (0.4%) in FY 2016 which is simply attributable to the timing of airline ticket sales, the derivation of PFC revenue.
- **CFCs** increased \$2.0 million (6.7%) in FY 2016 due to the increase in the number of rental car transactions days, the derivation of CFC revenue.

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- **Interest income** increased by \$2.3 million (631.8%) in FY 2016 which is reflective of the overall performance of the Airport's investments across all funds and the unrealized gains from investments.

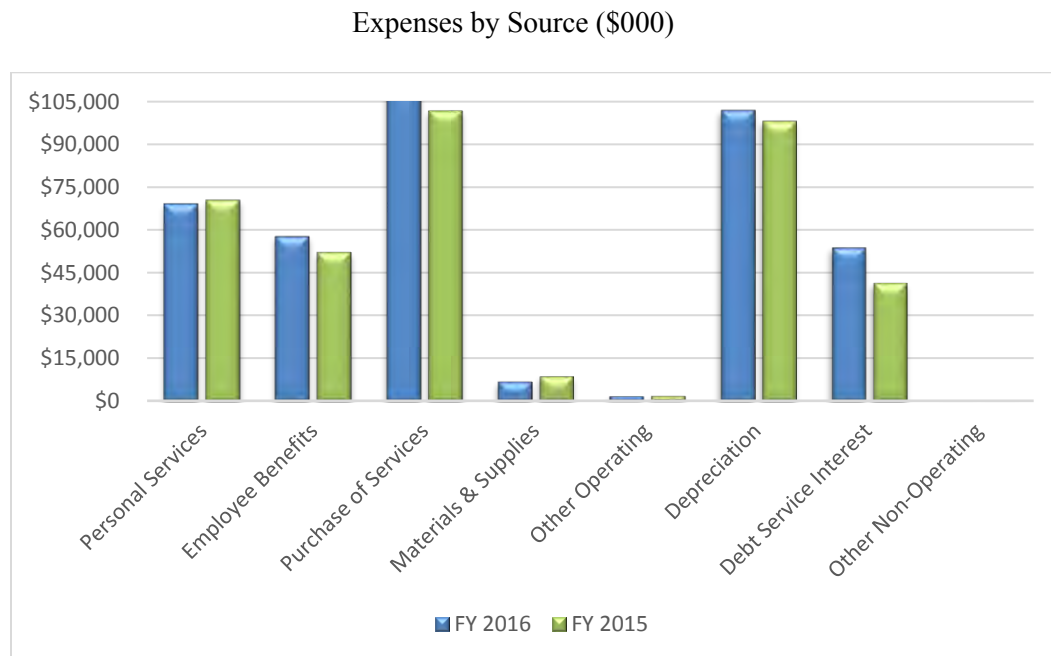
**Capital contributions**, which consist of federal, state and local grants for capital purposes decreased by \$11.3 million (31.9%) in FY 2016.

- **Capital grant revenue** in any given year is dependent upon construction timelines for reimbursement of grant-eligible Airport capital projects. The decrease for FY 2016 is due to federal grant-eligible expenditures decreasing nearly \$8.5 million in FY 2016 and PA grant-eligible expenditures decreasing \$2.8 million in FY 2016.

### Expenses

Airport expenses result from a wide range of services. Wages, benefits and contractual services account for approximately 59% of total expenses; depreciation and amortization comprise an additional 26% of the total, with the remainder accounting for debt service interest and other operating and non-operating expenses.

The graph below presents the major components of expense for FY 2016 and FY 2015, followed by an explanation of changes in these components.



**Operating expenses**, which includes the first six categories in the bar chart above, increased by \$13.3 million (4.0%) in FY 2016.

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- **Personal services and employee benefits** increased by a total of \$4.6 million (3.8%) in FY 2016.

Personal services decreased \$1.1 million (1.6%) in FY 2016 due primarily to one-time contract ratification bonuses paid to the Airport's blue-collar AFSCME District Council 33 (DC 33) represented employees in FY 2015. The overall decrease in payroll costs was despite a marginal increase in staffing of total Aviation employees from FY 2015 to FY 2016.

Employee benefits increased \$5.7 million (11.0%) in FY 2016 primarily due to increases in the Airport's pension costs. In FY 2016, the City's recognized pension expense totaled \$117.0 million, including amortization of deferred outflows and inflows of resources for pension related items. The Airport's share of the City's pension expense including deferred outflow and inflow of resources for pension related items was \$4.1 million. Additionally, the Airport accrued an increase of \$0.9 million for compensated absences, or earned but unused vacation leave, in FY 2016.

- **Purchase of services** increased by nearly \$6.8 million (6.7%) in FY 2016 mainly due to an \$8.7 million net effect of expensing indirect costs from construction in progress (CIP) and the capitalization of operating expenditures.
- **Materials and supplies and other operating expenses**, including the purchase of equipment, decreased nearly \$1.9 million (17.8%) in FY 2016. This is mainly attributable to the retirement of aged equipment, the change in the valuation of the materials and supplies inventory at fiscal year-end 2016, and the change in accrued expenses, year-over-year.
- **Depreciation and amortization expense** increased \$3.8 million (3.9%) in FY 2016. This increase was primarily due to the addition of newly acquired property, specifically the International Plaza complex, and completed capital projects, including the resurfacing of Runway 9L-27R. The straight-line method is used to record depreciation starting in the year following addition.

**Non-operating expenses**, which includes debt service interest and other non-operating expenses, increased nearly \$12.6 million (30.4%) in FY 2016. This increase is entirely attributable to the change in the amounts of interest capitalized to construction in progress, from nearly \$21.4 million in FY 2015 to \$4.9 million in FY 2016.

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***Summary of Cash Flows***

The following table shows the major sources and uses of cash for FY 2016 and FY 2015:

**City of Philadelphia – Aviation Fund**  
**Statements of Cash Flows**  
(amounts expressed in thousands)

	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Dollar</b>	<b>Percentage</b>
	<b>2016</b>	<b>2015</b>	<b>Increase</b>	<b>Increase</b>
			<b>(Decrease)</b>	<b>(Decrease)</b>
Cash received from operations	\$ 367,374	\$ 320,917	\$ 46,457	14.5%
Cash expended from operations	(241,011)	(232,229)	(8,782)	3.8%
Net cash provided by operations	126,363	88,688	37,675	42.5%
Net cash provided by				
non-capital financing activities	1,765	1,645	120	7.3%
Net cash provided by (used in)				
capital and related financing activities	(132,188)	(75,171)	(57,017)	75.8%
Net cash provided by (used in)				
investing activities	19,208	52,973	(33,765)	(63.7)%
Net (decrease) in cash and cash				
equivalents	15,148	68,135	(52,987)	(77.8)%
Balance beginning of year	95,466	27,331	68,135	249.3%
Balance end of year	<u>\$ 110,614</u>	<u>\$ 95,466</u>	<u>\$ 15,148</u>	<u>15.9%</u>

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

Cash that was temporarily idle during fiscal years 2016 and 2015 was invested in demand deposits, certificates of deposits, commercial paper (CP), United States government and agency obligations and other investments permitted under the City's investment policy.

During FY 2016, proceeds from the issuance of debt totaled \$668.9 million which is merely a function of the issuance of new CP notes as well as the "rolling" of CP at maturity.

Cash expended for capital construction, reflected in net cash provided by capital and related financing activities, was \$151.4 million and \$189.6 million for fiscal years 2016 and 2015, respectively. Grant proceeds used to fund capital projects, reflected in net cash provided by capital and related financing activities, totaled \$25.1 million for both fiscal years 2016 and 2015.

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**CAPITAL ASSETS AND CONSTRUCTION**

The Airport's investment in capital assets, net of accumulated depreciation, amounted to more than \$1.99 billion at the end of FY 2016. The following table presents the changes in capital assets for FY 2016.

**City of Philadelphia – Aviation Fund**  
**Capital Assets**  
(amounts expressed in thousands)

	<b>Fiscal Year 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Fiscal Year 2016</b>
<u>Non-Depreciable Assets</u>				
Land and Intangibles	\$ 147,049	\$ 3,074	\$ -	\$ 150,123
Construction in Progress	553,817	143,077	(264,767)	432,127
Total Non-Depreciable Assets	<u>700,866</u>	<u>146,151</u>	<u>(264,767)</u>	<u>582,250</u>
<u>Depreciable Assets</u>				
Buildings	1,890,485	168,236	-	2,058,721
Infrastructure	934,730	93,457	-	1,028,187
Equipment	54,587	660	(1,692)	53,555
Total Depreciable Assets	<u>2,879,802</u>	<u>262,353</u>	<u>(1,692)</u>	<u>3,140,463</u>
<u>Accumulated Depreciation</u>				
Capital Additions	(960,377)	(64,204)	-	(1,024,581)
Infrastructure	(629,489)	(35,003)	-	(664,492)
Equipment	(41,930)	(2,702)	1,625	(43,007)
Total Accumulated Depreciation	<u>(1,631,796)</u>	<u>(101,909)</u>	<u>1,625</u>	<u>(1,732,080)</u>
Net Depreciable Assets	<u>1,248,006</u>	<u>160,444</u>	<u>(67)</u>	<u>1,408,383</u>
Total Capital Assets	<u>\$ 1,948,872</u>	<u>\$ 306,595</u>	<u>\$ (264,834)</u>	<u>\$ 1,990,633</u>

***Capital Development***

The Airport regularly renovates, improves and expands its facilities to improve the passenger experience and meet the demands of the aviation industry. In the last ten years, the Airport has constructed more than \$1.3 billion of capital improvements, including expansion and renovation of existing terminals, and airfield improvement projects, including a runway extension.

The Airport's capital projects are included in the long-range Capacity Enhancement Program (CEP) and a near-term, on-going Capital Improvement Program (CIP). The CEP is a set of projects being pursued to improve efficiency, modernize airport facilities and provide additional capacity for future growth. It is a multi-year endeavor with multiple phases, and the timing for each development will be closely coordinated with the airlines and other stakeholders in order to maintain operational efficiency during construction. Approved CEP projects include a runway extension, taxiway improvements and the consolidated rental car facility. The Airport is working

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with its airline partners to review the sequencing and prioritization of the remaining elements within the CEP, which include expanding and reconfiguring the existing terminal complex; a new runway; an additional runway extension; further taxiway improvements; relocating several on and off-airport facilities to facilitate airfield improvements; cargo facility development; and parking and roadway improvements.

The CIP focuses on the near-term capital facility needs. CIP projects are developed to complement the framework of the CEP and the Airport's ultimate development. Major CIP projects include completion of Terminals D/E checked baggage inspection system; a new deicing facility; and on-going rehabilitation and replacement projects.

The following capital projects with current airline or other funding approval are outlined below. These projects are in various phases of planning, design, construction and completion.

***Capital Projects Underway***

Capital asset additions included nearly \$143.1 million in construction in progress in FY 2016. Major projects underway during the fiscal year included:

Terminals D/E Expansion: Previously completed phases of this project consist of a new 210,000 square foot multi-level connector building between Terminals D and E; a 50,000 square foot addition to the Terminal E concourse that provided three additional passenger gates; a 9,000 square foot connector building between baggage claim areas for Terminals D and E; and various renovations to areas within the two terminals and the adjacent Thermal Plant. The final phase of the project will be the activation of an in-line Explosive Detection System (EDS) and the completion of the remaining Terminal E ticket counters and airline ticket office items. This final phase is scheduled to be completed in the spring of 2017 with an approved project cost of \$40.0 million.

Runway 9R-27L Extension and Associated Taxiways (EE and H): This project will extend existing Runway 9R-27L to the east by approximately 1,500 feet to a total length of 12,000 feet. In addition, this project includes the construction of Taxiways EE and H in order to improve the flow and sequencing of aircraft to and from Terminals E and F and reduce taxiway complexity. The final phase of this project includes relocation of fuel lines and installation of a new localizer antenna array for Runway 9R-27L. This project is currently under construction and scheduled for completion in 2018. The approved project cost is \$201.0 million.

Terminal Modernization Program: This program focuses on capacity in the terminals with a new automated baggage handling and screening system, and may include a new, more spacious, centralized passenger security checkpoint to provide for greater efficiency and enhanced passenger flow. The current project budget of \$237.1 includes funding for planning, design and some initial construction.

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Consolidated Rental Car Facility (CONRAC): This project will replace the current rental car facility surface lots with a new, multi-story consolidated rental car facility. This project is currently in the planning phase. Customer Facility Charge (CFC) revenue is currently being collected on rental transactions and will be the source of funding for the project. Funding for this project is not subject to airline approval.

New Deicing Facility: This project will convert the existing boom operation into a state of the art trucking operation. Work is expected to be completed in the fall of 2017. The approved project cost is \$43.0 million.

Roof and Air Handling Unit Replacement: This project includes the replacement of existing roof and roof-top air handling units on Terminals B, C and D. Phase one of this project is expected to be completed in the summer of 2017, with phase two to start immediately thereafter. The entire project is expected to be completed in the summer of 2018. The approved project cost in total is \$15.0 million.

Loading Bridge Replacement Program Phase Two: Phase two of the Passenger Loading Bridge Replacement Program will replace an additional 13 jet bridges in Terminals B, C, and D. This project is scheduled to be completed in the fall of 2020 at an estimated cost of \$23.0 million.

Other Infrastructure Rehabilitation Projects: A myriad of other repair and rehabilitation projects are in the planning and design phases, such as mechanical systems, roof repairs and restroom upgrades.

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

Fixed asset additions totaled nearly \$262.4 million during FY 2016. It is the Airport's policy that when projects are completed, they are transferred from construction in progress to fixed assets. Significant acquisitions, design and construction projects completed during FY 2016 include the following:

Terminal F Expansion: This multi-phase project included reconfiguring and adding approximately 80,000 square feet to Terminal F. The expansion included a new baggage claim building on the arrivals roadway providing two claim devices; enlarged passenger holdrooms and concession areas; enlarged club room; crew lounges; and other airline operations facilities for American Airlines. The Airport completed phase One of the Terminal F expansion project in 2014 that included an enlarged "Central Hub" to accommodate additional concession space and improve passenger flow. Phase Two of this project provided additional capacity for passenger and baggage processing for American's affiliate airline operations. This project was completed in the summer of 2016 at a cost of \$160.6 million.

Acquisition: In July 2015, PHL acquired a 27-acre parcel of property adjacent to the Airport. The property consists of two 6-story office buildings, one of which has a 3-story annex, with the net



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floor area of the buildings totaling nearly five hundred thousand square feet, as well as entrance roads and setbacks, landscaping, and surface parking lots. Settlement and other closing costs for this property amounted to approximately \$90.7 million.

Access Control Upgrades: Security access and security surveillance at PHL requires periodic upgrades and perimeter fortification in compliance with TSA and PHL security guidelines. The phase one upgrades included expansion of the access control components, software upgrades, and interior door rehabilitation. This project was completed in September 2016 at a cost of \$10.0 million.

Security Bollards: This security project, approved by the TSA, and required to meet the established vehicle projection standards for passenger terminals, was completed in the summer of 2016. The cost for this project totaled \$4.4 million. Work included: removal and relocation of existing jersey barriers, installation of concrete bollards with sleeves and sidewalk and curb beautification.

Roadway Repairs: This project is a multi-phased project that includes periodic resurfacing and improvements of nearly eight miles of roadway in Cargo City, terminal approaches, departure and arrival roads, the interconnecting roads, and the recirculation roads. Roadway improvement phase one was completed in September 2016 at a cost of \$3.2 million.

## **DEBT ADMINISTRATION**

As of June 30, 2016, PHL's outstanding long-term debt totaled \$1.1 billion and payments for scheduled maturities totaled \$63.2 million. The following table summarizes the changes in long-term debt, including the current portion, for FY 2016:

**City of Philadelphia – Aviation Fund**  
**Changes in Long-Term Debt**  
(amounts expressed in thousands)

	<b>Fiscal Year 2015</b>	<b>Additions</b>	<b>Retirements/ Repayments</b>	<b>Fiscal Year 2016</b>
Revenue bonds	<u>\$ 1,193,915</u>	<u>\$ 97,780</u>	<u>\$ 166,990</u>	<u>\$ 1,124,705</u>

For FY 2016, total revenue bonds payable of \$1.125 billion, less current maturities of \$63.24 million, equated to \$72.29 per enplaned passenger, compared to \$74.04 for FY 2015.

Refunding Bonds: Additions to long-term debt result from the issuance of Airport Revenue Bonds, Refunding Series 2015A in the amount of \$97.8 million that were issued in August 2015. The proceeds of Series 2015A were used to refund \$105.9 million of the Series 2005A Airport Revenue Bonds, maturing from 2016 through 2035 and to pay issuance costs on the bonds.

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Credit Ratings: Fitch and Moody's maintained their ratings of "A" and "A2", respectively, for PHL's outstanding airport revenue bonds and both affirmed a stable outlook to the Airport. Standard & Poor's (S&P) affirmed their underlying "A" rating in January 2017 while maintaining its stable outlook.

Commercial Paper Program: PHL established a \$350 million commercial paper (CP) program in early 2013 to provide funding for capital projects approved by PHL's signatory airlines. CP is a short-term financing tool with a maximum maturity of 270 days. PHL's CP Program enables capital projects to be financed on an as-needed basis, which lowers the Airport's cost of borrowing and limits negative arbitrage during project construction periods. CP Notes will continue to be "rolled over" until long-term bonds are issued to refund outstanding CP. As of June 30, 2016, PHL had drawn \$189.9 million of CP, which was used to fund ongoing capital projects, program management efforts and the purchase of land parcels.

Rate Covenant: Table 4, "Summary of Historical Project Revenues and Expenses," in the Introductory Section presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test 1) and total debt service coverage (Rate Covenant Test 2) in accordance with Section 5.01 of the Amended and Restated General Revenue Bond Ordinance (GARBO). Rate Coverage Test 1 requires PHL to maintain debt service coverage of not less than 1.50x and Rate Covenant Test 2 requires debt service coverage of not less than 1.0x. Debt service coverage is calculated based on a formula in GARBO. Historically, PHL has maintained a coverage ratio significantly higher than its requirement. During FY 2016, PHL's debt service coverage for Test 1 was 2.58x and Test 2 was 1.69x.

## **BUDGETARY HIGHLIGHTS**

Actual expenditures for FY 2016 were 2.6% lower than budgeted expenditures. The following factors contributed to this difference:

Direct expenses were \$1.8 million (1.4%) higher than budgeted in FY 2016. This was primarily attributable to Aviation's costs for personnel and contractual services related to the general facility maintenance of Airport and additional expenditures on facilities in anticipation of the World Meeting of Families in September 2015.

Net interdepartmental charges were \$8.1 million (7.1%) lower than projected in FY 2016. These results are a function of several expense categories but are mainly due to realized savings of nearly \$3.7 million from the Airport's fringe benefit costs and \$1.3 million from costs related to the operation and maintenance of PHL's fleet of vehicles. Additionally, PHL experienced a decrease of nearly \$0.8 million in utility (electric, natural gas, telephones, and water, sewer & stormwater) costs, below the forecasted amount and \$0.7 million each from the budgeted services provided by the Airport's legal counsel and the timing involved in processing the acquisition of replacement vehicles.

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Net debt service was \$1.8 million (1.9%) lower than budgeted in FY 2016. This was due to savings in anticipated interest expense on the CP Program and from realized savings resulting from Airport Revenue Bonds, Refunding Series 2015A. The Series 2015A bonds were issued in September 2015 to refund all of the City's outstanding Airport Revenue Bonds, Series 2005A.

