CITY OF PHILADELPHIA
Philadelphia Airport System

Municipal Securities Disclosure
Annual Financial Information
Fiscal Year Ended June 30, 2017

PHL PHILADELPHIA INTERNATIONAL AIRPORT

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Municipal Securities Disclosure Report
Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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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 2017 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 2017, which are audited by the Office of the Controller of the City of Philadelphia.

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, 2017 (FY 2017) with selected comparative information for the fiscal year ended June 30, 2016 (FY 2016).

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 30.1 million passengers in calendar year 2016, and was ranked the sixteenth busiest in the nation based on aircraft operations.

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

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

Terminal Buildings: Approximately 3.3 million square feet, consisting of seven terminal units (A-West, A-East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger 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, and a first class office complex located at the western end of the Airport.

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

Northeast Philadelphia Airport

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

AIRPORT ACTIVITIES AND HIGHLIGHTS

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

- ✈ **Financial Position:** In FY 2017, the Aviation Fund strengthened its financial position with total revenues, including capital contributions, exceeding total expenses by $27.9 million while assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $894.1 million, a 3.2% increase over the FY 2016 total of $866.2 million. Unrestricted net position also increased $8.9 million, or 10.5%, in FY 2017.

- **Passenger and Other Traffic Activity:** In fiscal year 2017, enplaned passenger traffic decreased by (5.6%), primarily from capacity reductions and schedule restructuring undertaken by American Airlines. American restructured its hub operations in the first calendar quarter of 2017, eliminating two of its eight connecting banks.

  PHL experienced a decline in aircraft operations while also experiencing a slight decrease in landed weight in FY 2017 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

	Fiscal Year 2017	Fiscal Year 2016	Percentage Increase (Decrease)
Domestic Enplanements (Outbound passengers):	12,775,958	13,484,253	(5.3)%
International Enplanements (Outbound passengers):	2,030,924	2,199,305	(7.7)%
Total Enplanements (Outbound passengers):	14,806,882	15,683,558	(5.6)%
Operations (Takeoffs & landings):	378,334	407,968	(7.3)%
Landed Weight (1,000-pound units):	19,758,643	20,821,203	(5.1)%

- **Highlights of Airline Operations at the Airport:** Icelandair launched nonstop service to Reykjavik, Iceland (KEF) in May 2017. Scheduled departing seats to international destinations is expected to increase 3.3% from fiscal year 2017 to fiscal year 2018 as American plans to launch seasonal service to Budapest, Hungary and Prague, Czech Republic in May 2018. Additionally, Aer Lingus announced in October 2017 service between the Airport and Dublin, Ireland will begin in March 2018.

  Since the start of fiscal year 2017, PHL has added or announced service to several new destinations. Alaska Airlines added service to Los Angeles, CA (LAX), operated by Virgin America. Additionally, Alaska Airlines began service from PHL to Portland, OR (PDX) and to San Francisco, CA (SFO).

  Low cost carriers continued to expand service at PHL during FY 2017 and beyond. Frontier Airlines added service to ten destinations, including San Juan, Puerto Rico (SJU). Spirit Airlines began service to Orlando, FL (MCO), while Southwest Airlines started service to Fort Lauderdale, FL (FLL).

  PHL continues to serve as a major hub for American Airlines. American Airlines, together with its regional airline affiliates, accounted for approximately 10.4 million enplaned passengers, or 70.0% of the Airport's enplaned passengers, in fiscal year 2017. Since fiscal year 2017, American added domestic service from PHL to the following destinations: Des Moines, IA (DSM), Ft. Wayne, IN (FWA), Madison, WI (MSN), New York, NY (JFK), Omaha, NE (OMA), Pensacola, FL (PNS) and San Antonio, TX (SAT). American discontinued service to several locations from PHL since July 2016, including seven domestic and four international destinations.

- **Airport Revenue and Refunding Bonds:** Subsequent to the end of FY 2017, the Airport issued its Series 2017 A and B Airport Revenue and Refunding Bonds in December 2017. The $692.5 million issue generated proceeds of $795.5 million; $157.5 million from Series A (Non-AMT) and $638.0 million from Series B (AMT). Details of how the funds were employed can be found in the Debt Administration section of the MD&A (pg. 22).