**REQUESTS FOR INFORMATION**

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

## CITY OF PHILADELPHIA

## AVIATION FUND

## Statements of Net Position

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percentage Increase (Decrease)
Assets			
Current assets			
Cash and cash equivalents	\$ 31,385,876	\$ 12,673,343	147.7%
Investments	84,868,399	53,404,171	58.9%
Accounts receivable	26,216,267	32,513,510	(19.4)%
Allowance for doubtful accounts	(1,179,733)	(1,124,334)	4.9%
Inventories	3,395,306	3,036,651	11.8%
Due from other governmental units	1,325,300	1,469,259	(9.8)%
Total current assets	<u>146,011,415</u>	<u>101,972,600</u>	<u>43.2%</u>
Non-current assets			
Restricted:			
Cash and cash equivalents	79,228,764	82,451,581	(3.9)%
Cash held by fiscal agent	449	341,517	(99.9)%
Investments	207,841,323	253,271,199	(17.9)%
Sinking funds and reserves held by fiscal agents	47,869,253	50,838,529	(5.8)%
Grants from other governments for capital purposes	21,806,799	22,699,763	(3.9)%
Receivables	9,372,361	10,526,912	(11.0)%
Total restricted assets	<u>366,118,949</u>	<u>420,129,501</u>	<u>(12.9)%</u>
Capital assets:			
Land and other non-depreciable assets	150,123,537	147,049,224	2.1%
Infrastructure	1,028,187,767	934,730,396	10.0%
Construction in progress	432,126,149	553,817,009	(22.0)%
Buildings and equipment	2,112,276,668	1,945,072,375	8.6%
Less: accumulated depreciation and amortization	<u>(1,732,081,227)</u>	<u>(1,631,796,429)</u>	<u>6.1%</u>
Property, plant and equipment, net	<u>1,990,632,894</u>	<u>1,948,872,575</u>	<u>2.1%</u>
Total non-current assets	<u>2,356,751,843</u>	<u>2,369,002,076</u>	<u>(0.5)%</u>
Total assets	<u>2,502,763,258</u>	<u>2,470,974,676</u>	<u>1.3%</u>
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	16,038,983	16,224,798	(1.1)%
Deferred outflows related to pensions	28,306,952	11,951,418	136.9%
Refunding in defeasance of debt	5,505,599	6,579,230	(16.3)%
Total deferred outflows of resources	<u>\$ 49,851,534</u>	<u>\$ 34,755,446</u>	<u>43.4%</u>

See notes to the financial statements.

## CITY OF PHILADELPHIA

## AVIATION FUND

## Statements of Net Position

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percentage Increase (Decrease)
Liabilities			
Current liabilities			
Accounts and vouchers payable	\$ 13,945,095	\$ 16,693,694	(16.5)%
Salaries and wages payable	2,638,711	2,303,548	14.5%
Construction contracts payable	38,430,923	51,033,985	(24.7)%
Accrued expenses	1,496,764	1,366,742	9.5%
Accrued interest payable	2,442,275	2,434,588	0.3%
Unearned revenue	21,686,958	1,591,740	1262.5%
Commercial paper notes	189,900,000	167,600,000	13.3%
Current maturities of long-term bonded debt	63,240,000	60,215,000	5.0%
Total current liabilities	<u>333,780,726</u>	<u>303,239,297</u>	<u>10.1%</u>
Non-current liabilities			
Revenue bonds, net of current maturities	1,061,465,000	1,133,700,000	(6.4)%
Unamortized bond premiums	36,199,087	31,414,622	15.2%
Derivative instrument liability	16,038,983	16,224,798	(1.1)%
Net pension liability	222,761,206	203,648,019	9.4%
Other long-term liabilities	14,629,559	13,242,407	10.5%
Total non-current liabilities	<u>1,351,093,835</u>	<u>1,398,229,846</u>	<u>(3.4)%</u>
Total liabilities	<u>1,684,874,561</u>	<u>1,701,469,143</u>	<u>(1.0)%</u>
Deferred inflows of resources			
Deferred gain on refunding debt	171,560	-	-
Deferred inflows related to pensions	1,350,807	-	-
Total deferred inflows of resources	<u>1,522,367</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	800,301,351	702,391,149	13.9%
Restricted for:			
Capital projects	73,033,097	125,135,588	(41.6)%
Debt service	77,598,368	81,078,267	(4.3)%
Unrestricted	(84,714,952)	(104,344,025)	(18.8)%
Total net position	<u>\$ 866,217,864</u>	<u>\$ 804,260,979</u>	<u>7.7%</u>

See notes to the financial statements.

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

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

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percentage Increase (Decrease)
Operating revenues			
Airline revenues			
Rents	\$ 107,504,766	\$ 115,637,922	(7.0)%
Landing fees	71,796,365	68,868,068	4.3%
International arrival fees	33,927,721	26,573,596	27.7%
Total airline revenues	<u>213,228,852</u>	<u>211,079,586</u>	<u>1.0%</u>
Nonairline revenues			
Concessions	98,224,716	82,411,406	19.2%
Other rents	19,270,494	18,141,092	6.2%
Utilities and other fees	5,063,174	5,178,082	(2.2)%
Other operating revenues	5,009,010	5,554,490	(9.8)%
Total nonairline revenues	<u>127,567,394</u>	<u>111,285,070</u>	<u>14.6%</u>
Total operating revenues	<u>340,796,246</u>	<u>322,364,656</u>	<u>5.7%</u>
Operating expenses			
Personal services	69,283,424	70,424,997	(1.6)%
Purchase of services	108,418,709	101,642,118	6.7%
Materials and supplies	6,944,528	8,669,852	(19.9)%
Employee benefits	57,854,677	52,106,797	11.0%
Indemnities and taxes	1,695,946	1,839,638	(7.8)%
Depreciation and amortization	101,909,394	98,125,419	3.9%
Total operating expenses	<u>346,106,678</u>	<u>332,808,821</u>	<u>4.0%</u>
Operating loss	<u>(5,310,432)</u>	<u>(10,444,165)</u>	<u>(49.2)%</u>
Non-operating revenues (expenses)			
Federal, state and local grants	1,621,300	1,885,786	(14.0)%
Interest income	2,658,109	363,206	631.8%
Interest expense	(54,003,323)	(41,428,793)	30.4%
Passenger facility charges	60,920,335	61,180,724	(0.4)%
Customer facility charges	31,934,786	29,933,177	6.7%
Loss on disposal of fixed assets	(67,463)	(69,113)	(2.4)%
Total nonoperating revenues, net	<u>43,063,744</u>	<u>51,864,987</u>	<u>(17.0)%</u>
Income before capital contributions	<u>37,753,312</u>	<u>41,420,822</u>	<u>(8.9)%</u>
Capital contributions			
Federal, state and local grants	24,203,573	35,549,920	(31.9)%
Total capital contributions	<u>24,203,573</u>	<u>35,549,920</u>	<u>(31.9)%</u>
Change in net position	61,956,885	76,970,742	(19.5)%
Net position beginning of period	804,260,979	894,969,059	(10.1)%
Cumulative effect of a change in accounting principle	-	(167,678,822)	(100.0)%
Net position beginning of period - restated	<u>804,260,979</u>	<u>727,290,237</u>	<u>10.6%</u>
Net position end of period	<u>\$ 866,217,864</u>	<u>\$ 804,260,979</u>	<u>7.7%</u>

See notes to the financial statements.

**CITY OF PHILADELPHIA**

**AVIATION FUND**

*Statements of Cash Flows*

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percentage Increase (Decrease)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 366,334,147	\$ 319,785,174	14.6%
Receipts from interfund services	1,040,227	1,131,961	(8.1)%
Payments to suppliers	(112,151,538)	(108,489,896)	3.4%
Payments to employees	(121,820,713)	(118,170,311)	3.1%
Internal activity-payments to other funds	(7,038,751)	(5,568,512)	26.4%
Net cash provided by operating activities	<u>126,363,372</u>	<u>88,688,416</u>	<u>42.5%</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Grant proceeds not specifically restricted for capital purposes	<u>1,765,259</u>	<u>1,644,715</u>	<u>7.3%</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from issuance of debt	668,900,000	283,700,000	135.8%
Grant proceeds for capital purposes	25,096,537	25,060,241	0.1%
Purchase of capital assets	(151,396,205)	(189,575,315)	(20.1)%
Principal paid on debt instruments	(715,810,000)	(218,150,000)	228.1%
Interest paid on capital debt	(52,910,013)	(65,850,331)	(19.7)%
Passenger & customer facility charges	93,931,328	89,644,341	4.8%
Net cash used in capital and related financing activities	<u>(132,188,353)</u>	<u>(75,171,064)</u>	<u>75.9%</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net proceeds (purchases) from sale and maturities of investments	18,195,937	52,296,600	(65.2)%
Interest and dividends	1,012,433	676,119	49.7%
Net cash provided/(used) by investing activities	<u>19,208,370</u>	<u>52,972,719</u>	<u>(63.7)%</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>15,148,648</u>	<u>68,134,786</u>	<u>(77.8)%</u>
Balance beginning of year	95,466,441	27,331,655	249.3%
Balance end of year	<u>\$ 110,615,089</u>	<u>\$ 95,466,441</u>	<u>15.9%</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (5,310,432)	\$ (10,444,165)	(49.2)%
Adjustment to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	101,909,394	98,125,419	3.9%
Bad Debts, net of recoveries	-	25,000	(100.0)%
Changes in assets and liabilities:			
Receivables, net	6,502,717	(912,726)	(812.5)%
Inventories	(358,655)	(83,728)	328.4%
Accounts and other payables	3,525,131	2,552,726	38.1%
Unearned revenue	20,095,217	(574,110)	(3600.2)%
Net cash provided by operating activities	<u>\$ 126,363,372</u>	<u>\$ 88,688,416</u>	<u>42.5%</u>

See notes to the financial statements.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operations

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

Basis of Accounting

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

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

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



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Recently Issued GASB Statements

In fiscal year 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Airport has determined and disclosed all fair value measurements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and an Amendment to Certain Provision of GASB Statements No. 67 & No. 68*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2015. The City's accounting and financial reporting are within the scope of Statement No. 68. The adoption of this Statement did not result in any significant changes to the City's financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governments. This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet specified criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The City has not completed the process of evaluating the impact of adopting this Statement.

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In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of the accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The adoption of this Statement did not result in any significant changes to the City’s financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatements Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information regarding the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. It also requires disclosure of the gross dollar amount of taxes abated during the period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City has not completed the process of evaluating the impact of adopting this Statement.

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In December 2015, the GASB issued Statement No. 78, *Pensions Provided for Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City has not completed the process of evaluating the impact of adopting this Statement.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 30, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing which are effective for reporting periods beginning after December 15, 2015. As a result of the adoption of Statement No. 79, the City has determined and included all applicable disclosures.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements For Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City has not completed the process of evaluating the impact of adopting this Statement.

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In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not completed the process of evaluating the impact of adopting this Statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City has not completed the process of evaluating the impact of adopting this Statement.

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

Cash and Investments

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

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

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. Management is not aware of any violations of statutory authority or contractual provisions for investments for the years ended June 30, 2016 and 2015.

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Accounts Receivable

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2016 and 2015. Credit balance receivables have been included in unearned revenue in the Statements of Net Position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

In fiscal year 2015, the Division of Aviation and the Philadelphia Airport Affairs Committee (PAAC) entered into an agreement that would reduce the fiscal year 2015 base rate to the airlines in exchange for a \$10 million contribution from the Airport's Operation and Maintenance (O&M) reserve account that would be replenished by the signatory airlines, through the rates and charges process, over a three-year period from fiscal years 2016 to 2018. The Airport included this \$10 million as part of the \$32.5 million Accounts Receivable reported for the Aviation Fund in the FY 2015 Statement of Net Position. Since the agreement states that repayment of the contribution is to take place over the next three years, the Division of Aviation recorded a \$3.3 million offset to airline revenue in FY 2016, specifically landing fees and rents, in recognition of the recovery of one-third of the prior year accrued revenue of \$10 million from FY 2015. The remainder of \$6.7 million of the \$10 million receivable will be collected during fiscal years 2017 (\$3.3 million) and 2018 (\$3.4 million).

Inventories

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

Restricted Assets

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

- Funds available for construction, including grants due from other governments for capital purposes.
- Sinking funds and reserves reserved for debt service and construction, pursuant to revenue bond indentures.

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

#### Capital Assets

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

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

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

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

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

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

- Vehicles and equipment are defined as movable tangible assets used in operations. It includes furniture and fixtures, vehicles, snow removal vehicles and equipment, firefighting vehicles and equipment, computer equipment, and other moveable equipment.
- Infrastructure assets are long-lived capital assets that are normally stationary and can be preserved for a significantly greater number of years than most capital assets. Infrastructure includes, but is not limited to: runways, taxiways, aprons, ramps, roads, sidewalks, signage, drainage systems, water and sewer systems, and lighting systems.
- Construction in progress includes costs incurred to construct a capital asset before it is substantially ready to be placed in service. At the time of being placed in service, the asset will be reclassified into the appropriate asset category and be subject to depreciation.
- The following Depreciation Guidelines were used in the Aviation Fund's FY 2016 financial statements:

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

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

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

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

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

Unearned Revenue

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

Revenues

*Operating revenues* consist of the following:

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

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

- Grants from other governments for non-capital purposes.
- Interest income.



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

*Capital contributions* consist of the following:

- Grants from other governments for capital purposes.

Operating Expenses

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

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

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

Compensated Absences

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

Claims and Judgments

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

Management's Use of Estimates

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

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Reclassifications of a General Nature

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

**2. DEPOSITS AND INVESTMENTS**

For the fiscal years ended June 30, 2016 and 2015, cash and cash equivalents, and investments (deposits) are included in the financial statements in current and restricted cash and cash equivalents, and investments (deposits), in sinking funds and reserves held by fiscal agents, and in cash held by fiscal agent.

Deposits

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

Investments

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

As of June 30, 2016 the fair value of the Aviation Fund's holdings consisted of the following:

	<u>Fair Value</u>	<u>% of Total</u>
U.S. Government Securities	\$ 119,465,723	31.83%
Corporate Bonds	82,158,220	21.89%
U.S. Government Agency Securities	82,097,515	21.87%
Commercial Paper	70,742,988	18.85%
Short-Term Investment Pools	20,891,535	5.57%
	<u>\$ 375,355,981</u>	<u>100.0%</u>

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As of June 30, 2015 the fair value of the Aviation Fund's holdings consisted of the following:

	Fair Value	% of Total
U.S. Government Securities	\$ 133,474,700	32.92%
U.S. Government Agency Securities	91,534,834	22.57%
Corporate Bonds	73,060,333	18.02%
Commercial Paper	70,462,229	17.38%
Short-Term Investment Pools	36,973,274	9.12%
	<u>\$ 405,505,370</u>	<u>100.0%</u>

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

As of June 30, 2016 the maturities of holdings were as follows:

	Less Than 1 Year	1 - 3 Years
U.S. Government Securities	\$ 139,957	\$ 119,325,767
Corporate Bonds	-	82,158,220
U.S. Government Agency Securities	38,571,041	43,526,474
Commercial Paper	70,742,988	-
Short-Term Investment Pools	20,891,535	-
	<u>\$ 130,345,521</u>	<u>\$ 245,010,461</u>

As of June 30, 2015 the maturities of holdings were as follows:

	Less Than 1 Year	1 - 3 Years
U.S. Government Securities	\$ 2,401,304	\$ 131,073,396
U.S. Government Agency Securities	41,701,193	49,833,641
Corporate Bonds	2,207,497	70,852,836
Commercial Paper	70,462,229	-
Short-Term Investment Pools	36,973,274	-
	<u>\$ 153,745,497</u>	<u>\$ 251,759,873</u>

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*Credit Risk:* For the City as a whole, the policy to limit credit risk is to invest in U.S. Government securities (34.75%) or U.S. Government Agency obligations (29.86%). The U.S. Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services (Moody's). All U.S. Government Securities meet the criteria. The City's investment in Commercial Paper (18.90%) must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 10.45% had an S&P rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short-term investment pools). Short-term investment pools are rated AAA by S&P and Aaa by Moody's. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in U.S. dollars providing that the banking institution has assets of not less than \$100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II.

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

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

The Airport has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities of \$119.5 million are valued using quoted prices from active markets (Level 1).
- Corporate bond securities of \$82.4 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2).
- U.S. Agency securities of \$82.1 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).

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- Commercial paper securities of \$70.7 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- Short-term investment pools of \$20.9 million are valued at the published amortized cost-based net asset value per share/unit. There are no limitations or restrictions on withdrawals.

**3. CASH HELD BY FISCAL AGENT**

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

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

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**4. CAPITAL ASSET ACTIVITY**

The following tables present the changes in capital assets for FY 2016 and FY 2015.

	Balance FYE 06/30/2015	Additions	Deletions	Balance FYE 06/30/2016
<b>Non-depreciable assets</b>				
Land and intangibles	\$ 147,049,224	\$ 3,074,313	\$ -	\$ 150,123,537
Construction-in-progress	553,817,009	143,076,806	(264,767,666)	432,126,149
<b>Total non-depreciable assets</b>	<u>700,866,233</u>	<u>146,151,119</u>	<u>(264,767,666)</u>	<u>582,249,686</u>
<b>Depreciable assets</b>				
Buildings & improvements	1,559,755,960	149,088,710	-	1,708,844,670
Infrastructure	934,730,396	93,457,371	-	1,028,187,767
Other improvements	330,729,508	19,147,272	-	349,876,780
Equipment	54,586,907	660,370	(1,692,059)	53,555,218
<b>Total depreciable assets</b>	<u>2,879,802,771</u>	<u>262,353,723</u>	<u>(1,692,059)</u>	<u>3,140,464,435</u>
<b>Accumulated depreciation</b>				
Buildings & improvements	(797,368,597)	(50,148,677)	-	(847,517,274)
Infrastructure	(629,489,341)	(35,002,857)	-	(664,492,198)
Other improvements	(163,008,252)	(14,055,658)	-	(177,063,910)
Equipment	(41,930,239)	(2,702,202)	1,624,596	(43,007,845)
<b>Total accumulated depreciation</b>	<u>(1,631,796,429)</u>	<u>(101,909,394)</u>	<u>1,624,596</u>	<u>(1,732,081,227)</u>
<b>Net depreciable assets</b>	<u>1,248,006,342</u>	<u>160,444,329</u>	<u>(67,463)</u>	<u>1,408,383,208</u>
<b>Total capital assets</b>	<u>\$ 1,948,872,575</u>	<u>\$ 306,595,448</u>	<u>\$ (264,835,129)</u>	<u>\$ 1,990,632,894</u>

	Balance FYE 06/30/2014	Additions	Deletions	Balance FYE 06/30/2015
<b>Non-depreciable assets</b>				
Land and intangibles	\$ 146,996,383	\$ 52,841	\$ -	\$ 147,049,224
Construction-in-progress	401,059,017	233,487,098	(80,729,106)	553,817,009
<b>Total non-depreciable assets</b>	<u>548,055,400</u>	<u>233,539,939</u>	<u>(80,729,106)</u>	<u>700,866,233</u>
<b>Depreciable assets</b>				
Buildings & improvements	1,545,131,644	14,624,316	-	1,559,755,960
Infrastructure	928,331,034	6,399,362	-	934,730,396
Other improvements	271,931,654	58,797,854	-	330,729,508
Equipment	53,141,637	2,076,432	(631,162)	54,586,907
<b>Total depreciable assets</b>	<u>2,798,535,969</u>	<u>81,897,964</u>	<u>(631,162)</u>	<u>2,879,802,771</u>
<b>Accumulated depreciation</b>				
Buildings & improvements	(749,756,175)	(47,612,422)	-	(797,368,597)
Infrastructure	(595,684,442)	(33,804,899)	-	(629,489,341)
Other improvements	(149,590,623)	(13,417,629)	-	(163,008,252)
Equipment	(39,201,819)	(3,290,469)	562,049	(41,930,239)
<b>Total accumulated depreciation</b>	<u>(1,534,233,059)</u>	<u>(98,125,419)</u>	<u>562,049</u>	<u>(1,631,796,429)</u>
<b>Net depreciable assets</b>	<u>1,264,302,910</u>	<u>(16,227,455)</u>	<u>(69,113)</u>	<u>1,248,006,342</u>
<b>Total capital assets</b>	<u>\$ 1,812,358,310</u>	<u>\$ 217,312,484</u>	<u>\$ (80,798,219)</u>	<u>\$ 1,948,872,575</u>

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A portion of bond interest expense net of related interest income on unexpended funds is capitalized during the construction phase of the projects funded by the bonds. Net interest capitalized to construction in progress was \$4,944,033 and \$21,021,935 for the fiscal years ending June 30, 2016 and 2015, respectively. For the fiscal year ending June 30, 2016, this represents \$5,053,251 of interest expense net of \$109,218 of interest income. For the fiscal year ending June 30, 2015, this represents \$21,384,293 of interest expense net of \$362,358 of related interest income.

Depreciation and amortization expense was \$101,909,394 and \$98,125,419 for the fiscal years ending June 30, 2016 and 2015, respectively.

**5. UNEARNED REVENUE**

Unearned revenue was \$21,686,958 and \$1,591,740 for the fiscal years ending June 30, 2016 and 2015, respectively and includes revenues received in advance, excess billing to the scheduled airlines, and credit balance receivables.

**6. ARBITRAGE REBATE**

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. The arbitrage rebate liability was \$0 and \$312,932 as of June 30, 2016 and 2015, respectively, and is included in other long-term liabilities.

In December 2015, the Airport remitted to the Internal Revenue Service 100% of the liability resulting from the issuance of the Philadelphia Authority for Industrial Development, Airport Revenue Bonds, Series 1998A Bonds. The liability totaled \$309,216.33 as of the installment computation date of October 31, 2015.

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

Beginning in fiscal year 2010, the City adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding for the Aviation Fund as of June 30, 2016 and 2015 are as follows:

Type	Cash Flow Hedge - pay fixed interest rate swap
Change in Fair Value of Deferred	
Outflow at June 30, 2016	\$185,815
Outflow at June 30, 2015	\$2,747,776
Fair value at June 30, 2016	(\$16,038,983)
Fair value at June 30, 2015	(\$16,224,798)
Objective	Hedge changes in cash flow on the 2005 Series C bonds
Notional amount at June 30, 2016	\$121,400,000
Notional amount at June 30, 2015	\$131,200,000
Effective date	06/15/2005
Maturity date	06/15/2025
Terms	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index
Counterparty credit rating	
at June 30, 2016	Aa3/A+
at June 30, 2015	Aa3/A+

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

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



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As of June 30, 2016 and 2015, the swap had a notional amount of \$121.4 million and \$131.2 million, respectively, and the associated variable-rate bonds had a \$121.4 million and \$131.2 million principal amount, respectively. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

*Fair Value:* As of June 30, 2016 and 2015, the swap had a negative fair value of (\$16.0) million and (\$16.2) million, respectively. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

*Risk:* As of June 30, 2016, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2016 and 2015, the rates were:

<u>Interest Rate Swap</u>	<u>Terms</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Fixed payment to JPMorgan Chase	Fixed	4.11356%	4.72645%
Variable rate from JPMorgan Chase	SIFMA	<u>-0.41000%</u>	<u>-0.07600%</u>
Net interest rate swap payments		3.70356%	4.65045%
Variable rate bond coupon payments	Weekly resets	<u>0.42000%</u>	<u>0.08500%</u>
Synthetic interest rate on bonds		<u><u>4.12356%</u></u>	<u><u>4.73545%</u></u>

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*Swap payments and associated debt:* As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Years Ending June 30	Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2017	10,700,000	509,880	4,496,120	5,006,000
2018	11,400,000	464,940	3,875,380	4,340,320
2019	12,200,000	417,060	3,164,886	3,581,946
2020	13,000,000	365,820	2,457,956	2,823,776
2021	13,700,000	311,220	1,857,456	2,168,676
2022-2025	60,400,000	644,700	2,907,632	3,552,332
Totals	<u>\$ 121,400,000</u>	<u>\$ 2,713,620</u>	<u>\$ 18,759,430</u>	<u>\$ 21,473,050</u>

## 8. COMMERCIAL PAPER NOTES

The Aviation Fund established a \$350 million commercial paper (CP) program in January 2013 to provide funding for capital projects approved by Philadelphia International Airport's signatory airlines. CP is a short-term financing tool with a maximum maturity of 270 days. PHL's CP Program enables capital projects to be financed on an as-needed basis, which lowers the Airport's cost of borrowing and limits negative arbitrage during project construction periods. CP Notes will continue to be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There was \$189.9 million of CP notes outstanding at June 30, 2016. CP interest expense charged to PHL's Statement of Revenues, Expenses, and Changes in Fund Net Position was \$618,581 and \$81,845 for fiscal years ending June 30, 2016 and 2015, respectively.

As of June 30, 2016, the total outstanding balance of CP notes was \$189,900,000.

Balance as of July 1, 2015	\$ 167,600,000
Commercial Paper Notes Issued	668,700,000
Commercial Paper Notes Refunded	<u>(646,400,000)</u>
Balance as of July 1, 2016	\$ 189,900,000

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**9. BONDS PAYABLE**

General obligation (G.O.) bonds, payable out of Aviation Fund revenues, consist of bonds declared by statute to be self-sustaining from airport revenues. There are no G.O. bonds outstanding as of June 30, 2016.

In July 1998, Airport Revenue Bonds, Series 1998B in the amount of \$443.7 million were issued. The proceeds of Series 1998B were used to prepay the City's fixed rental obligation under a lease with PAID ("the PAID Lease"). Under this lease, the City acquired a leasehold interest and will occupy, operate and manage certain new terminals and related improvements ("the US Airways Project Facility") constructed with funds provided by the Series 1998A PAID Airport Revenue Bonds. In June 2008, the City purchased a letter of credit from Wachovia Bank, N.A. to replace a surety policy purchased from FGIC. When FGIC was downgraded below the 'AA' category the policy no longer met the rating requirements of the Amended and Restated General Airport Revenue Bond Ordinance (the Ordinance), approved June 16, 1995. The letter of credit meets the Ordinance's rating requirements. In FY 2011, the Series 1998B bonds were partially refunded by the Airport Revenue Refunding Bonds Series 2010D, leaving a balance of \$69.5 million. In FY 2012, substantially all of the remaining 1998B bonds were refunded, leaving a balance of \$5,000.

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

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In August 2005, Airport Revenue Bonds, Series 2005A sub-series (1), (2) and (3) in the amounts of \$59.8 million, \$22.6 million and \$42.5 million, respectively, were issued. The proceeds of Series 2005A were used to finance a portion of the cost of Airport capital projects. Sub-series (1) are serial bonds and sub-series (2) and (3) are term bonds. The Series 2005A bonds had MBIA Insurance Corporation surety policies for their sinking fund reserve requirements. Because MBIA was downgraded below the 'AA' category, the surety policies no longer met the requirements of the Ordinance. During FY 2009, the Aviation Fund replaced the surety policy by funding the sinking fund reserve required under the Ordinance for the 2005A bonds.

In August 2007, Airport Revenue Bonds, Series 2007A, in the amount of \$172.5 million were issued. The proceeds from Series 2007A were used to finance a portion of the 2007 Project (infrastructure improvements and design of terminal building enhancements); to finance capitalized interest during the construction period; and to pay the costs of issuing and insuring the bonds with municipal bond insurance and a surety policy.

In August 2007, Airport Revenue Bonds, Refunding Series 2007B, in the amount of \$82.9 million were issued. The proceeds of Series 2007B were used to refund Revenue Bonds, Series 1997B and the costs of issuing and insuring the bonds with municipal bond insurance. The refunding structure of the 2007B bonds realized a net present value savings of approximately \$2.6 million or 3.22% of the principal amount of the refunded bonds.

In April 2009, Airport Revenue Bonds, Refunding Series 2009A, sub series (1) through (3) in the amount of \$45.7 million were issued. Serial bonds were issued in the amount of \$25.7 million with interest rates ranging from 1.5% to 5.0% maturing in 2023. Term bonds were issued in the amount of \$3.9 million and \$16.1 million with interest rates ranging from 5.0% to 5.375% maturing in 2024 and 2029 respectively. The gain/loss on the bonds cannot be calculated in the usual way because the refunded bonds (Series 2005B) were variable rate bonds that were subject to Alternative Minimum Tax (AMT). However the 2009A bonds were issued on a fixed rate basis and are not subject to AMT. The proceeds of Series 2009A along with other monies of the Aviation Fund were used to currently refund Airport Revenue Bonds Series 2005B, fund a deposit to the parity sinking fund reserve account in respect of the bonds, and pay the costs of issuance of the bonds. The Series 2009A bonds were issued under a financial guaranty insurance policy issued by Assured Guaranty Corp.

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

- Airport Revenue Bonds, Series 2010A (non-AMT) were issued as serial and term bonds in the amount of \$273.1 million. Insured serial bonds were issued in the amount of \$16.5 million with interest rates ranging from 3% to 4.5% and a maturity in 2035 and uninsured serial bonds in the amount of \$113.0 million with a maturity of 2030. Insured term bonds were issued in the amount of \$25 million and \$48 million with an interest rate of 5% and maturities in 2035 and 2040. Uninsured term bonds were issued in the amounts of \$37.8 million and \$32.8 million with an interest rate of 5% and maturities in 2035 and 2040. The proceeds of Series 2010A were used to finance certain capital improvements to the airport system; fund the deposits into the sinking funds; finance capitalized interest; and pay costs of issuance relating to the bonds.
- Airport Revenue Refunding Bonds, Series 2010B (non-AMT) were issued as uninsured serial bonds in the amount of \$24.4 million with interest ranging from 2.0% to 5% and maturing in 2015. The proceeds of these bonds were used to refund the City's Airport Revenue Bonds, Series 1997A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.
- Airport Revenue Refunding Bonds, Series 2010C were issued as uninsured serial bonds in the amount of \$54.7 million with interest ranging from 2.0% to 5% and maturing in 2018. The proceeds of these bonds were used to partially refund the City's Airport Revenue Bonds, Series 1998A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.
- Airport Revenue Refunding Bonds, Series 2010D were issued in the amount of \$272.5 million. Insured serial bonds were issued in the amount of \$1.9 million with interest ranging from 4.0% to 4.5% and maturing in 2024. Uninsured serial bonds were issued in the amount of \$270.7 million with interest ranging from 2.0% to 5.25% and maturing in 2028. The proceeds of these bonds were used to partially refund the City's Airport Revenue Bonds, Series 1998B; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the PAID Airport Revenue Series 1998A also known as the International Terminal Bonds.

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

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

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

Fiscal Years Ending June 30	Principal	Interest	Total Debt Service
2017	63,240,000	55,522,717	\$ 118,762,717
2018	65,605,000	52,267,103	117,872,103
2019	59,605,000	48,807,767	108,412,767
2020	62,745,000	45,681,348	108,426,348
2021	65,910,000	42,536,062	108,446,062
2022-2026	364,575,000	162,571,326	527,146,326
2027-2031	223,310,000	81,917,482	305,227,482
2032-2036	142,320,000	40,578,950	182,898,950
2037-2040	77,395,000	9,035,000	86,430,000
Totals	<u>\$ 1,124,705,000</u>	<u>\$ 538,917,755</u>	<u>\$ 1,663,622,755</u>

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

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Total interest costs for FY 2016 were nearly \$58.9 million, of which \$4.9 million was capitalized and \$54.0 million was recorded as non-operating expense. Total interest costs for FY 2015 were \$62.7 million, of which \$21.4 million was capitalized and \$41.4 million was recorded as non-operating expense.

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

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Type of Debt	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2016	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 1998B	\$ 443,700,000	-	5,000	5,000	2028	4.25 - 5.38%
Airport Revenue Bonds - Series 2005C	\$ 189,500,000	10,700,000	110,700,000	121,400,000	2025	Variable Rate
Airport Revenue Bonds - Series 2007A	\$ 172,470,000	4,230,000	146,780,000	151,010,000	2037	5.00 - 5.00%
Airport Revenue Bonds - Series 2007B	\$ 82,915,000	4,375,000	46,785,000	51,160,000	2027	4.50 - 5.00%
Airport Revenue Bonds - Series 2009A	\$ 45,715,000	2,035,000	32,930,000	34,965,000	2029	1.50 - 5.00%
Airport Revenue Bonds - Series 2010A	\$ 273,065,000	5,790,000	251,310,000	257,100,000	2040	2.00-5.25%
Airport Revenue Bonds - Series 2010C	\$ 54,730,000	8,570,000	8,995,000	17,565,000	2018	2.00-5.00%
Airport Revenue Bonds - Series 2010D	\$ 272,475,000	16,040,000	185,755,000	201,795,000	2028	2.00-5.25%
Airport Revenue Bonds - Series 2011A	\$ 199,040,000	6,985,000	161,240,000	168,225,000	2028	2.00-5.00%
Airport Revenue Bonds - Series 2011B	\$ 34,790,000	1,380,000	26,440,000	27,820,000	2031	2.00-5.05%
Airport Revenue Bonds - Series 2015A	\$ 97,780,000	3,135,000	90,525,000	93,660,000	2035	4.00 - 5.00%
		<u>\$ 63,240,000</u>	<u>\$ 1,061,465,000</u>	<u>\$ 1,124,705,000</u>		

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

**Changes in Long-Term Debt**

	Beginning Balance	Additions/ (Deletions)	Retirements/ Repayments	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 1,193,915,000	\$ 97,780,000	\$ (166,990,000)	\$ 1,124,705,000	\$ 63,240,000
Unamortized premium / (discount)	31,414,622	10,459,295	(5,674,831)	36,199,086	-
Total revenue bonds payable	<u>\$ 1,225,329,622</u>	<u>\$ 108,239,295</u>	<u>\$ (172,664,831)</u>	<u>\$ 1,160,904,086</u>	<u>\$ 63,240,000</u>

See notes to the financial statements.



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**10. FUND BALANCES**

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

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

**11. DEFERRED COMPENSATION PLAN**

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

**12. OPERATING LEASES**

The Airport as a Lessor

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

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

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The Airport's most significant non-airline lease is with MarketPlace PHL, LLC, an entity responsible for the development and management of the food and retail program throughout Philadelphia International Airport. This award-winning food and retail program consists of approximately 180 shops, restaurants, retail carts and passenger services throughout Terminals A-West through F. The lease agreement provides for MarketPlace PHL, LLC to remit rents to the City in the form of total gross concession revenues, net of the concession management fee of nine and seventy-five hundredths percent (9.75%). The monthly MAG rental payment is due before the fifth (5<sup>th</sup>) day of each month and the remaining rental payment, the excess rents collected during the month greater than the MAG, is due on or before the last day of each month.

Rental income from operating leases for FY 2016 was as follows:

Minimum rentals	\$ 44,389,571
Additional rentals	<u>184,760,622</u>
Total rental income	<u><u>\$ 229,150,193</u></u>

Rental income from operating leases for FY 2015 was as follows:

Minimum rentals	\$ 34,528,776
Additional rentals	<u>168,278,475</u>
Total rental income	<u><u>\$ 202,807,251</u></u>

As of the end of FY 2016, future minimum rentals receivable under non-cancelable operating leases are as follows:

<u>Fiscal Years</u> <u>Ending June 30</u>	<u>Amount</u>
2017	\$ 27,715,745
2018	6,652,497
2019	6,667,506
2020	6,279,513
2021	4,522,991
2022-2026	18,922,265
2027-2031	13,767,829
2032-2036	6,558,875
2037-2041	<u>5,840,860</u>
Total	<u><u>\$ 96,928,081</u></u>

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

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The Airport as a Lessee

The Airport leases office space, land, and both office and operations equipment on a short-term and long-term basis. Rental expense for operating leases for FY 2016 was as follows:

Minimum rentals	\$ 824,924
Additional rentals	<u>13,671,198</u>
Total rental expense	<u>\$ 14,496,122</u>

Rental expense for operating leases for FY 2015 was as follows:

Minimum rentals	\$ 713,276
Additional rentals	<u>13,800,585</u>
Total rental expense	<u>\$ 14,513,861</u>

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

<u>Fiscal Years</u> <u>Ending June 30</u>	<u>Amount</u>
2017	\$ 810,655
2018	351,561
2019	199,388
2020	199,388
2021	199,388
2022-2026	996,940
2027-2031	996,940
2032-2036	996,940
2037-2041	<u>996,940</u>
Total	<u>\$ 5,748,140</u>

**13. CONCENTRATION OF CREDIT RISK**

American Airlines is the principal airline serving Philadelphia International Airport. The airline, together with its American Eagle affiliates, accounted for approximately 72.7% and 76.6% of passengers enplaned at the airport in fiscal years 2016 and 2015, respectively. Operating revenues from American Airlines and its affiliates totaled approximately \$187.5 million and \$164.2 million in fiscal years 2016 and 2015, respectively, which represented approximately 51.6% and 50.9% of total Airport operating revenues in fiscal years 2016 and 2015, respectively.

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**14. PENSION PLAN**

The Airport contributes to the Municipal Pension Plan (City Plan) of the City of Philadelphia. The City maintains two single-employer defined benefit plans for its employees and several of its component units. The three other quasi-governmental agencies that participate in the City Plan are the Philadelphia Parking Authority (PPA), the Philadelphia Municipal Authority (PMA), and the Philadelphia Housing Development Corporation (PHDC). Information for the City Plan as a whole is available in the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for the year ended June 30, 2016.

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

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

Plan Administration

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

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

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Plan Membership

At July 1, 2015, the date of the most recent actuarial valuation, pension plan membership for the City as a whole consisted of the following:

Active Members	27,951
Retirees	22,245
Beneficiaries	8,566
Disabled	4,016
DROP Members	1,784
Terminated Vested	1,334
Total City Members	<u>65,896</u>

Annual Salaries	\$1,597,848,869
Average Salary per Active Member	\$57,166

Annual Retirement Allowances	\$719,580,951
Average Retirement Allowance	\$20,662

Contributions

Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the System. Beginning July 1, 2015, members contributed at one of the following rates:

<u>Employee Status</u>	<u>Plan 67</u>	<u>Plan 87</u>	<u>Plan 10</u>
Uniform	6.00%	5.00% or 6.00%	5.50%
Non-Uniform	3.75%, 4.25%, 5.62%, 6.00%, or 6.50%	1.97%, 2.47%, 2.64%, 3.14%, 3.29%, 3.47%, or 4.14%	3.16%
Elected Officials	N/A	8.48%, 9.11%, 9.48%, or 10.11%	3.16%

Employer contributions are made by the City throughout each fiscal year (which ends June 30) and by three (3) quasi-governmental agencies on a quarterly basis. These contributions, determined by an annual actuarial valuation report (AVR), when combined with plan member contributions, are expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Within the AVR, two contribution amounts are determined based upon two different sets of rules for determining the way the unfunded actuarial liability is funded.

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

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

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

City's Funding Policy

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

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

In fiscal year 2016, the City and other employers' contributions of \$660.2 million was less than the actuarially determined employer contribution (ADEC) of \$846.2 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over 20 years.

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

Minimum Municipal Obligation (MMO)

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above. In fiscal year 2016, the City and other employers' contributions of \$660.2 million exceeded the Minimum Municipal Obligation of \$598.5 million.

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

Benefits

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

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

Members may qualify for service-connected disability benefits regardless of length of service. Service-connected disability benefits are equal to 70% of a member's final rate of pay, and are payable immediately without an actuarial reduction. These applications require approval by the Board.

Eligibility to apply for non-service-connected disability benefits varies by bargaining unit and uniform/non-uniform status. Non-service-connected disability benefits are determined in the same manner as retirement benefits, and are payable immediately.

Service-connected death benefits are payable to:

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

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

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year, within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have

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accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries, and their survivors. As of July 1, 2015, the date of the most recent actuarial valuation, there was \$38,198,762 in the PAF and the Board voted to make PAF distributions of \$30,004,292 during the fiscal year ended June 30, 2016.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2016 is \$113.9 million.