- **Grant Funding:** In FY 2017, PHL was awarded a $16.7 million grant from the FAA and an $800 thousand grant from the Pennsylvania Department of Transportation's (PennDOT) Bureau of Aviation for the construction of Runway 9R-27L Phase 4 Extension. PHL also received a $208 thousand grant from the FAA for Fort Mifflin noise mitigation measures within their public building's educational facility. Also, in FY 2017, PHL received $931 thousand from the FAA and $51 thousand from the Pennsylvania Department of Transportation's (PennDOT) Bureau of Aviation for Philadelphia Northeast Airport's Rehabilitation of Airfield Signage and Approach Aids project.

  In January 2011, the FAA approved the Capacity Enhancement Program (CEP) for the Airport, a program with the purpose of enhancing airfield capacity to address delays at the Airport. In September 2011, the FAA awarded a $466.5 million Letter of Intent (LOI) to provide some funding for airfield elements of the CEP. From 2007 through 2017, improvements to air traffic control were implemented by FAA, and some airfield improvements were completed by the Airport. These improvements, in conjunction with a decrease in operational activity during this same period (due in part to airline changes to their aircraft fleets and increase to average seats per operation), resulted in reduced aircraft movements and a reduction in delays at the Airport. As a result, the Airport and the Airlines priorities shifted from airfield capacity and delay projects, such as a new runway, and focused instead on the terminal, gate capacity, landside, and cargo development. Additionally, airfield improvement priorities were reassessed by the Airlines, Airport and the FAA.

  In 2017, the Airport and the FAA agreed to close the LOI, which resulted in the suspension of FAA's Record of Decision and a formal closure notice posted by FAA in the Federal Register in October 2017. This is anticipated to allow the Airport to focus FAA Entitlement and future Discretionary Grant funding for other airfield improvements rather than projects associated with the new runway. The Airport Master Plan, which includes the new runway project, is still valid and the Airport intends to preserve the ability to construct the new runway and other projects when operational needs warrant it.

✈ Environmental Stewardship

HVAC Upgrades: The Airport initiated a capital project in FY 2017 to replace 63 rooftop HVAC units at Concourses B, C, and D. This project is anticipated to save 7 to 8 MWh and over $500,000 in electricity costs annually. The project may qualify for a $200,000 PECO rebate.

Lighting Improvements: In FY 2017, the Airport and its tenants continued to install LED fixtures throughout the facility. To date, approximately 80% of the compatible lamps have been retrofitted with LED fixtures, saving 1.1 million kWh and $58,000 in electricity costs annually.

Bottle Filling Stations: In 2015 and 2016, over 20 bottle filling stations were installed throughout the terminals. As part of an Earth Day outreach event, 450 people signed a pledge to reduce plastic water bottle use and in return received a reusable PHL water bottle. To date, we estimate that the filling stations have eliminated nearly 600,000 single use water bottles from being consumed.

Terminal F Baggage Claim: The grand opening of PHL's second LEED certified building was held in October 2016. The Terminal F baggage claim facility achieved LEED Gold certification, which is designed to achieve 20% energy costs savings and over a 40% reduction in potable water consumption compared to a baseline building.

Air Quality Initiatives: In May 2017, PHL received a green award for its air quality initiatives from Delaware County Transportation Management Association.

Sound Insulation Project: The Airport began construction of the sound insulation project at the Fort Mifflin National Historic Landmark. Custom-manufactured replacement doors and windows were installed, and ventilation/central air conditioning was added to rooms used for instructional purposes. These improvements will reduce noise levels without compromising the historic features of the facility, and will provide a quieter interior space for instructional and interpretive uses of the Fort. The project started in Spring 2017 and was completed in Fall 2017.

✈ Awards and Recognition

Ranked Among Nation's Best for Holiday Travel: In December 2017, Tech.Co News ranked PHL 5th out of 10 U.S. Airports for holiday travelers looking for a relaxing trip and smoothest travel to and from destination. There were several key factors taken into account for the ranking such as access and proximity to ground transportation and public transit.

Terminal B Modernization: In October 2017, PHL held a grand opening for its newly renovated concourse at Terminal B. As part of a $30 million modernization project, the Airport alongside American Airlines, MarketPlace PHL and OTG Management Inc., unveiled new dining venues, and additional shopping options. The new renovations grant customers and passengers access to 1,000 iPads located in various restaurants and lounge areas near the gates. The technology with visual menus allows patrons to order food, play games and check the status of their flights.

New Centurion Lounge: In the fall of 2017, American Express opened the doors to its members-only Centurion Lounge in Terminal A-East at PHL. The new luxurious lounge, eighth in the world, features several amenities including an open-complimentary bar, exclusive food menus, workspaces, meeting rooms, showers and high-speed Wi-Fi.

FINANCIAL STATEMENTS OVERVIEW

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

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

FINANCIAL HIGHLIGHTS

Net Position Summary

The following table summarizes the Airport's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2017 and June 30, 2016:

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Current assets	$ 190,463	$ 146,011	$ 44,452	30.4%
Non-current assets	442,247	366,119	76,128	20.8%
Capital assets, net	2,030,401	1,990,633	39,768	2.0%
Total assets	2,663,112	2,502,763	160,349	6.4%
Deferred outflows	31,476	49,852	(18,376)	(36.9)%
Current liabilities	410,175	333,781	76,394	22.9%
Non-current liabilities	1,390,498	1,351,094	39,404	2.9%
Total liabilities	1,800,673	1,684,875	115,799	6.9%
Deferred inflows	(170)	1,522	(1,692)	(111.1)%
Net position:				
Net investment in capital assets	788,505	800,301	(11,796)	(1.5)%
Restricted for capital projects	72,395	73,033	(638)	(0.9)%
Restricted for debt service	109,001	77,598	31,403	40.5%
Unrestricted	(75,817)	(84,715)	8,898	(10.5)%
Total net position	$ 894,084	$ 866,217	$ 27,867	3.2%

Total net position serves as an indicator of the Airport's financial position. At June 30, 2017, the Aviation Fund's assets and deferred outflows exceeded liabilities and deferred inflows by $894.1 million. Between FY 2016 and FY 2017, total net position increased by $27.9 million. Changes in total net position are summarized below:

Total assets increased by $160.3 million, primarily a $76.1 million increase in the Non-current category relating to increases in cash and cash equivalents driven by debt proceeds, and a $31.7 million increase in sinking fund reserves. Current assets increased by $44.5 million, primarily due to a $34.3 million increase in accounts receivable driven by accrued parking revenue, and a $35.6 increase in Operating Fund investments. Additionally, capital assets increased $39.8 million due to $138.6 million of new capital expenditures net of $98.8 million of depreciation.

Deferred outflows of resources decreased by a net of (\$18.4) million primarily from a \$7.6 million increase in the market value of an interest rate hedge and a \$5.3 million increase in the value of the pension plan driven by investment performance.

Total liabilities increased by \$115.8 million; \$76.4 million in Current liabilities and \$39.4 million in Non-current liabilities. The increase in Current liabilities was driven by a \$52.2 million commercial paper draw to fund airline approved capital improvement projects along with a \$13.8 million increase in unearned revenue driven by an increase in the over collection of airline revenue. Additionally, there were increases of \$4.3 million in accounts payable, \$2.3 million in maturities of long-term bonded debt, and a \$2.2 million in maturing taxable Airport revenue notes.

Non-current liabilities increased \$39.4 million primarily due to the \$122.7 million issuance of long-term taxable Airport revenue notes partially offset by a (\$65.6) million decrease in the non-current portion of bonds payable, a (\$4.1) million decrease in unamortized bond premiums, a (\$7.7) million decrease in derivative instrument liability and a (\$5.3) million decrease in Airport's net pension liability.

Deferred inflows of resources were recorded at (\$170) thousand in FY 2017. This includes (\$328) thousand of deferred pension revenue partially offset a by \$158 thousand gain on refunded debt.

Net investment in capital assets decreased by (\$11.8) million, primarily due to lower debt of (\$108.5) million, partially offset by an increase of \$60.9 million in unspent capital debt proceeds and a net increase in Capital assets of \$39.8 million.