Investments

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

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

The Fund seeks an annual total rate of return of not less than 7.75% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.75%) over a market cycle. The investment return assumption was reduced by the Board from 7.80% to 7.75%. The Fund's investment program will pursue its stated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

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



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The following was the Board's approved asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
US Equity	29.8%
Fixed Income - Investment Grade	19.0%
Non-US Equity - Developed	16.8%
Private Equity	9.1%
Fixed Income - Non-Investment Grade	7.5%
Non-US Equity - Emerging	5.2%
Hedge Funds	3.7%
Real Assets - Private Real Estate	2.6%
Private Debt	1.9%
Real Assets - Master Limited Partnerships	1.9%
Real Assets - Public Real Estate	1.4%
Cash & Other	1.1%
Total	<u>100.0%</u>

For the year ended June 30, 2016, the annual money-weighted rate of rate of return on pension plan investments, net of pension plan investment expense, was -3.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Net Pension Liability

The components of the net pension liability as of June 30, 2016 were as follows:

Total Pension Liability	\$(10,877,209,958)
Plan Fiduciary Net Position	<u>4,357,975,073</u>
Net Pension Liability	\$ (6,519,234,885)

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 40.1%

The total pension liability was determined by an actuarial valuation as of June 30, 2015 and was rolled forward to June 30, 2016. The June 30, 2015 valuation used the following actuarial assumptions, applied to all periods, including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.75% compounded annually, net of expenses
Salary Increases:	Age-based table

\* The investment return assumption was changed from 7.80% from the prior year valuation to 7.75% for the current year valuation.

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

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

The measurement date for the net pension liability is June 30, 2016. Measurements are based on the fair value of assets as of June 30, 2016 and the Total Pension Liability (TPL) as of the valuation date, July 1, 2015 updated to June 30, 2016. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. There were actuarial experience losses during the year of approximately \$152 million which includes the loss due to the Pension Adjustment Fund payment of \$30 million. In addition, the Board adopted recommended assumption changes, including:

- \* Decrease in the expected long-term return on assets from 7.80% to 7.75%
- \* Increase the load on valuation pay from 4% to 6% for Police participants to account for stress pay and for Fire participants to account for premium pay.

The combined effect of these assumption changes increased the TPL by approximately \$85 million as a year-end value.

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

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Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see discussion of pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Real Assets - Private Real Estate	12.70%
Private Equity	10.95%
US Equity	7.90%
Real Assets - Master Limited Partnerships	7.80%
Non-US Equity - Developed	7.60%
ACWI Ex-US	7.30%
Non-US Equity - Emerging	7.20%
Real Assets - Real Estate Investment Trusts	7.20%
Emerging Market Debt	5.80%
Hedge Funds	5.50%
High Yield	5.20%
Bank Loans	4.70%
Universal	3.20%
Broad Fixed Income	2.80%
Opportunistic Credit	2.05%
Global Aggregate	1.70%
91 Day T-bills	0.20%

The above table reflects the expected (7-10 year) real rate of return for each major asset class. The expected inflation rate is projected at 0.84% for the same time period.

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

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The following table presents the Net Pension Liability (NPL) of the System, calculated using the discount rate of 7.75%, as well as what the System's NPL would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

**Sensitivity of Collective Net Pension Liability to changes in Discount Rate**

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	(\$11,968,855,837)	(\$10,877,209,958)	(\$9,946,862,734)
Plan Fiduciary Net Position	\$4,357,975,073	\$4,357,975,073	\$4,357,975,073
Collective Net Pension Liability	<u>(\$7,610,880,764)</u>	<u>(\$6,519,234,885)</u>	<u>(\$5,588,887,661)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	-36.4%	-40.1%	-43.8%

The following table shows the changes in TPL, the plan fiduciary net position (FNP, or the fair value of the System assets), and the NPL during the measurement period ending on June 30, 2016.

**Change in Collective Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at June 30, 2015</b>	\$ (10,578,457,204)	\$ (4,674,252,000)	\$ (5,904,205,204)
<b>Changes for the year:</b>			
Service cost	(148,370,075)	-	(148,370,075)
Interest	(802,659,333)	-	(802,659,333)
Changes in benefits	-	-	-
Differences between expected and actual experience	(151,918,733)	-	(151,918,733)
Changes of assumptions	(85,147,737)	-	(85,147,737)
Contributions - employer	-	(660,246,511)	660,246,511
Contributions - member	-	(67,055,003)	67,055,003
Net investment income	-	145,681,480	(145,681,480)
Benefit payments	889,343,124	889,343,124	-
Administrative expense	-	8,553,837	(8,553,837)
<b>Net Changes</b>	<u>(298,752,754)</u>	<u>316,276,927</u>	<u>(615,029,681)</u>
<b>Balances at June 30, 2016</b>	<u>\$ (10,877,209,958)</u>	<u>\$ (4,357,975,073)</u>	<u>\$ (6,519,234,885)</u>

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

Derivative Instruments

In 2010, the City of Philadelphia adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments such as swaps, options, futures and forwards are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities.

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

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The following table summarizes the aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2016 in addition to the fair value and the change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type					
<u>Changes in Fair Value</u>			<u>Fair Value at June 30, 2016</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
<b>Investment Derivatives</b>					
Forward Currency Contracts	Net appreciation / (depreciation) in investments	\$(1,280,269)	Accrued interest and other receivables	\$(588,465)	\$ 105,832,201
Futures	Net appreciation / (depreciation) in investments	(93,192)	Accrued expenses	(141,531)	113
Grand Totals		<u>\$(1,373,461)</u>		<u>\$(729,996)</u>	<u>\$ 105,832,314</u>

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

The details of other risks and financial instruments in which the Fund is involved are described below:

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

It is the Fund's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all

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outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Swap Agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive-fixed interest rate swaps received as of June 30, 2016. On its pay-variable, receive-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

Futures Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized loss from futures contracts was (\$425,537). The Fund has cash collateral of \$971,025 which was valued using a matrix pricing model (Level 2 inputs).

*Forward Contracts:* The Fund is exposed to basis risk on its forward contracts because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. The realized gain from forward contracts was \$944,312.

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

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

Summary of Significant Accounting Policies

Financial statements of the Fund are prepared using the accrual basis of accounting. Employer contributions are recognized as revenue when due, pursuant to formal commitments, as well as statutory or contractual requirements.

The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the Statement of Changes in Fiduciary Net Position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.

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

**15. ACCUMULATED UNPAID SICK LEAVE**

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

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

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

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



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*Funding Policy:* The City's funding policy is to pay the net expected benefits for the current retirees. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. For fiscal years 2016 and 2015, the City paid \$107.2 million and \$95.3 million, respectively, for retiree healthcare.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the last two fiscal years, the amount actually contributed to the plan and changes in the net OPEB obligation:

	(Amounts in Thousands of USD)	
	June 30, 2016	June 30, 2015
Annual required contribution	\$ 136,268	\$ 132,092
Interest on net OPEB obligation	11,317	9,713
Adjustment to ARC	(10,197)	(8,752)
Annual OPEB cost	137,388	133,053
Payments made	(107,200)	(95,300)
Increase in net OPEB obligation	30,188	37,753
Net OPEB obligation – beginning of year	266,286	228,533
Net OPEB obligation – end of year	<u>\$ 296,474</u>	<u>\$ 266,286</u>

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 was as follows:

	(Amounts in Thousands of USD)		
Fiscal Years Ending June 30	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2014	\$ 129,318	52%	\$ 228,533
2015	\$ 133,052	72%	\$ 266,286
2016	\$ 137,388	78%	\$ 296,474

*Funded Status and Funding Progress:* As of July 1, 2015, the most recent actuarial valuation date, the City is funding OPEB on a pay-as-you-go basis and accordingly, the unfunded actuarial accrued liability (UAAL) for benefits was \$1.77 billion. The covered annual payroll was \$1.54 billion and the ratio of the UAAL to the covered payroll was 114.8%.

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*Notes to Financial Statements*

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The required schedule of funding progress immediately following the City of Philadelphia CAFR's notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions:* Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and the plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The City uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30-year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4.25% per year. The current plan incorporates the following assumptions: a 3.30% Rate of Salary Increases; and, a 4.00% Ultimate Rate of Medical Inflation.

## **17. RISK MANAGEMENT**

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage.

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

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
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At June 30, the amount of these liabilities was \$350.3 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2014 resulted from the following:

(Amounts in Millions of USD)

Fiscal Years Ending June 30	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2014	\$ 356.1	\$ 244.0	\$ (250.8)	\$ 349.3
2015	\$ 349.3	\$ 296.0	\$ (291.7)	\$ 353.6
2016	\$ 353.6	\$ 216.2	\$ (219.5)	\$ 350.3

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro-rata charge to the various funds. Payments for fiscal years 2016 and 2015 were \$2.8 million and \$3.1 million for Unemployment Compensation claims and \$65.3 million and \$63.1 million for Workers' Compensation claims, respectively.

The City's estimated outstanding workers' compensation liabilities are \$271.5 million discounted at 3.50%. On an undiscounted basis, these liabilities total \$353.1 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers compensation total \$245.8 million (discounted) and \$321.5 million (undiscounted). The Airport's accrued liability for workers' compensation was \$5.4 million and \$5.5 million at June 30, 2016 and 2015, respectively. Further discrete information is not available for the Airport.

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

## 18. COMMITMENTS

The Airport had commitments of approximately \$29.6 million and \$27.6 million for operating expenses and \$155.6 million and \$132.4 million for capital assets and improvements for fiscal years 2016 and 2015, respectively. The Airport expects to fund these commitments through operating revenue and through capital grants, bond proceeds, and passenger facility charges.

## **19. CONTINGENCIES**

### **Claims Litigation**

*Henderson Inverse Condemnation:* In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code, 26 Pa. C. Section 502(c), was filed in Delaware County against the City by numerous Henderson related entities and trusts (the “Sellers”). The Petition alleges that the City effected a de facto taking of the Henderson properties (the “Property”), which Property is proximate to Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desires to acquire the Property for Airport purposes and had numerous discussions with representatives for the Sellers. In July 2016, the City made an offer for \$70 million. The City received no response. The City will likely file its own de jure taking in the first quarter of 2017.

For the Henderson Property, the City will need the cooperation of Tinicum Township or Delaware County to take it by eminent domain. While Tinicum has agreed to not withhold its consent for the City to take certain properties, the City has not yet requested that consent. While there are various estimates, the number of acres involved, the parcel is approximately, 135+/- acres (Henderson claims in excess of 144 acres). The property was included in the City’s FAA-approved Master Plan for the expansion of the Airport. It is one of several privately held properties identified in the Master Plan. The City has been successful in purchasing several of these.

The City is represented by outside counsel, High Swartz, and the City has filed Preliminary Objections to the Petition. Henderson has responded and there will likely be a hearing on the Preliminary Objections. The parties are also embroiled in a variety of issues which will undoubtedly generate significant attorney’s fees, (most significantly, massive discovery requests, which if not narrowed will require the City to produce hundreds of thousands of pages) two issues are at the core of what is in dispute: 1) when is the effective date of the taking (delay damages accrue from this date at a very high rate of interest); and 2) what is the value of the Property. The Hendersons have valued the Property at \$180 M and the City’s most recent appraisal (2013) values the Property at between \$40 M and \$50 M. An additional appraisal is being undertaken by the City.

An ordinance was introduced in to City Council on February 9, 2017 seeking authorization to acquire the Property by amicable negotiations or condemnation.

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
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**20. SUBSEQUENT EVENTS**

- The Pennsylvania General Assembly temporarily authorized TNC operations in the City of Philadelphia via a budget bill during the summer of 2016. In July, the Airport negotiated temporary license agreements with two national TNCs. These temporary agreements expired on September 30, 2016. The Pennsylvania General Assembly passed a comprehensive bill addressing TNCs across the Commonwealth in October. The bill provided that the Airport may adopt contracts, licenses, and regulations relating to the duties and responsibilities on Airport property of TNCs, including the imposition of reasonable fees. The Airport thereafter negotiated long-term license agreements with two TNCs to allow them to operate at the Airport. Both the temporary and long-term license agreements provide that the TNCs pay per-trip fees to the Airport based on the number of Airport passenger drop offs and pick-ups.
- In July 2016, the City of Philadelphia acquired a 2.0-acre parcel of property adjacent to the Airport. The property consists of a one story office and warehouse building, totaling 30,078 square feet, as well as an exterior yard and surface parking lots.
- In November 2016, the City of Philadelphia acquired two segments of a public roadway adjacent to the Airport totaling approximately 8.5 acres and is leasing three segments totaling approximately 21 acres for 50 years, with an option to purchase after 20 years.
- In December 2016, the City of Philadelphia acquired a 3.4-acre parcel of property adjacent to the Airport. The property consists of a one story office and warehouse building, totaling nearly 40,750 square feet, as well as a surface parking lot.



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF PHILADELPHIA**

**AVIATION FUND**

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

	Fiscal Year <u>2016</u>	Fiscal Year <u>2015</u>	Percentage Increase (Decrease)
Fund balance, legal basis	\$ 71,416,143	\$ 28,348,097	151.9%
Add assets not included in legal basis:			
Current assets	28,614,942	34,902,963	(18.0)%
Fixed assets, net of depreciation	1,990,632,894	1,948,872,575	2.1%
Restricted assets	410,464,884	448,305,717	(8.4)%
	<u>2,429,712,720</u>	<u>2,432,081,255</u>	<u>(0.1)%</u>
Deduct liabilities not included in legal basis:			
Construction accounts payable	(38,430,923)	(51,033,985)	(24.7)%
Current liabilities	(205,881,330)	(172,108,128)	19.6%
Bonds payable	(1,155,398,488)	(1,218,750,392)	(5.2)%
Other long-term liabilities	(254,952,115)	(233,115,224)	9.4%
	<u>(1,654,662,856)</u>	<u>(1,675,007,729)</u>	<u>(1.2)%</u>
Add (deduct) fund balance accounts included in legal basis:			
Reserve for encumbrance, current	29,466,497	26,246,448	12.3%
Reserve for encumbrance, prior	(10,642,918)	(8,335,370)	27.7%
Reserve for collectible accounts	928,278	928,278	0.0%
	<u>19,751,857</u>	<u>18,839,356</u>	<u>4.8%</u>
Net position - GAAP basis	<u>\$ 866,217,864</u>	<u>\$ 804,260,979</u>	<u>7.7%</u>

**CITY OF PHILADELPHIA**  
**AVIATION FUND**  
*Budgetary Comparison Schedule*  
*For the Fiscal Year Ended June 30, 2016*  
*(Amounts in thousands)*

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	\$428,816	\$410,956	\$391,660	(\$19,296)
Revenue from Other Governments	4,500	4,500	2,137	(2,363)
Revenue from Other Funds	<u>2,500</u>	<u>2,500</u>	<u>1,158</u>	<u>(1,342)</u>
Total Revenues	435,816	417,956	394,955	(23,001)
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	71,874	71,874	66,544	5,330
Pension Contributions	31,300	33,535	33,515	20
Other Employee Benefits	<u>25,894</u>	<u>23,660</u>	<u>19,476</u>	<u>4,184</u>
Sub-Total Employee Compensation	129,068	129,069	119,535	9,534
Purchase of Services	137,169	137,169	107,469	29,700
Materials and Supplies	10,361	10,346	6,714	3,632
Equipment	8,940	8,954	2,775	6,179
Contributions, Indemnities and Taxes	6,717	6,717	1,964	4,753
Debt Service	123,505	123,505	117,282	6,223
Payments to Other Funds	24,623	24,623	7,539	17,084
Advances, Subsidies, Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>440,383</u>	<u>440,383</u>	<u>363,278</u>	<u>77,105</u>
Operating Surplus (Deficit) for the Year	<u>(4,567)</u>	<u>(22,427)</u>	<u>31,677</u>	<u>54,104</u>
Fund Balance Available for Appropriation, July 1, 2015	27,410	28,348	28,348	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>17,000</u>	<u>17,000</u>	<u>11,206</u>	<u>(5,794)</u>
Adjusted Fund Balance, July 1, 2015	<u>44,410</u>	<u>45,348</u>	<u>39,554</u>	<u>(5,794)</u>
Fund Balance Available for Appropriation, June 30, 2016	<u>\$39,843</u>	<u>\$22,921</u>	<u>\$71,231</u>	<u>\$48,310</u>





## **STATISTICAL SECTION**

### **III. Statistical Section**

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

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

Exhibit S-1	Annual Revenues, Expenses and Changes in Fund Net Position
Exhibit S-2	Revenues by Source
Exhibit S-3	Scheduled Rates and Charges

#### **Debt Capacity**

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

Exhibit S-4	Ratios of Outstanding Debt
Exhibit S-5	Pledged Debt Service Coverage

#### **Demographic and Economic Information**

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

Exhibit S-6	Airport Information
Exhibit S-7	Employment by Industry
Exhibit S-8	Population Trends

#### **Operating Information**

These schedules show airport performance over the past ten years.

Exhibit S-9	City of Philadelphia Airport Employees
Exhibit S-10	Aircraft Operations by Airport
Exhibit S-11	Commercial Passenger Enplanements
Exhibit S-12	Commercial Enplanements
Exhibit S-13	Airline Market Share by Landed Weight
Exhibit S-14	Airline Market Share by Passenger Enplanements
Exhibit S-15	Passenger Facility Charges
Exhibit S-16	Current Top 30 Passenger Origin and Destination Markets
Exhibit S-17	Historical Top 10 Passenger Origin and Destination Markets