Restricted for capital projects represents funds available but restricted for construction of capital assets, reduced by debt payable on those funds. The decrease of (\$638) thousand in FY 2017 as a result of a (\$4.4) million decrease in the PFC balance reserved for "Pay as you go" construction partially offset by an increase of \$3.8 million in restricted assets used for construction purposes.

Restricted for debt service increased by \$31.4 million. This increase was primarily attributable to cash funding of the sinking fund reserve that was previously funded with surety policies.

Unrestricted net position increased by \$8.9 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.

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, 2017 and June 30, 2016:

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Operating revenues	$ 341,621	$ 340,796	$ 825	0.2%
Operating expenses	365,461	346,107	19,354	5.6%
Operating loss	(23,840)	(5,311)	(18,529)	348.9%
Non-operating revenue, net	42,141	43,064	(923)	(2.1)%
Income before capital contributions	18,301	37,753	(19,452)	(51.5)%
Capital contributions	9,566	24,204	(14,638)	(60.5)%
Changes in net position	27,867	61,957	(34,090)	(55.0)%
Net position beginning of year	866,217	804,260	61,957	7.7%
Net position end of year	$ 894,084	$ 866,217	$ 27,867	3.2%

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 2017, net position increased by $27.9 million from the prior year. This increase reflects net income and capital contributions.

Revenues

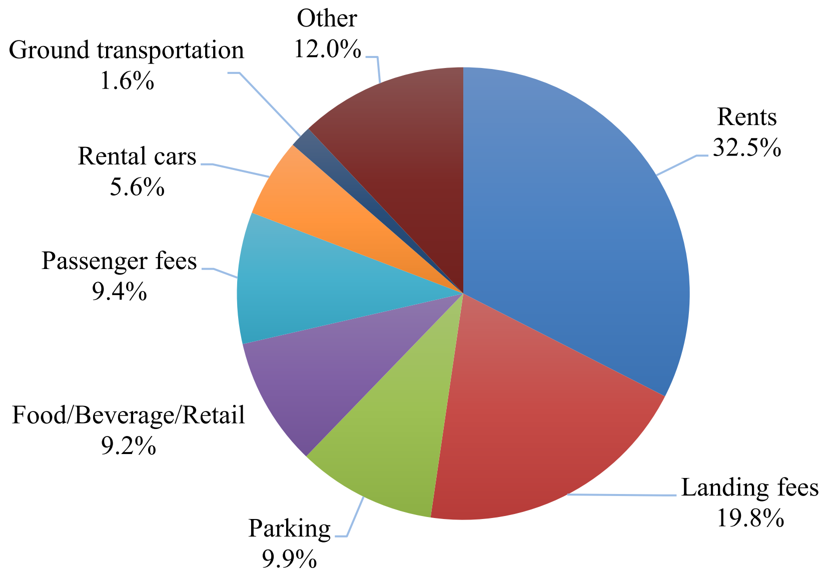
Approximately 76% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. CFC and PFC revenues account for another 20%, with the remainder coming from federal and state grants and interest earnings. Approximately 39% 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 table below presents the major components of revenue for FY 2017 and FY 2016, followed by explanations of changes in these categories between years.

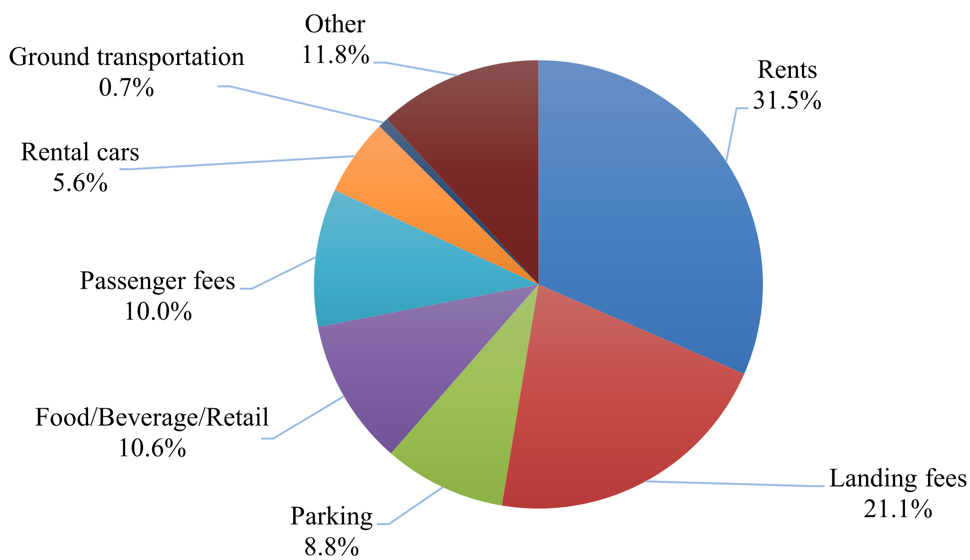
Revenues by Source ($000)