**EXHIBIT S-1: ANNUAL REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
(By Fiscal Year)

	2016	2015	2014	2013	Restated * 2012	2011	2010	2009	2008	2007
<b>OPERATING REVENUES</b>										
Charges for goods and services (1)	\$ 110,787,260	\$ 100,619,746	\$ 110,782,462	\$ 88,823,551	\$ 78,331,485	\$ 81,161,226	\$ 74,669,812	\$ 73,950,707	\$ 71,807,780	\$ 76,933,333
Rentals and concessions (2)	224,999,976	216,190,420	200,192,045	197,912,708	179,202,590	170,667,208	161,375,950	173,574,129	160,623,758	162,593,011
Miscellaneous operating revenues	5,009,010	5,554,490	4,439,768	4,630,590	5,631,463	6,226,427	3,917,583	4,178,104	5,925,273	3,683,609
<b>TOTAL OPERATING REVENUES</b>	<b>340,796,246</b>	<b>322,364,656</b>	<b>315,414,275</b>	<b>291,366,849</b>	<b>263,165,538</b>	<b>258,054,861</b>	<b>239,963,345</b>	<b>251,702,940</b>	<b>238,356,811</b>	<b>243,209,953</b>
<b>OPERATING EXPENSES</b>										
Personal services	69,283,424	70,424,997	65,636,270	63,190,699	60,503,430	59,258,555	59,674,324	63,732,083	62,924,125	61,815,967
Purchase of services	108,418,709	101,642,118	94,403,544	88,684,536	81,733,892	78,491,464	74,975,124	75,493,151	75,225,589	72,978,856
Materials and supplies	6,944,528	8,669,852	8,927,068	6,557,009	6,728,927	4,458,556	6,234,831	6,586,423	4,632,327	6,804,580
Employee benefits	57,854,677	52,106,797	65,665,321	46,467,020	50,585,661	44,845,414	43,729,908	45,238,320	44,246,797	41,273,388
Indemnities and taxes	1,695,946	1,839,638	1,108,774	1,945,850	1,899,313	2,219,123	1,448,984	937,733	1,568,449	1,239,096
Depreciation and amortization	101,909,394	98,125,419	99,707,937	97,873,389	100,592,947	100,894,334	89,011,531	82,156,722	76,180,892	76,679,552
<b>TOTAL OPERATING EXPENSES</b>	<b>346,106,678</b>	<b>332,808,821</b>	<b>335,448,914</b>	<b>304,718,503</b>	<b>302,044,170</b>	<b>290,167,446</b>	<b>275,074,702</b>	<b>274,144,432</b>	<b>264,778,179</b>	<b>260,791,439</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(5,310,432)</b>	<b>(10,444,165)</b>	<b>(20,034,639)</b>	<b>(13,351,654)</b>	<b>(38,878,632)</b>	<b>(32,112,585)</b>	<b>(35,111,357)</b>	<b>(22,441,492)</b>	<b>(26,421,368)</b>	<b>(17,581,486)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>										
Federal, state and local grants	1,621,300	1,885,786	2,483,722	1,661,600	2,377,228	4,215,312	3,009,284	2,052,401	1,917,216	1,484,240
Interest income	2,658,109	363,206	1,076,392	632,234	5,654,556	2,235,393	1,694,129	1,567,964	20,687,036	13,675,359
Debt service, interest	(54,003,323)	(41,428,793)	(40,966,678)	(40,179,599)	(40,069,791)	(45,847,778)	(53,211,021)	(52,085,548)	(57,668,503)	(53,031,140)
Other revenue (expenses)	-	-	-	(13,994,139)	(407,921)	(5,247)	(1,787,752)	3,380,024	-	-
Loss on disposal of property, net	(67,463)	(69,113)	(75,920)	(13,394)	-	-	-	-	(669,431)	(486,981)
Customer facility charges	31,934,786	29,933,177	4,857,600	-	-	-	-	-	-	-
Passenger facility charges	60,920,335	61,180,724	60,653,369	58,188,449	59,741,500	62,042,429	61,277,506	61,255,198	64,855,338	66,029,267
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>43,063,744</b>	<b>51,864,987</b>	<b>28,028,485</b>	<b>6,295,151</b>	<b>27,295,572</b>	<b>22,640,109</b>	<b>10,982,146</b>	<b>16,170,039</b>	<b>29,121,656</b>	<b>27,670,745</b>
<b>GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<b>37,753,312</b>	<b>41,420,822</b>	<b>7,993,846</b>	<b>(7,056,503)</b>	<b>(11,583,060)</b>	<b>(9,472,476)</b>	<b>(24,129,211)</b>	<b>(6,271,453)</b>	<b>2,700,288</b>	<b>10,089,259</b>
<b>CAPITAL CONTRIBUTIONS</b>										
Federal, state and local grants	24,203,573	35,549,920	20,046,410	39,691,462	29,242,258	39,639,059	29,298,943	44,744,177	33,602,655	22,409,258
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b>24,203,573</b>	<b>35,549,920</b>	<b>20,046,410</b>	<b>39,691,462</b>	<b>29,242,258</b>	<b>39,639,059</b>	<b>29,298,943</b>	<b>44,744,177</b>	<b>33,602,655</b>	<b>22,409,258</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 61,956,885</b>	<b>\$ 76,970,742</b>	<b>\$ 28,040,256</b>	<b>\$ 32,634,959</b>	<b>\$ 17,659,198</b>	<b>\$ 30,166,583</b>	<b>\$ 5,169,732</b>	<b>\$ 38,472,724</b>	<b>\$ 36,302,943</b>	<b>\$ 32,498,517</b>
<b>NET POSITION BEGINNING OF PERIOD</b>	<b>804,260,979</b>	<b>894,969,059</b>	<b>866,928,803</b>	<b>834,293,844</b>	<b>835,273,926</b>	<b>805,107,343</b>	<b>797,810,967</b>	<b>759,338,243</b>	<b>722,571,538</b>	<b>690,073,020</b>
Adjustment	-	(167,678,822)	-	-	(18,639,280)	-	2,126,644	-	463,762	-
<b>NET POSITION END OF PERIOD</b>	<b>\$ 866,217,864</b>	<b>\$ 804,260,979</b>	<b>\$ 894,969,059</b>	<b>\$ 866,928,803</b>	<b>\$ 834,293,844</b>	<b>\$ 835,273,926</b>	<b>\$ 805,107,343</b>	<b>\$ 797,810,967</b>	<b>\$ 759,338,243</b>	<b>\$ 722,571,537</b>

\* Related to the adoption of GASB 65

Source: City of Philadelphia, Financial Statements

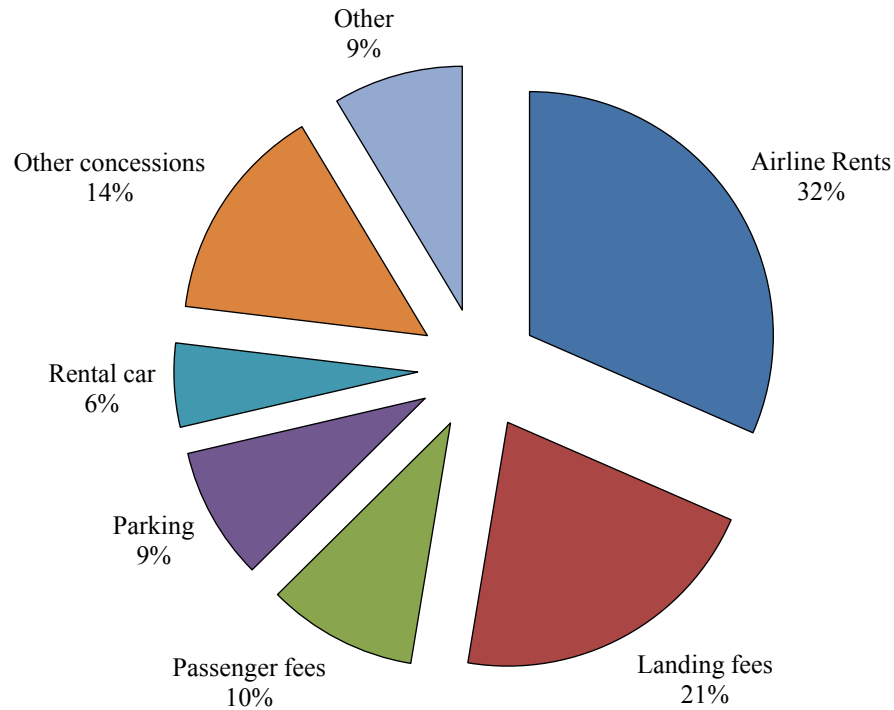
(1) Charges for goods and services are comprised of airline revenues, specifically landing fees and international arrival fees, and nonairline revenues, specifically utilities and other fees.

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

**EXHIBIT S-2: REVENUES BY SOURCE**  
(By Fiscal Year)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>AIRLINE REVENUE</b>										
Rents	\$ 107,504,766	\$ 115,637,922	\$ 98,895,068	\$ 102,444,565	\$ 84,597,375	\$ 73,285,708	\$ 75,349,769	\$ 81,661,072	\$ 69,452,952	\$ 62,342,320
Landing fees	71,796,365	68,868,068	80,068,379	63,876,786	57,390,056	62,137,487	49,194,575	47,800,452	42,242,159	35,324,431
Passenger fees	33,927,721	26,573,596	24,873,375	20,041,927	16,202,394	17,565,552	19,496,578	19,672,570	17,722,494	15,369,736
<b>TOTAL AIRLINE REVENUE</b>	<b>213,228,852</b>	<b>211,079,586</b>	<b>203,836,822</b>	<b>186,363,278</b>	<b>158,189,825</b>	<b>152,988,747</b>	<b>144,040,922</b>	<b>149,134,094</b>	<b>129,417,605</b>	<b>113,036,487</b>
<b>NON-AIRLINE REVENUE</b>										
Parking	29,968,056	29,090,299	25,000,777	24,147,808	25,035,368	28,008,554	23,732,623	31,239,909	33,570,037	33,184,918
Rental car	18,925,037	17,972,921	19,129,901	19,353,044	18,374,270	17,977,440	17,200,502	18,310,229	20,273,674	19,356,473
Other concessions	49,331,623	35,348,186	38,753,239	31,513,965	33,322,565	30,313,410	26,365,802	24,155,017	23,802,320	22,489,741
Other	29,342,678	28,873,664	28,693,536	29,988,754	28,243,510	28,766,710	28,623,496	28,863,691	31,293,175	55,142,334
<b>TOTAL NON-AIRLINE REVENUE</b>	<b>127,567,394</b>	<b>111,285,070</b>	<b>111,577,453</b>	<b>105,003,571</b>	<b>104,975,713</b>	<b>105,066,114</b>	<b>95,922,423</b>	<b>102,568,846</b>	<b>108,939,206</b>	<b>130,173,466</b>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 340,796,246</b>	<b>\$ 322,364,656</b>	<b>\$ 315,414,275</b>	<b>\$ 291,366,849</b>	<b>\$ 263,165,538</b>	<b>\$ 258,054,861</b>	<b>\$ 239,963,345</b>	<b>\$ 251,702,940</b>	<b>\$ 238,356,811</b>	<b>\$ 243,209,953</b>

**2016 REVENUES BY SOURCE**



Source: City of Philadelphia

**EXHIBIT S-3: SCHEDULED RATES AND CHARGES**  
(By Fiscal Year)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>SIGNATORY AIRLINE RATES</u>										
<b>Landing Fee Rate</b>	\$ 4.24	\$ 3.77	\$ 3.27	\$ 2.91	\$ 2.68	\$ 2.76	\$ 2.29	\$ 2.18	\$ 1.82	\$ 1.84
<b>Terminal Rental Rates</b>										
Type 1 - Ticket Counter and Ticket Counter Offices	\$ 223.11	\$ 195.38	\$ 184.28	\$ 172.51	\$ 155.26	\$ 163.61	\$ 169.40	\$ 163.25	\$ 146.01	\$ 131.50
Type 2 - Hold Rooms, Baggage Claim Area, Baggage Claim Offices, Airline Lounge, Airline Space	\$ 167.34	\$ 146.54	\$ 138.21	\$ 129.38	\$ 116.45	\$ 122.71	\$ 127.05	\$ 122.44	\$ 109.51	\$ 98.63
Type 3 - Airline Operations Space, Baggage Makeup Space, Inbound Baggage	\$ 111.56	\$ 97.69	\$ 92.14	\$ 86.25	\$ 77.63	\$ 81.81	\$ 84.70	\$ 81.63	\$ 73.01	\$ 65.75
Type 4 - FIS Area, Cart Tunnel/Baggage Recheck	\$ 55.78	\$ 48.85	\$ 46.07	\$ 43.13	\$ 38.82	\$ 40.90	\$ 42.35	\$ 40.81	\$ 36.50	\$ 32.88
<b>Ramp Area Rental Rate</b>	\$ 87.82	\$ 71.35	\$ 81.79	\$ 76.34	\$ 50.09	\$ 86.96	\$ 99.27	\$ 47.68	\$ 55.68	\$ 21.08
<b>International Common Use Fees</b>										
Enplaning Area Fee	\$ 4.93	\$ 4.10	\$ 4.19	\$ 3.75	\$ 2.90	\$ 3.02	\$ 3.13	\$ 3.30	\$ 3.00	\$ 2.21
Deplaning Area Fee	\$ 4.82	\$ 4.18	\$ 4.10	\$ 3.65	\$ 2.95	\$ 3.07	\$ 3.19	\$ 3.31	\$ 3.00	\$ 2.34
FIS Area Fee	\$ 4.96	\$ 3.98	\$ 3.30	\$ 2.42	\$ 2.08	\$ 2.34	\$ 2.42	\$ 2.45	\$ 2.11	\$ 1.75
Ticket Counter Area Fee	\$ 1.98	\$ 1.73	\$ 1.63	\$ 1.26	\$ 1.41	\$ 1.41	\$ 1.14	\$ 0.47	\$ 0.43	\$ 1.00
<b>Passenger Facility Charges</b>	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50

Source: City of Philadelphia

**EXHIBIT S-4: RATIOS OF OUTSTANDING DEBT**  
(By Fiscal Year)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>OUTSTANDING DEBT BY TYPE</b>										
Revenue Bonds Payable, Net	\$ 1,160,904,087	\$ 1,225,329,622	\$ 1,291,748,241	\$ 1,328,226,206	\$ 1,383,070,191	\$ 1,450,836,074	\$ 1,213,932,113	\$ 1,250,794,205	\$ 1,282,384,205	\$ 1,140,994,205
Commercial Paper	189,900,000	167,600,000	39,700,000	39,600,000	-	-	-	-	-	-
Total Outstanding Debt	\$ 1,350,804,087	\$ 1,392,929,622	\$ 1,331,448,241	\$ 1,367,826,206	\$ 1,383,070,191	\$ 1,450,836,074	\$ 1,213,932,113	\$ 1,250,794,205	\$ 1,282,384,205	\$ 1,140,994,205
<b>DEBT FACTORS</b>										
Enplaned Passengers	15,683,558	15,312,738	15,316,053	15,215,885	15,344,126	15,611,583	15,193,741	15,362,743	16,052,973	15,851,691
Operating Revenue	\$ 340,796,245	\$ 322,364,656	\$ 315,414,275	\$ 291,366,849	\$ 263,165,538	\$ 258,054,861	\$ 239,963,345	\$ 251,702,940	\$ 238,356,811	\$ 243,209,953
Total Assets	\$ 2,502,763,258	\$ 2,470,974,676	\$ 2,305,749,387	\$ 2,336,308,473	\$ 2,369,575,715	\$ 2,428,885,363	\$ 2,172,529,308	\$ 2,154,970,857	\$ 2,129,411,283	\$ 1,939,346,503
Total MSA Population*	6,084,730	6,069,875	6,053,720	6,036,356	6,021,349	5,997,102	5,971,463	5,968,252	5,940,496	5,912,678
<b>RATIOS</b>										
Outstanding debt per Enplaned Passenger	\$ 86.13	\$ 90.97	\$ 86.93	\$ 89.89	\$ 90.14	\$ 92.93	\$ 79.90	\$ 81.42	\$ 79.88	\$ 71.98
Outstanding debt to Operating Revenue	\$ 3.96	\$ 4.32	\$ 4.22	\$ 4.69	\$ 5.26	\$ 5.62	\$ 5.06	\$ 4.97	\$ 5.38	\$ 4.69
Outstanding debt to Total Assets	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.59	\$ 0.58	\$ 0.60	\$ 0.56	\$ 0.58	\$ 0.60	\$ 0.59
Outstanding Debt per Capita	\$ 222.00	\$ 229.48	\$ 219.94	\$ 226.60	\$ 229.69	\$ 241.92	\$ 203.29	\$ 209.57	\$ 215.87	\$ 192.97

\* Estimated 2016 MSA data Source: Select Greater Philadelphia

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

Non-MSA data Source: City of Philadelphia

**EXHIBIT S-5: PLEDGED DEBT SERVICE COVERAGE**  
(By Fiscal Year)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
AMOUNTS AVAILABLE FOR DEBT SERVICE										
Fund Balance	\$ 71,220,305	\$ 66,340,425	\$ 66,542,146	\$ 69,271,565	\$ 65,939,354	\$ 77,635,096	\$ 55,127,876	\$ 61,412,637	\$ 42,583,000	\$ 10,420,855
Project Revenues	341,249,876	322,846,631	316,893,125	291,781,082	269,584,048	260,785,011	246,906,641	255,251,983	250,544,456	211,258,977
Passenger Facility Charges	31,176,287	31,169,120	31,168,394	31,159,879	31,572,638	32,352,816	33,132,726	32,925,558	32,925,675	32,920,891
1	443,646,468	420,356,176	414,603,665	392,212,526	367,096,040	370,772,923	335,167,243	349,590,178	326,053,131	254,600,723
TOTAL EXPENSES										
2 Net Operating Expenses*	132,649,211	125,966,943	117,782,250	110,710,079	99,513,684	98,383,522	102,859,758	99,520,353	99,820,432	87,072,675
Interdepartmental Charges	106,775,414	108,692,423	103,902,286	101,858,400	92,666,125	88,638,745	80,754,867	89,002,478	89,135,556	70,670,497
3	239,424,625	234,659,366	221,684,536	212,568,479	192,179,809	187,022,267	183,614,625	188,522,831	188,955,988	157,743,172
FUNDS AVAILABLE FOR DEBT SERVICE COVERAGE										
4 Revenue Bonds (Line 1 - Line 2)	310,997,257	294,389,233	296,821,415	281,502,447	267,582,356	272,389,401	232,307,485	250,069,825	226,232,699	167,528,048
5 All Bonds (Line 1 - Line 3)	204,221,843	185,696,810	192,919,129	179,644,047	174,916,231	183,750,656	151,552,618	161,067,347	137,097,143	96,857,551
DEBT SERVICE										
Revenue Bonds										
Series 1995	-	-	-	-	-	-	-	-	-	-
Series 1997A	-	-	-	-	-	-	5,842,671	5,946,507	5,843,243	6,013,755
Series 1997B	-	-	-	-	-	-	-	-	-	7,062,563
Series 1998A	-	-	-	-	-	7,133,834	9,917,682	10,105,763	9,766,064	10,228,290
Series 1998 PAID	257	250	256	256	1,064,343	20,227,749	29,419,138	30,316,116	30,721,941	30,558,378
Series 2001 PAID	-	-	-	-	2,936,077	13,458,483	13,000,145	13,156,229	12,009,554	12,909,012
Series 2001B	-	-	-	-	-	2,758,744	2,652,249	2,703,605	2,428,393	2,650,168
Series 2005A	-	8,127,118	8,318,454	8,315,455	8,122,767	8,319,705	8,000,630	7,252,044	699,594	103,991
Series 2005B	-	-	-	-	-	-	-	107,219	-	33,541
Series 2005C	15,510,902	15,321,233	15,525,161	15,680,308	15,324,563	15,332,559	14,620,165	18,327,269	16,002,243	16,004,961
Series 2007A	11,677,215	11,513,459	11,775,999	11,744,763	11,507,400	9,421,986	2,176,400	588,164	-	-
Series 2007B	6,872,668	6,773,572	6,928,249	6,928,000	6,768,480	6,927,250	6,659,417	6,789,987	6,917,243	-
Series 2009A	3,717,417	3,663,031	3,746,016	3,748,666	3,657,784	3,749,316	2,018,172	352,336	-	-
Series 2010A	18,508,796	18,248,041	17,046,190	1,284,292	5,000	5,000	-	-	-	-
Series 2010B	-	5,444,908	5,572,999	5,573,750	5,449,704	5,189,246	-	-	-	-
Series 2010C	9,361,206	9,237,111	9,444,749	9,447,250	9,229,230	1,561,654	-	-	-	-
Series 2010D	26,164,179	25,795,633	26,388,847	26,391,851	25,781,859	8,362,121	-	-	-	-
Series 2011A	15,203,315	14,973,955	15,319,405	15,310,406	10,666,811	-	-	-	-	-
Series 2011B	2,569,120	2,534,670	2,593,018	2,591,019	2,528,127	-	-	-	-	-
Series 2015A	7,734,447									
Commercial Paper and Credit Facility Fees	3,275,822	3,615,367	2,737,987	2,819,925						
6 Net Revenue Bond Debt Service	120,595,344	125,248,348	125,397,330	109,835,941	103,042,145	102,447,647	94,306,669	95,645,239	84,388,275	85,564,659
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
7 TOTAL NET DEBT SERVICE	\$ 120,595,344	\$ 125,248,348	\$ 125,397,330	\$ 109,835,941	\$ 103,042,145	\$ 102,447,647	\$ 94,306,669	\$ 95,645,239	\$ 84,388,275	\$ 85,564,659
DEBT SERVICE COVERAGE										
Revenue Bonds Only - Test "1" (Line 4/Line 6)	2.58	2.35	2.37	2.56	2.60	2.66	2.46	2.61	2.68	1.96
Total Debt Service - Test "2" (Line 5/Line 7)	1.69	1.48	1.54	1.64	1.70	1.79	1.61	1.68	1.62	1.13

\* Includes required Renewal Fund deposits

## EXHIBIT S-6: PHILADELPHIA INTERNATIONAL AIRPORT INFORMATION

Location	Located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia		
Acres	2,425 +/- acres		
Airport Code	PHL		
Runways		<u>Length</u>	<u>Width</u>
	9R-27L	10,506'	200'
	9L-27R	9,500'	150'
	17-35	6,501'	150'
	8-26	5,000'	150'
Aircraft Capability	Group VI - Airbus 380 (Limited)		
Terminals	Terminal A-East	433,001	square feet
	Terminal A-West	818,100	square feet
	Terminals B & C	951,721	square feet
	Terminals D & E	808,095	square feet
	Terminal F	277,437	square feet
	<b>Total Terminal Space</b>	<b>3,288,354</b>	<b>square feet</b>
	Number of Passenger Gates	126	gates
Parking	<u>Public</u>		
	Garage Parking	10,984	spaces
	Short-Term	839	spaces
	Surface Parking	7,117	spaces
	<b>Total Public Parking</b>	<b>18,940</b>	<b>spaces</b>
	Cell Phone Waiting Area	150	spaces
	Tenant Employee Parking	4,200	spaces
Cargo	Number of Cargo Buildings	6	buildings
	Cargo Space	449,761	square feet
International	Customs/Immigration Federal Inspection Facility		
Tower	TRACON - Philadelphia, PA - Operating 24 Hours/Day 7 Days/Week		
Intermodal Access	Interstate 95 (I-95) Regional Rail & Buses operated by the Southeastern Pennsylvania Transportation Authority ("SEPTA")		
Northeast Philadelphia Airport	Located on a 1,126-acre site situated within the City limits about 10 miles by road northeast of center city Philadelphia and provides for general aviation, air taxi and corporate, as well as occasional military use		

Data as of December 31, 2016

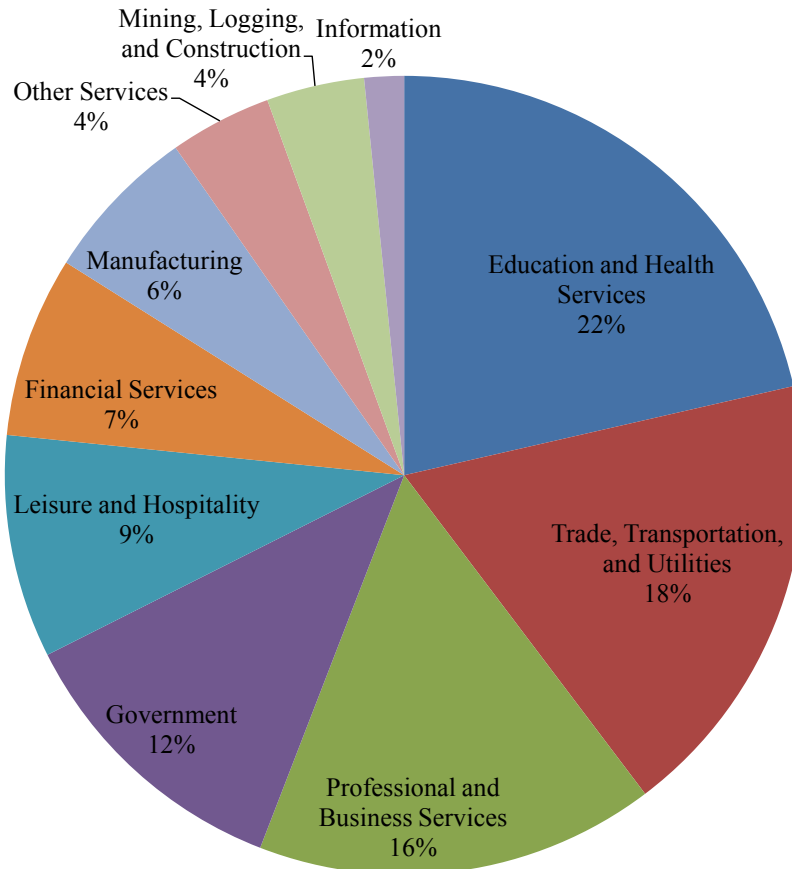
Source: City of Philadelphia



**EXHIBIT S-7: EMPLOYMENT BY INDUSTRY**  
Metropolitan Statistical Area (By Calendar Year)

INDUSTRY	Annual Average Number of Employees (in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Education and Health Services	616.7	603.4	589.2	574.5	566.2	556.9	549.7	544.3	534.8	521.9
Trade, Transportation, and Utilities	526.3	518.2	513.9	508.4	504.9	501.2	499.6	502.3	526.8	531.0
Professional and Business Services	465.8	448.3	438.9	431.0	423.4	416.9	408.3	408.8	430.9	430.9
Government	337.1	335.0	335.5	337.4	340.0	347.5	357.9	358.8	355.8	354.7
Leisure and Hospitality	260.1	252.0	247.0	241.4	236.8	230.1	224.0	220.2	224.9	223.1
Financial Services	211.0	208.5	204.1	203.2	200.3	199.3	200.5	206.5	216.9	220.5
Manufacturing	183.2	181.3	180.6	180.4	182.4	185.6	187.3	194.8	215.8	221.3
Other Services	119.0	117.8	116.8	118.9	120.0	119.4	118.3	118.0	120.6	122.0
Mining, Logging, and Construction	114.1	110.1	104.8	101.9	99.4	100.3	99.7	103.8	123.5	127.8
Information	46.2	46.5	46.5	48.1	49.7	50.2	51.7	54.0	57.2	57.7
<b>PHILADELPHIA PA-NJ-DE-MD METROPOLITAN STATISTICAL AREA</b>	<b>2,879.5</b>	<b>2,821.1</b>	<b>2,777.3</b>	<b>2,745.2</b>	<b>2,723.1</b>	<b>2,707.4</b>	<b>2,697.0</b>	<b>2,711.5</b>	<b>2,807.2</b>	<b>2,810.9</b>

**Air Trade Area Employment by Sector - 2016**



\* Number of employees (in thousands) for 2007-2015 modified by U.S. Department of Labor, Bureau of Labor Statistics for all Industries  
2016 data includes preliminary estimate for December, 2016  
Source: U.S. Department of Labor, Bureau of Labor Statistics

# EXHIBIT S-8: POPULATION TRENDS

Metropolitan Statistical Area (MSA)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>DELAWARE &amp; MARYLAND</b>										
Cecil County, MD	102,382	102,135	101,871	101,767	101,644	101,164	100,796	99,949	99,400	98,568
New Castle County, DE	556,779	553,347	549,529	546,211	542,349	538,911	534,634	531,057	527,786	524,473
Total - Delaware & Maryland	659,161	655,482	651,400	647,978	643,993	640,075	635,430	631,006	627,186	623,041
<b>NEW JERSEY</b>										
Burlington County	450,226	450,677	450,103	451,227	450,549	449,218	446,108	445,492	446,314	447,131
Camden County	510,923	510,967	511,922	512,993	513,185	513,594	517,879	517,739	517,559	516,547
Gloucester County	291,479	290,898	289,923	289,719	289,470	288,701	289,920	288,168	286,056	281,936
Salem County	64,180	64,670	65,062	65,656	66,031	65,998	66,342	66,194	65,981	65,929
Total - New Jersey	1,316,808	1,317,212	1,317,010	1,319,595	1,319,235	1,317,511	1,320,249	1,317,593	1,315,910	1,311,543
<b>PENNSYLVANIA</b>										
Bucks County	627,367	626,608	626,313	626,194	626,435	625,473	626,015	623,562	621,334	619,245
Chester County	515,939	513,291	509,624	506,428	503,702	499,950	498,894	493,281	487,567	480,200
Delaware County	563,894	562,957	561,619	560,869	559,075	559,053	558,028	556,251	555,019	553,664
Montgomery County	819,264	816,608	813,704	809,701	805,575	801,063	782,339	778,452	775,631	772,968
Philadelphia County	1,567,442	1,561,562	1,556,686	1,550,584	1,539,087	1,528,338	1,547,297	1,540,351	1,530,031	1,520,251
Total - Pennsylvania	4,093,906	4,081,026	4,067,946	4,053,776	4,033,874	4,013,877	4,012,573	3,991,897	3,969,582	3,946,328
<b>PHILADELPHIA MSA</b>	<b>6,069,875</b>	<b>6,053,720</b>	<b>6,036,356</b>	<b>6,021,349</b>	<b>5,997,102</b>	<b>5,971,463</b>	<b>5,968,252</b>	<b>5,940,496</b>	<b>5,912,678</b>	<b>5,880,912</b>

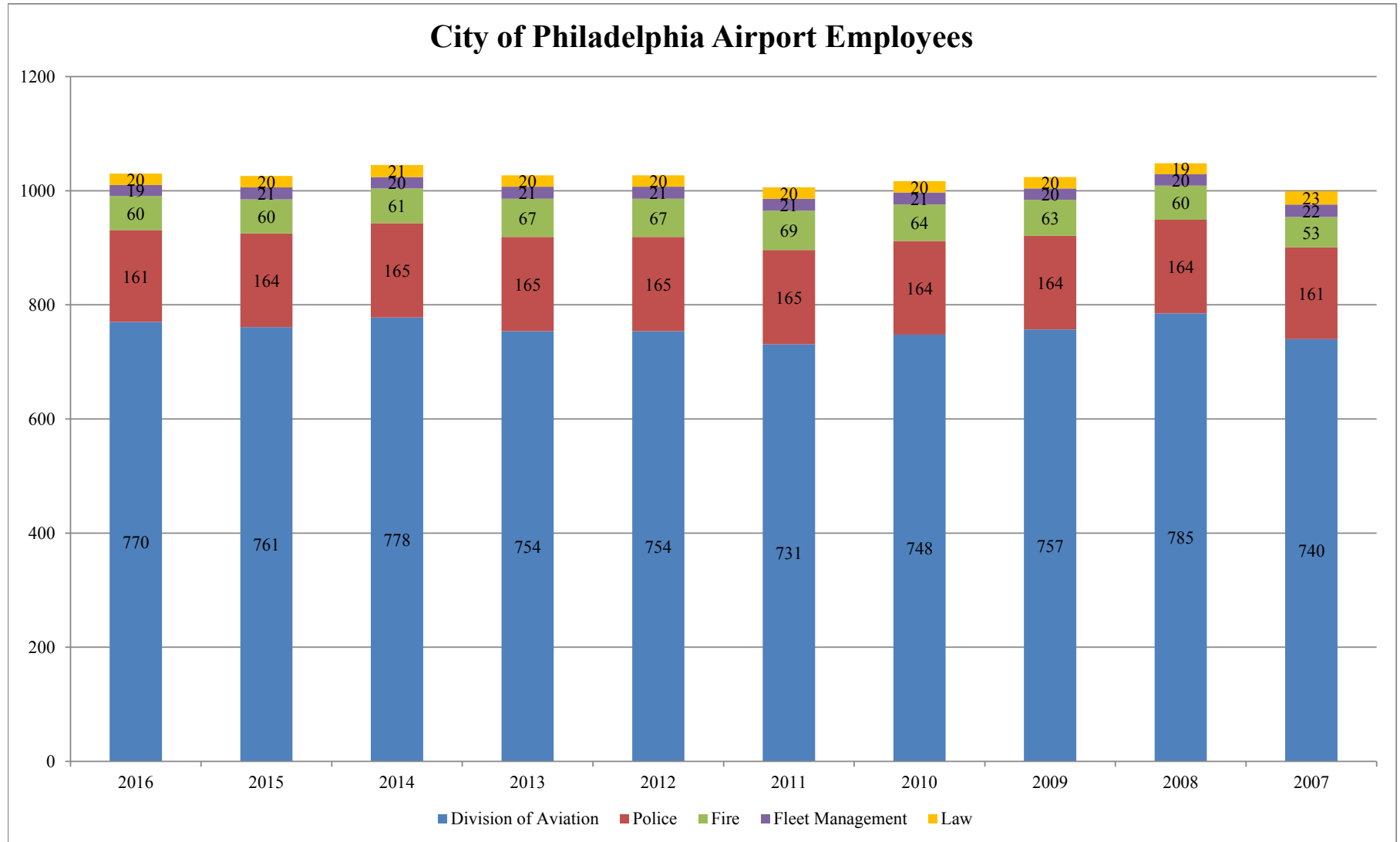
Note: Population estimates for 2010 to 2014 modified by U.S. Census Bureau, Population Division.

Population estimates as of July 1st

2016 data is not available until March, 2017

Source: U.S. Census Bureau, Population Division

**EXHIBIT S-9: CITY OF PHILADELPHIA AIRPORT EMPLOYEES**  
(By Fiscal Year)



Filled positions at the end of the fiscal year.

Division of Aviation for 2011 - 2016 includes Division of Technology

Division of Aviation for 2008 includes Managing Director & Procurement

Source: City of Philadelphia, Quarterly City Manager's Report

**EXHIBIT S-10: AIRCRAFT OPERATIONS**  
(By Fiscal Year)

**PHL Takeoffs and Landings**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Commuter</b>	<b>General Aviation</b>	<b>Military</b>	<b>Total</b>
<b>2016</b>	<b>226,056</b>	<b>153,590</b>	<b>13,971</b>	<b>405</b>	<b>394,022</b>
<b>2015</b>	237,788	161,386	14,548	399	414,121
<b>2014</b>	241,252	166,014	13,883	400	421,549
<b>2013</b>	240,165	183,828	13,848	423	438,264
<b>2012</b>	255,629	177,194	14,129	436	447,388
<b>2011</b>	266,138	173,255	18,325	1,114	458,832
<b>2010</b>	256,614	182,408	21,728	1,698	462,448
<b>2009</b>	273,206	183,160	20,648	1,559	478,573
<b>2008</b>	277,502	196,544	23,037	2,198	499,281
<b>2007</b>	274,847	208,890	23,318	2,082	509,137

Note: Philadelphia International Airport's annual aircraft operations have declined since FY 2006. The reduction in flights can be partially attributed to on-going airline mergers and consolidations, and increasing load factors. In spite of the reduction in aircraft operations, passenger levels have remained stable, reflecting the strength of PHL's underlying service area.

**PNE Takeoffs and Landings**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Commuter</b>	<b>General Aviation</b>	<b>Military</b>	<b>Total</b>
<b>2016</b>	<b>0</b>	<b>0</b>	<b>54,222</b>	<b>0</b>	<b>54,222</b>
<b>2015</b>	0	0	72,975	0	72,975
<b>2014</b>	0	0	71,723	0	71,723
<b>2013</b>	0	0	67,997	0	67,997
<b>2012</b>	0	0	70,454	0	70,454
<b>2011</b>	0	0	66,507	0	66,507
<b>2010</b>	0	0	81,014	0	81,014
<b>2009</b>	0	0	72,618	0	72,618
<b>2008</b>	0	0	94,476	0	94,476
<b>2007</b>	0	0	105,583	0	105,583

Note: Northeast Philadelphia Airport's annual aircraft operations have generally declined since FY 2005 to their current level of 54,222 for FY 2016. The reduction in flights can be partially attributed to a change in procedures for recording training flights ("touch and go" operations) from FY 2005, as well as a reduction in requests for flight training due to an overall decline in the global economy from fiscal years 2008-2009.

Source: City of Philadelphia

**EXHIBIT S-11: COMMERCIAL PASSENGER ENPLANEMENTS**  
(By Fiscal Year)

**Domestic Enplanements**

<b>Fiscal Year</b>	<b>PHL Domestic Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier Domestic Enplanements *</b>	<b>U.S. Annual Growth</b>
<b>2016</b>	<b>13,484,253</b>	<b>3.1%</b>	<b>713,616,000</b>	<b>5.3%</b>
<b>2015</b>	13,072,574	0.1%	677,973,000	3.7%
<b>2014</b>	13,059,804	0.3%	654,061,000	1.3%
<b>2013</b>	13,021,515	-0.9%	645,821,000	-0.1%
<b>2012</b>	13,134,251	-2.0%	646,199,000	1.0%
<b>2011</b>	13,407,158	2.2%	639,606,000	2.6%
<b>2010</b>	13,113,239	-1.8%	623,200,000	-0.2%
<b>2009</b>	13,357,446	-4.4%	624,720,000	-8.1%
<b>2008</b>	13,971,056	0.8%	679,424,000	1.5%
<b>2007</b>	13,864,721	2.2%	669,376,000	1.2%

**International Enplanements**

<b>Fiscal Year</b>	<b>PHL International Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier International Enplanements *</b>	<b>U.S. Annual Growth</b>
<b>2016</b>	<b>2,199,305</b>	<b>-1.8%</b>	<b>106,399,000</b>	<b>3.2%</b>
<b>2015</b>	2,240,164	-0.7%	103,114,000	1.1%
<b>2014</b>	2,256,249	2.8%	101,991,000	3.4%
<b>2013</b>	2,194,370	-0.7%	98,593,000	1.7%
<b>2012</b>	2,209,875	0.2%	96,911,000	1.4%
<b>2011</b>	2,204,425	6.0%	95,526,000	5.5%
<b>2010</b>	2,080,502	3.8%	90,543,000	0.8%
<b>2009</b>	2,005,297	-3.7%	89,814,000	-6.9%
<b>2008</b>	2,081,917	4.8%	96,503,000	5.6%
<b>2007</b>	1,986,970	-1.2%	91,350,000	4.1%

**Total Enplanements**

<b>Fiscal Year</b>	<b>PHL Total Passenger Enplanements</b>	<b>PHL Annual Growth</b>	<b>U.S. Air Carrier Total Enplanements</b>	<b>U.S. Annual Growth</b>
<b>2016</b>	<b>15,683,558</b>	<b>2.4%</b>	<b>820,015,000</b>	<b>5.0%</b>
<b>2015</b>	15,312,738	0.0%	781,087,000	3.3%
<b>2014</b>	15,316,053	0.7%	756,052,000	1.6%
<b>2013</b>	15,215,885	-0.8%	744,414,000	0.2%
<b>2012</b>	15,344,126	-1.7%	743,110,000	1.1%
<b>2011</b>	15,611,583	2.8%	735,132,000	3.0%
<b>2010</b>	15,193,741	-1.1%	713,743,000	-0.1%
<b>2009</b>	15,362,743	-4.3%	714,534,000	-7.9%
<b>2008</b>	16,052,973	1.3%	775,927,000	2.0%
<b>2007</b>	15,851,691	1.8%	760,726,000	1.6%

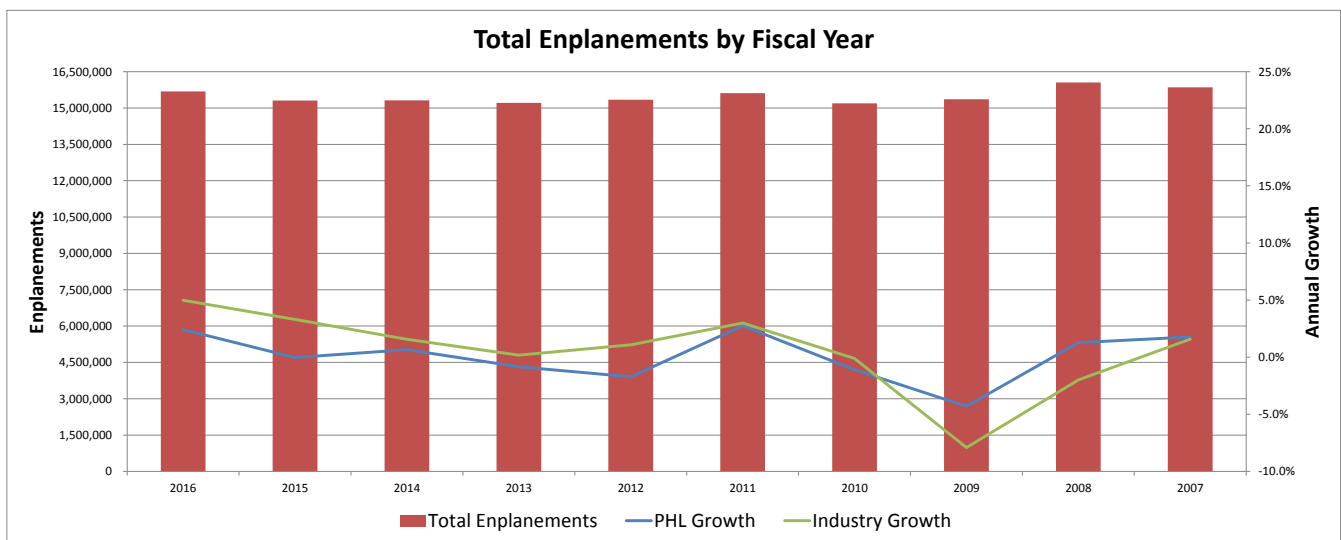
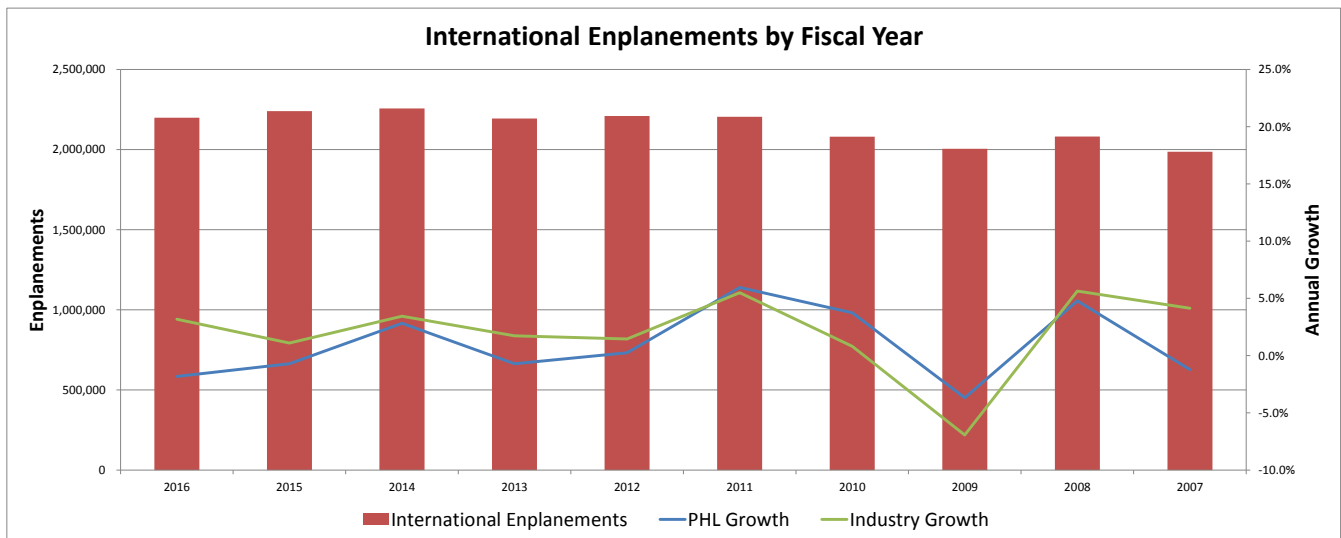
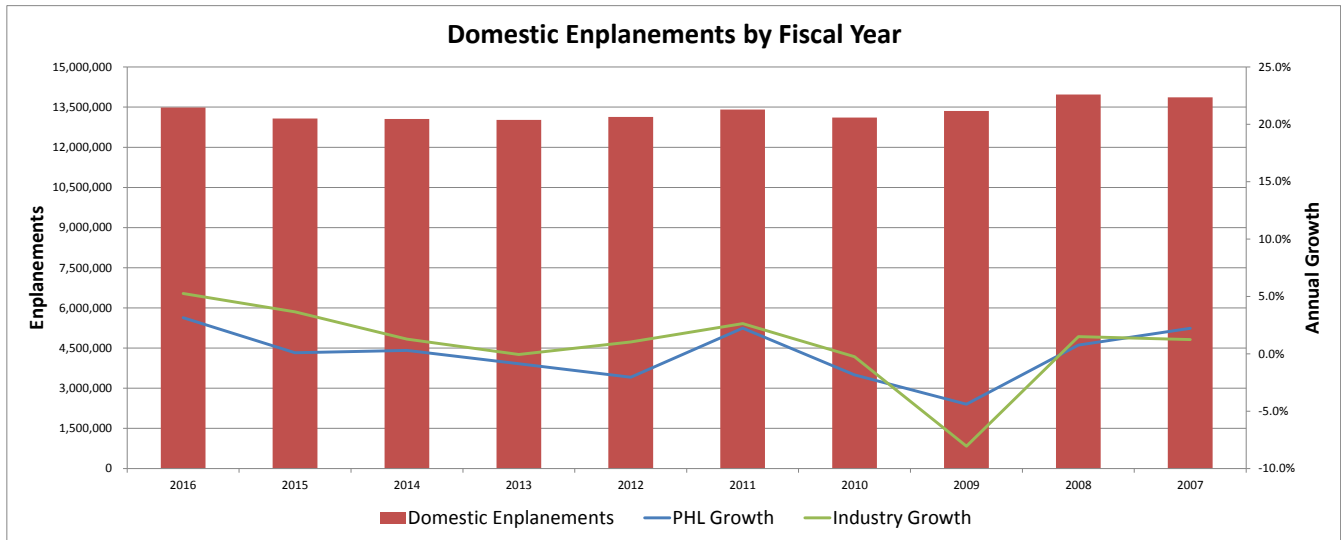
\* 2015 U.S. Air Carrier Domestic and International Enplanements modified by Bureau of Transportation Statistics

PHL Passenger Enplanements and Annual Growth from City of Philadelphia

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

<http://www.rita.dot.gov/bts/acts#CustomizeTable>

## EXHIBIT S-12: COMMERCIAL ENPLANEMENTS (By Fiscal Year)



Source: City of Philadelphia

Source: Bureau of Transportation Statistics

# EXHIBIT S-13: AIRLINE MARKET SHARE BY LANDED WEIGHT

(By Fiscal Year, Expressed in 1,000 lb. Units)

Airlines	2016		2015		2014		2013		2012	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
<b>Domestic</b>										
Scheduled Major/National										
American Airlines	6,622,369	31.8%	6,645,942	32.0%	6,729,332	32.5%	6,494,844	31.5%	6,519,126	30.5%
Southwest Airlines	1,122,080	5.4%	1,073,920	5.2%	1,010,276	4.9%	1,189,716	5.8%	1,883,282	8.8%
Delta Air Lines	1,054,651	5.1%	1,074,449	5.2%	1,024,831	5.0%	955,459	4.6%	972,645	4.6%
United Airlines	593,949	2.9%	585,951	2.8%	555,244	2.7%	661,536	3.2%	536,659	2.5%
Frontier Airlines	463,422	2.2%	164,022	0.8%	4,693	0.0%	28,290	0.1%	79,842	0.4%
Spirit Airlines	265,760	1.3%	143,495	0.7%	132,519	0.6%	31,841	0.2%	-	-
JetBlue Airways	219,834	1.1%	158,080	0.8%	158,398	0.8%	18,624	0.1%	-	-
Alaska Airlines	55,912	0.3%	55,475	0.3%	55,410	0.3%	52,460	0.3%	2,880	0.0%
Air Canada	660	0.0%	440	0.0%	660	0.0%	1,100	0.0%	880	0.0%
AirTran Airways	-	-	42,864	0.2%	204,488	1.0%	340,320	1.6%	301,816	1.4%
Virgin America	-	-	35,545	0.2%	134,812	0.7%	213,741	1.0%	55,269	0.3%
Continental Airlines	-	-	-	-	-	-	-	-	179,638	0.8%
USA 3000 Airlines	-	-	-	-	-	-	-	-	-	-
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest Airlines	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled Major/National	10,398,636	49.9%	9,980,183	48.0%	10,010,661	48.4%	9,987,931	48.4%	10,532,037	49.3%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin Airlines	1,641,945	7.9%	1,730,258	8.3%	1,486,845	7.2%	1,559,460	7.6%	1,576,239	7.4%
Republic Airlines	1,573,718	7.6%	1,758,726	8.5%	1,729,624	8.4%	1,575,475	7.6%	1,629,517	7.6%
Piedmont Airlines	856,093	4.1%	844,519	4.1%	984,862	4.8%	1,108,958	5.4%	1,035,539	4.8%
PSA Airlines	393,415	1.9%	292,049	1.4%	274,903	1.3%	321,950	1.6%	332,498	1.6%
Envoy Airlines	448	0.0%	-	-	-	-	-	-	-	-
Mesa Airlines	-	-	60,863	0.3%	64,607	0.3%	-	-	-	-
Chautauqua Airlines	-	-	-	-	-	-	86,587	0.4%	96,884	0.5%
Subtotal - American Eagle	4,465,619	21.4%	4,686,414	22.6%	4,540,840	21.9%	4,652,430	22.5%	4,670,677	21.9%
Other	262,640	1.3%	382,585	1.8%	501,896	2.4%	626,130	3.0%	620,913	2.9%
Subtotal - Scheduled Regional/Commuter	4,728,259	22.7%	5,068,999	24.4%	5,042,736	24.4%	5,278,560	25.6%	5,291,590	24.8%
Charter	679	0.0%	1,641	0.0%	4,257	0.0%	1,192	0.0%	9,055	0.0%
<b>Total - Domestic</b>	<b>15,127,575</b>	<b>72.7%</b>	<b>15,050,823</b>	<b>72.5%</b>	<b>15,057,655</b>	<b>72.8%</b>	<b>15,267,683</b>	<b>74.0%</b>	<b>15,832,682</b>	<b>74.1%</b>
<b>International</b>										
Scheduled										
American Airlines	2,575,401	12.4%	2,710,497	13.0%	2,809,292	13.6%	2,644,675	12.8%	2,634,850	12.3%
British Airways	293,400	1.4%	284,499	1.4%	275,550	1.3%	268,709	1.3%	277,447	1.3%
Air Wisconsin Airlines	192,136	0.9%	220,289	1.1%	255,351	1.2%	240,546	1.2%	228,326	1.1%
Qatar Airways	174,408	0.8%	183,868	0.9%	44,280	0.2%	-	-	-	-
Lufthansa German Airlines	155,154	0.7%	165,814	0.8%	137,300	0.7%	112,147	0.5%	112,152	0.5%
Air Canada - Sky Regional / Jazz Aviation	106,378	0.5%	99,695	0.5%	99,656	0.5%	99,814	0.5%	94,620	0.4%
Delta Air Lines	81,552	0.4%	34,650	0.2%	22,694	0.1%	24,104	0.1%	29,898	0.1%
Republic Airlines	79,176	0.4%	74,146	0.4%	58,631	0.3%	103,697	0.5%	158,701	0.7%
Frontier Airlines	76,825	0.4%	35,976	0.2%	25,738	0.1%	25,738	0.1%	18,770	0.1%
JetBlue Airways	142	0.0%	142	0.0%	-	-	-	-	-	-
Southwest Airlines	-	-	128	0.0%	-	-	-	-	-	-
Air Jamaica / Caribbean Airlines	-	-	-	-	-	-	-	-	47,424	0.2%
Continental Airlines	-	-	-	-	-	-	-	-	1,028	0.0%
USA 3000 Airlines	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Piedmont Airlines	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled	3,734,571	17.9%	3,809,704	18.3%	3,728,492	18.0%	3,519,430	17.1%	3,603,216	16.9%
Charter	3,273	0.0%	2,532	0.0%	6,377	0.0%	1,483	0.0%	10,696	0.1%
<b>Total - International</b>	<b>3,737,844</b>	<b>18.0%</b>	<b>3,812,236</b>	<b>18.4%</b>	<b>3,734,869</b>	<b>18.1%</b>	<b>3,520,913</b>	<b>17.1%</b>	<b>3,613,912</b>	<b>16.9%</b>
<b>All-Cargo Airlines</b>	<b>1,955,784</b>	<b>9.4%</b>	<b>1,909,573</b>	<b>9.2%</b>	<b>1,899,162</b>	<b>9.2%</b>	<b>1,849,771</b>	<b>9.0%</b>	<b>1,911,577</b>	<b>9.0%</b>
<b>Grand Total</b>	<b>20,821,203</b>	<b>100.0%</b>	<b>20,772,632</b>	<b>100.0%</b>	<b>20,691,686</b>	<b>100.0%</b>	<b>20,638,367</b>	<b>100.0%</b>	<b>21,358,171</b>	<b>100.0%</b>

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

Source: City of Philadelphia

# EXHIBIT S-13: AIRLINE MARKET SHARE BY LANDED WEIGHT

(Continued, By Fiscal Year, Expressed in 1,000 lb. Units)

Airlines	2011		2010		2009		2008		2007	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
<b>Domestic</b>										
Scheduled Major/National										
American Airlines	6,592,315	30.0%	6,362,588	29.4%	6,219,301	27.4%	6,650,777	27.9%	7,844,461	31.8%
Southwest Airlines	2,335,648	10.6%	2,277,154	10.5%	2,825,044	12.4%	2,746,246	11.5%	2,789,734	11.3%
Delta Air Lines	978,725	4.5%	974,740	4.5%	662,037	2.9%	703,140	3.0%	675,917	2.7%
United Airlines	518,260	2.4%	606,595	2.8%	728,405	3.2%	790,431	3.3%	868,006	3.5%
Frontier Airlines	101,704	0.5%	49,220	0.2%	57,622	0.3%	97,894	0.4%	97,417	0.4%
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue Airways	-	-	-	-	-	-	-	-	-	-
Alaska Airlines	-	-	-	-	-	-	-	-	-	-
Air Canada	1,173	0.0%	-	-	-	-	-	-	-	-
AirTran Airways	331,168	1.5%	356,872	1.6%	420,984	1.9%	614,560	2.6%	724,080	2.9%
Virgin America	-	-	-	-	-	-	-	-	-	-
Continental Airlines	242,627	1.1%	239,403	1.1%	259,085	1.1%	284,767	1.2%	292,754	1.2%
USA 3000 Airlines	23,036	0.1%	28,866	0.1%	49,485	0.2%	81,622	0.3%	74,796	0.3%
Midwest Airlines	-	-	57,713	0.3%	71,723	0.3%	106,316	0.4%	119,032	0.5%
Northwest Airlines	-	-	-	-	421,248	1.9%	537,296	2.3%	570,382	2.3%
Subtotal - Scheduled Major/National	11,124,656	50.7%	10,953,151	50.6%	11,714,934	51.5%	12,613,049	52.9%	14,056,579	57.0%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin Airlines	1,573,231	7.2%	1,750,797	8.1%	1,664,552	7.3%	1,828,253	7.7%	1,921,783	7.8%
Republic Airlines	1,732,415	7.9%	1,715,114	7.9%	1,764,933	7.8%	1,540,131	6.5%	1,074,888	4.4%
Piedmont Airlines	1,038,016	4.7%	978,762	4.5%	998,160	4.4%	1,013,612	4.3%	986,413	4.0%
PSA Airlines	243,104	1.1%	217,536	1.0%	253,746	1.1%	224,519	0.9%	222,343	0.9%
Envoy Airlines	-	-	-	-	-	-	-	-	-	-
Mesa Airlines	74	0.0%	147	0.0%	-	-	74	0.0%	-	-
Chautauqua Airlines	70,759	0.3%	61,781	0.3%	70,924	0.3%	79,352	0.3%	202,863	0.8%
Subtotal - American Eagle	4,657,599	21.2%	4,724,137	21.8%	4,752,315	20.9%	4,685,941	19.7%	4,408,290	17.9%
Other	605,377	2.8%	538,679	2.5%	568,997	2.5%	471,357	2.0%	424,829	1.7%
Subtotal - Scheduled Regional/Commuter	5,262,976	24.0%	5,262,816	24.3%	5,321,312	23.4%	5,157,298	21.6%	4,833,119	19.6%
Charter	2,878	0.0%	3,543	0.0%	3,365	0.0%	4,554	0.0%	7,349	0.0%
<b>Total - Domestic</b>	16,390,510	74.6%	16,219,510	74.9%	17,039,611	74.9%	17,774,901	74.6%	18,897,047	76.7%
<b>International</b>										
Scheduled										
American Airlines	2,584,725	11.8%	2,574,713	11.9%	2,478,569	10.9%	2,424,939	10.2%	2,065,755	8.4%
British Airways	270,121	1.2%	254,332	1.2%	270,512	1.2%	279,575	1.2%	273,882	1.1%
Air Wisconsin Airlines	208,069	0.9%	177,801	0.8%	133,433	0.6%	183,676	0.8%	220,853	0.9%
Qatar Airways	-	-	-	-	-	-	-	-	-	-
Lufthansa German Airlines	135,775	0.6%	142,696	0.7%	136,488	0.6%	150,266	0.6%	148,931	0.6%
Air Canada - Sky Regional / Jazz Aviation	95,210	0.4%	77,999	0.4%	86,187	0.4%	81,021	0.3%	73,714	0.3%
Delta Air Lines	62,752	0.3%	38,052	-	-	-	-	-	-	-
Republic Airlines	115,635	0.5%	-	-	-	-	-	-	-	-
Frontier Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue Airways	-	-	-	-	-	-	-	-	-	-
Southwest Airlines	-	-	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean Airlines	50,394	0.2%	44,165	0.2%	52,156	0.2%	53,416	0.2%	53,620	0.2%
Continental Airlines	-	-	-	-	-	-	-	-	-	-
USA 3000 Airlines	26,307	0.1%	28,440	0.1%	29,862	0.1%	39,247	0.2%	44,081	0.2%
American Airlines	-	-	35,770	0.2%	114,804	0.5%	123,103	0.5%	126,976	0.5%
Mesa Airlines	-	-	-	-	-	-	999	0.0%	136	0.0%
Piedmont Airlines	3,548,988	16.2%	3,373,968	15.4%	3,302,011	14.5%	3,336,242	14.0%	3,007,948	12.2%
Charter	9,394	0.0%	1,685	0.0%	5,413	0.0%	7,272	0.0%	11,137	0.0%
<b>Total - International</b>	3,558,382	16.2%	3,375,653	15.4%	3,307,424	14.5%	3,343,514	14.0%	3,019,085	12.3%
<b>All-Cargo Airlines</b>	2,010,961	9.2%	2,059,609	9.5%	2,387,809	10.5%	2,705,249	11.4%	2,728,332	11.1%
<b>Grand Total</b>	<b>21,959,853</b>	<b>100.0%</b>	<b>21,654,772</b>	<b>100.0%</b>	<b>22,734,844</b>	<b>100.0%</b>	<b>23,823,664</b>	<b>100.0%</b>	<b>24,644,464</b>	<b>100.0%</b>

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

Source: City of Philadelphia



**EXHIBIT S-14: AIRLINE MARKET SHARE BY PASSENGER ENPLANEMENTS**  
(By Fiscal Year)

Airlines	2016		2015		2014		2013		2012	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
<b>Domestic</b>										
Scheduled Major/National										
American Airlines	5,890,212	37.6%	5,712,631	37.3%	5,865,921	38.3%	5,693,434	37.4%	5,618,451	36.6%
Southwest Airlines	1,133,501	7.2%	1,017,105	6.6%	927,172	6.1%	1,054,353	6.9%	1,494,613	9.7%
Delta Air Lines	973,307	6.2%	924,773	6.0%	908,882	5.9%	804,404	5.3%	813,547	5.3%
United Airlines	549,849	3.5%	520,995	3.4%	492,899	3.2%	540,335	3.6%	427,458	2.8%
Frontier Airlines	473,972	3.0%	154,956	1.0%	1,783	0.0%	28,307	0.2%	78,442	0.5%
Spirit Airlines	245,438	1.6%	142,411	0.9%	129,417	0.8%	30,747	0.2%	-	-
JetBlue Airways	183,285	1.2%	123,511	0.8%	116,655	0.8%	15,502	0.1%	-	-
Alaska Airlines	59,076	0.4%	56,514	0.4%	54,569	0.4%	47,617	0.3%	2,790	0.0%
AirTran Airways	-	-	42,858	0.3%	189,037	1.2%	296,466	1.9%	258,203	1.7%
Virgin America	-	-	26,566	0.2%	97,932	0.6%	155,152	1.0%	38,878	0.3%
Continental Airlines	-	-	-	-	-	-	-	-	164,217	1.1%
USA 3000 Airlines	-	-	-	-	-	-	-	-	1,052	0.0%
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest Airlines	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled Major/National	9,508,640	60.6%	8,722,320	57.0%	8,784,267	57.4%	8,666,317	57.0%	8,897,651	58.0%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,419,663	9.1%	1,508,945	9.9%	1,302,475	8.5%	1,333,837	8.8%	1,287,022	8.4%
Republic Airlines	1,326,308	8.5%	1,529,350	10.0%	1,462,890	9.6%	1,307,524	8.6%	1,318,546	8.6%
Piedmont Airlines	694,448	4.4%	708,011	4.6%	792,688	5.2%	854,595	5.6%	762,204	5.0%
PSA Airlines	307,357	2.0%	239,146	1.6%	231,547	1.5%	264,630	1.7%	264,325	1.7%
Mesa Airlines	-	-	49,094	0.3%	50,508	0.3%	-	-	-	-
Chautauqua Airlines	-	-	-	-	-	-	75,628	0.5%	84,918	0.6%
Subtotal - American Eagle	3,747,776	23.9%	4,034,546	26.3%	3,840,108	25.1%	3,836,214	25.2%	3,717,015	24.2%
Other	227,752	1.5%	315,442	2.1%	434,826	2.8%	518,639	3.4%	518,655	3.4%
Subtotal - Scheduled Regional/Commuter	3,975,528	25.3%	4,349,988	28.4%	4,274,934	27.9%	4,354,853	28.6%	4,235,670	27.6%
Charter	85	0.0%	266	0.0%	603	0.0%	345	0.0%	930	0.0%
<b>Total - Domestic</b>	<b>13,484,253</b>	<b>86.0%</b>	<b>13,072,574</b>	<b>85.4%</b>	<b>13,059,804</b>	<b>85.3%</b>	<b>13,021,515</b>	<b>85.6%</b>	<b>13,134,251</b>	<b>85.6%</b>
<b>International</b>										
Scheduled										
American Airlines	1,536,251	9.8%	1,625,083	10.6%	1,697,885	11.1%	1,683,363	11.1%	1,662,124	10.8%
Air Wisconsin Airlines	160,730	1.0%	195,937	1.3%	219,574	1.4%	182,534	1.2%	151,941	1.0%
British Airways	128,290	0.8%	120,461	0.8%	112,422	0.7%	110,271	0.7%	114,085	0.7%
Frontier Airlines	80,497	0.5%	35,937	0.2%	23,108	0.2%	22,949	0.2%	14,539	0.1%
Lufthansa German Airlines	69,405	0.4%	70,438	0.5%	63,334	0.4%	54,906	0.4%	51,403	0.3%
Republic Airlines	62,725	0.4%	59,107	0.4%	45,726	0.3%	70,712	0.5%	105,734	0.7%
Air Canada - Sky Regional / Jazz Aviation	61,797	0.4%	56,038	0.4%	56,524	0.4%	53,728	0.4%	52,515	0.3%
Qatar Airways	61,745	0.4%	57,650	0.4%	18,299	0.1%	-	-	-	-
Delta Air Lines	35,045	0.2%	18,784	0.1%	15,473	0.1%	15,672	0.1%	20,304	0.1%
Air Jamaica / Caribbean Airlines	-	-	-	-	-	-	66	0.0%	30,032	0.2%
USA 3000 Airlines	-	-	-	-	-	-	-	-	6,528	0.0%
Air France	-	-	-	-	-	-	-	-	-	-
Piedmont Airlines	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled	2,196,485	14.0%	2,239,435	14.6%	2,252,345	14.7%	2,194,201	14.4%	2,209,205	14.4%
Charter	2,820	0.0%	729	0.0%	3,904	0.0%	169	0.0%	670	0.0%
<b>Total - International</b>	<b>2,199,305</b>	<b>14.0%</b>	<b>2,240,164</b>	<b>14.6%</b>	<b>2,256,249</b>	<b>14.7%</b>	<b>2,194,370</b>	<b>14.4%</b>	<b>2,209,875</b>	<b>14.4%</b>
<b>Grand Total</b>	<b>15,683,558</b>	<b>100.0%</b>	<b>15,312,738</b>	<b>100.0%</b>	<b>15,316,053</b>	<b>100.0%</b>	<b>15,215,885</b>	<b>100.0%</b>	<b>15,344,126</b>	<b>100.0%</b>

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

**EXHIBIT S-14: AIRLINE MARKET SHARE BY PASSENGER ENPLANEMENTS**  
(Continued, By Fiscal Year)

Airlines	2011		2010		2009		2008		2007	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
<b>Domestic</b>										
Scheduled Major/National										
American Airlines	5,559,824	35.6%	5,354,194	35.2%	5,193,295	33.8%	5,524,375	34.4%	5,819,143	36.7%
Southwest Airlines	1,707,286	10.9%	1,710,602	11.3%	1,895,701	12.3%	1,859,184	11.6%	1,653,904	10.4%
Delta Air Lines	805,797	5.2%	820,880	5.4%	571,723	3.7%	571,173	3.6%	562,536	3.5%
United Airlines	405,836	2.6%	455,193	3.0%	538,269	3.5%	614,669	3.8%	675,407	4.3%
Frontier Airlines	89,554	0.6%	45,514	0.3%	52,366	0.3%	83,216	0.5%	76,153	0.5%
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
JetBlue Airways	-	-	-	-	-	-	-	-	-	-
Alaska Airlines	-	-	-	-	-	-	-	-	-	-
AirTran Airways	300,480	1.9%	298,280	2.0%	370,833	2.4%	504,389	3.1%	529,692	3.3%
Virgin America	-	-	-	-	-	-	-	-	-	-
Continental Airlines	233,502	1.5%	233,656	1.5%	234,198	1.5%	253,738	1.6%	254,052	1.6%
USA 3000 Airlines	5,286	0.0%	13,435	0.1%	34,745	0.2%	68,903	0.4%	58,655	0.4%
Midwest Airlines	-	-	50,962	0.3%	50,384	0.3%	72,270	0.5%	75,747	0.5%
Northwest Airlines	-	-	-	-	337,432	2.2%	452,213	2.8%	442,522	2.8%
Subtotal - Scheduled Major/National	9,107,565	58.3%	8,982,716	59.1%	9,278,946	60.4%	10,004,130	62.3%	10,147,811	64.0%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,360,164	8.7%	1,386,681	9.1%	1,320,560	8.6%	1,461,107	9.1%	1,639,366	10.3%
Republic Airlines	1,424,740	9.1%	1,386,820	9.1%	1,396,362	9.1%	1,231,656	7.7%	785,618	5.0%
Piedmont Airlines	766,538	4.9%	699,379	4.6%	675,918	4.4%	667,678	4.2%	633,930	4.0%
PSA Airlines	181,411	1.2%	151,274	1.0%	176,692	1.2%	161,245	1.0%	162,433	1.0%
Mesa Airlines	-	-	86	0.0%	-	-	-	-	-	-
Chautauqua Airlines	58,684	0.4%	54,338	0.4%	62,312	0.4%	67,789	0.4%	150,405	0.9%
Subtotal - American Eagle	3,791,537	24.3%	3,678,578	24.2%	3,631,844	23.6%	3,589,475	22.4%	3,371,752	21.3%
Other	507,479	3.3%	450,367	3.0%	445,371	2.9%	375,815	2.3%	342,437	2.2%
Subtotal - Scheduled Regional/Commuter	4,299,016	27.5%	4,128,945	27.2%	4,077,215	26.5%	3,965,290	24.7%	3,714,189	23.4%
Charter	577	0.0%	1,578	0.0%	1,285	0.0%	1,636	0.0%	2,721	0.0%
<b>Total - Domestic</b>	<b>13,407,158</b>	<b>85.9%</b>	<b>13,113,239</b>	<b>86.3%</b>	<b>13,357,446</b>	<b>86.9%</b>	<b>13,971,056</b>	<b>87.0%</b>	<b>13,864,721</b>	<b>87.5%</b>
<b>International</b>										
Scheduled										
American Airlines	1,638,110	10.5%	1,621,853	10.7%	1,558,766	10.1%	1,564,857	9.7%	1,425,597	9.0%
Air Wisconsin Airlines	162,515	1.0%	137,464	0.9%	104,297	0.7%	140,444	0.9%	172,421	1.1%
British Airways	107,276	0.7%	103,258	0.7%	103,473	0.7%	114,278	0.7%	115,772	0.7%
Frontier Airlines	-	-	-	-	-	-	-	-	-	-
Lufthansa German Airlines	60,185	0.4%	69,030	0.5%	69,804	0.5%	74,508	0.5%	76,832	0.5%
Republic Airlines	86,009	0.6%	-	-	-	-	-	-	-	-
Air Canada - Sky Regional / Jazz Aviation	49,839	0.3%	47,045	0.3%	47,871	0.3%	51,557	0.3%	51,693	0.3%
Qatar Airways	-	-	-	-	-	-	-	-	-	-
Delta Air Lines	40,212	0.3%	25,340	0.2%	-	-	-	-	-	-
Air Jamaica / Caribbean Airlines	35,200	0.2%	36,217	0.2%	42,537	0.3%	42,445	0.3%	39,660	0.3%
USA 3000 Airlines	24,492	0.2%	24,452	0.2%	26,144	0.2%	35,079	0.2%	40,656	0.3%
Air France	-	-	15,784	0.1%	50,549	0.3%	56,920	0.4%	61,498	0.4%
Piedmont Airlines	-	-	-	-	-	-	173	0.0%	121	0.0%
Subtotal - Scheduled	2,203,838	14.1%	2,080,443	13.7%	2,003,441	13.0%	2,080,261	13.0%	1,984,250	12.5%
Charter	587	0.0%	59	0.0%	1,856	0.0%	1,656	0.0%	2,720	0.0%
<b>Total - International</b>	<b>2,204,425</b>	<b>14.1%</b>	<b>2,080,502</b>	<b>13.7%</b>	<b>2,005,297</b>	<b>13.1%</b>	<b>2,081,917</b>	<b>13.0%</b>	<b>1,986,970</b>	<b>12.5%</b>
<b>Grand Total</b>	<b>15,611,583</b>	<b>100.0%</b>	<b>15,193,741</b>	<b>100.0%</b>	<b>15,362,743</b>	<b>100.0%</b>	<b>16,052,973</b>	<b>100.0%</b>	<b>15,851,691</b>	<b>100.0%</b>

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

Source: City of Philadelphia

# EXHIBIT S-15: PASSENGER FACILITY CHARGES

(By Fiscal Year)

Airlines	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
American Airlines	\$ 41,796,027	\$ 44,750,745	\$ 45,073,825	\$ 42,039,158	\$ 41,513,163	\$ 41,717,336	\$ 40,189,840	\$ 39,331,888	\$ 41,029,493	\$ 34,833,627
Delta Air Lines	4,341,411	4,278,345	4,431,825	4,280,096	4,497,340	4,647,891	3,981,456	3,119,948	3,129,971	3,009,941
Southwest Airlines	4,289,012	4,105,508	4,239,400	4,631,058	5,723,994	7,189,896	7,501,929	8,023,839	8,258,101	7,931,057
United Airlines	3,294,665	3,242,993	3,605,346	4,300,163	3,748,743	3,366,328	3,961,146	3,766,613	3,760,815	4,674,659
Frontier Airlines	2,677,659	1,099,228	110,986	194,315	419,786	400,188	194,184	188,639	367,873	334,052
Spirit Airlines	1,176,999	662,867	580,156	232,309	-	-	-	-	-	-
British Airways	921,880	869,270	472,492	436,866	459,661	433,965	449,950	454,990	483,049	496,179
JetBlue Airways	783,146	534,959	493,608	112,065	-	-	-	-	-	-
Qatar Airways	478,185	510,368	244,782	-	-	-	-	-	-	-
Air Canada	262,846	238,548	314,671	300,001	315,303	279,844	227,504	268,974	274,447	248,861
Lufthansa German Airlines	252,421	277,672	278,363	248,459	227,404	248,691	297,880	321,689	318,686	314,608
Alaska Airlines	233,192	216,975	196,234	176,761	46,155	-	-	-	-	-
Virgin America	-	45,827	396,871	620,919	271,653	-	-	-	-	-
AirTran Airways	-	-	-	474,237	1,094,262	1,287,966	1,222,320	1,453,951	2,001,729	2,436,449
Continental Airlines	-	-	-	-	1,001,188	1,766,211	1,777,532	1,622,831	1,610,515	1,375,798
Air Jamaica / Caribbean Airlines	-	-	-	-	118,003	152,355	155,050	182,870	182,734	171,066
USA 3000 Airlines	-	-	-	-	26,862	136,200	156,288	233,873	465,845	434,512
Midwest Airlines	-	-	-	-	-	58,127	278,812	209,801	300,297	321,653
Air France	-	-	-	-	-	-	44,471	180,675	209,560	216,048
Northwest Airlines	-	-	-	-	-	-	588,060	1,669,539	2,052,197	2,125,681
America West Airlines	-	-	-	-	-	-	-	-	-	7,106,737
Other	412,891	347,420	214,807	142,043	277,982	357,430	251,084	225,079	410,025	(1,661)
<b>Total</b>	<b>\$ 60,920,335</b>	<b>\$ 61,180,724</b>	<b>\$ 60,653,369</b>	<b>\$ 58,188,449</b>	<b>\$ 59,741,500</b>	<b>\$ 62,042,429</b>	<b>\$ 61,277,506</b>	<b>\$ 61,255,198</b>	<b>\$ 64,855,338</b>	<b>\$ 66,029,267</b>

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

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

Source: City of Philadelphia

**EXHIBIT S-16: CURRENT TOP 30 PASSENGER ORIGINATION AND DESTINATION MARKETS**  
(By Fiscal Year)

<b>Domestic</b>		
<b>2016 Market</b>	<b>Distance</b>	<b>Daily Pax</b>
Orlando, Florida	856	2,162
Atlanta, Georgia	665	1,519
Chicago-O'Hare, Illinois	676	1,356
Boston, Massachusetts	280	1,103
Tampa/St. Petersburg, Florida	920	981
Los Angeles, California	2394	953
Ft. Lauderdale, Florida	994	913
Las Vegas, Nevada	2170	903
Dallas/Fort Worth, Texas	1299	817
Denver, Colorado	1564	768
Miami, Florida	1014	766
San Francisco, California	2514	755
Phoenix, Arizona	2069	552
Charlotte, North Carolina	447	488
Minneapolis/St Paul, Minnesota	977	473
Houston-Intercontinental, Texas	1322	471
Chicago-Midway, Illinois	666	445
San Diego, California	2363	425
Seattle/Tacoma, Washington	2370	389
Nashville, Tennessee	673	389
West Palm Beach, Florida	952	382
Fort Myers-Regional, Florida	994	366
Raleigh/Durham, North Carolina	338	358
San Juan, Puerto Rico	1579	325
Detroit-Wayne Co, Michigan	451	305
St. Louis, Missouri	802	305
New Orleans, Louisiana	1080	296
Indianapolis, Indiana	585	230
Jacksonville, Florida	742	225
Kansas City-Intl, Missouri	1035	224

<b>International</b>		
<b>2016 Market</b>	<b>Distance</b>	<b>Daily Pax</b>
London-Heathrow, England	3534	654
Cancun, Mexico	1464	472
Toronto-Pearson, Canada	346	391
Frankfurt, Germany	3937	338
Punta Cana, Dominican Rep	1527	316
Montego Bay, Jamaica	1484	244
Montreal-Dorval, Canada	394	200
Rome-Da Vinci, Italy	4357	200
Paris-De Gaulle, France	3716	195
Madrid, Spain	3671	181
Doha, Qatar	6780	177
Dublin, Ireland	3263	175
Manchester, England	3423	162
Munich, Germany	4118	159
Venice-Treviso, Italy	4234	126
Amsterdam, Netherlands	3725	125
Barcelona, Spain	3913	118
Tel Aviv/Yafo, Israel	5755	110
Athens, Greece	5012	101
Nassau, Bahamas	1032	91
Lisbon, Portugal	3448	79
Halifax, Canada	690	77
Brussels, Belgium	3748	76
Bermuda, Atlantic Ocean	784	74
Ottawa, Canada	377	74
St. Maarten, St. Maarten (Dutch)	1672	72
Aruba, Aruba	1916	70
Glasgow, Scotland	3298	54
Zurich, Switzerland	4012	52
Shannon, Ireland	3165	51

Daily Pax represents passengers per day each way

Distance is great-circle distance between PHL and indicated airport

Source: GRA, Incorporated

**EXHIBIT S-17: HISTORICAL TOP 10 PASSENGER ORIGINATION AND DESTINATION MARKETS**  
(By Fiscal Year)

<b>2016</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	2,162
Atlanta, Georgia	1,519
Chicago-O'Hare, Illinois	1,356
Boston, Massachusetts	1,103
Tampa/St. Petersburg, Florida	981
Los Angeles, California	953
Ft. Lauderdale, Florida	913
Las Vegas, Nevada	903
Dallas/Fort Worth, Texas	817
Denver, Colorado	768

<b>FY 2015</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,695
Atlanta, Georgia	1,117
Boston, Massachusetts	1,106
Chicago-O'Hare, Illinois	1,060
Los Angeles, California	898
Las Vegas, Nevada	871
Tampa/St. Petersburg, Florida	837
Dallas/Fort Worth, Texas	829
San Francisco, California	803
Ft. Lauderdale, Florida	707

<b>FY 2014</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,469
Boston, Massachusetts	1,066
Atlanta, Georgia	992
Los Angeles, California	981
Chicago-O'Hare, Illinois	966
Las Vegas, Nevada	943
Dallas/Fort Worth, Texas	856
San Francisco, California	815
Ft. Lauderdale, Florida	762
Tampa/St. Petersburg, Florida	702

<b>FY 2013</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,665
Chicago-O'Hare, Illinois	1,064
Atlanta, Georgia	1,041
Los Angeles, California	1,022
San Francisco, California	928
Ft. Lauderdale, Florida	817
Las Vegas, Nevada	806
Tampa/St. Petersburg, Florida	798
Dallas/Fort Worth, Texas	709
Boston, Massachusetts	701

<b>FY 2012</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,746
Atlanta, Georgia	1,096
Chicago-O'Hare, Illinois	993
Boston, Massachusetts	959
Los Angeles, California	862
Ft. Lauderdale, Florida	779
San Francisco, California	740
Las Vegas, Nevada	726
Tampa/St. Petersburg, Florida	710
Dallas/Fort Worth, Texas	632

<b>FY 2011</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,773
Atlanta, Georgia	1,170
Chicago-O'Hare, Illinois	1,050
Boston, Massachusetts	969
Ft. Lauderdale, Florida	794
Tampa/St. Petersburg, Florida	779
Los Angeles, California	740
Las Vegas, Nevada	712
Dallas/Fort Worth, Texas	649
Denver, Colorado	616

<b>FY 2010</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,721
Atlanta, Georgia	1,042
Chicago-O'Hare, Illinois	1,035
Ft. Lauderdale, Florida	836
Tampa/St. Petersburg, Florida	836
Las Vegas, Nevada	784
Los Angeles, California	723
Raleigh/Durham, North Carolina	630
Dallas/Fort Worth, Texas	617
Denver, Colorado	616

<b>FY 2009</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,972
Chicago-O'Hare, Illinois	1,117
Atlanta, Georgia	1,085
Tampa/St. Petersburg, Florida	870
Ft. Lauderdale, Florida	856
Las Vegas, Nevada	780
Los Angeles, California	745
Dallas/Fort Worth, Texas	641
Denver, Colorado	617
Raleigh/Durham, North Carolina	607

<b>FY 2008</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	2,005
Chicago-O'Hare, Illinois	1,175
Atlanta, Georgia	1,110
Ft. Lauderdale, Florida	1,087
Tampa/St. Petersburg, Florida	939
Los Angeles, California	910
Las Vegas, Nevada	853
Dallas/Fort Worth, Texas	721
Raleigh/Durham, North Carolina	694
Pittsburgh, Pennsylvania	694

<b>FY 2007</b>	
<b>Market</b>	<b>Daily Pax</b>
Orlando, Florida	1,953
Chicago-O'Hare, Illinois	1,205
Atlanta, Georgia	1,136
Ft. Lauderdale, Florida	1,094
Los Angeles, California	1,026
Tampa/St. Petersburg, Florida	989
Boston, Massachusetts	961
Las Vegas, Nevada	899
Pittsburgh, Pennsylvania	683
Dallas/Fort Worth, Texas	676

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