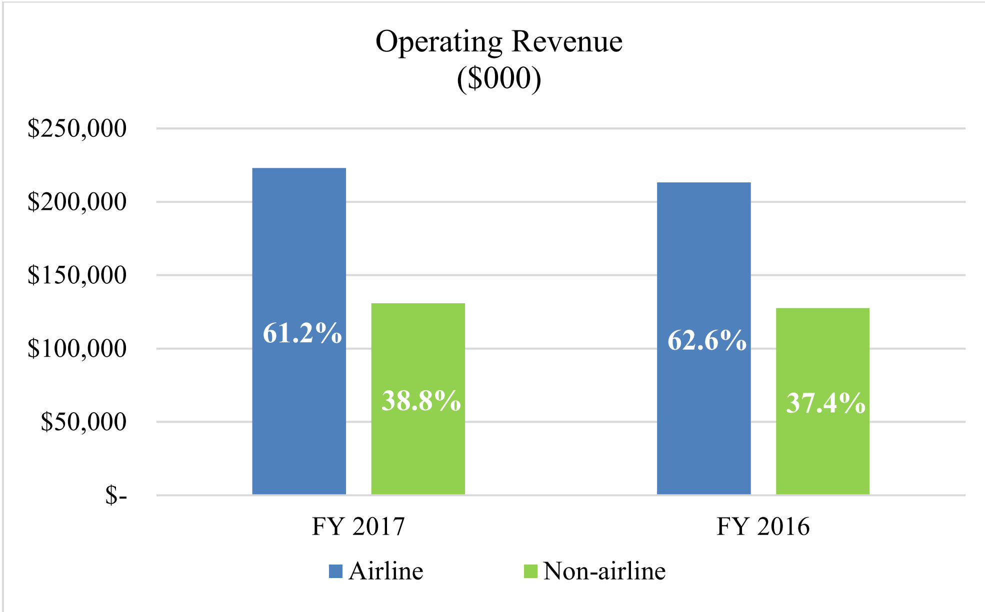
	Fiscal Year 2017	Fiscal Year 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Operating revenues				
Rents	$ 111,100	$ 107,505	$ 3,595	3.3%
Landing fees	67,710	71,796	(4,086)	(5.7)%
Passenger fees	32,018	33,928	(1,910)	(5.6)%
Parking	33,895	29,965	3,930	13.1%
Food/Beverage/Retail	31,458	35,971	(4,513)	(12.5)%
Rental cars	19,037	18,925	112	0.6%
Ground transportation	5,590	2,540	3,050	120.1%
Other	40,813	40,167	646	1.6%
Total operating revenue	341,621	340,797	824	0.2%
Non-operating revenue				
Passenger facility charges	59,385	60,920	(1,535)	(2.5)%
Customer facility charges	30,875	31,935	(1,060)	(3.3)%
Interest Income	3,786	2,658	1,128	42.4%
Operating grants	2,488	1,621	867	53.5%
Total non-operating revenue	96,534	97,134	(600)	(0.6)%
Total revenue	$ 438,155	$ 437,931	$ 224	0.1%

Operating Revenue FY 2017 - $341.6M



Operating Revenue FY 2016 - $340.8M





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 Revenue by Source table on pg. 12; rents, landing fees, and passenger fees. Non-airline revenues are all other operating revenues that do not qualify as airline revenue. These consist of parking fees, food/beverage/retail, rental car, ground transportation, other rents, utilities and other operating revenue. Operating revenues increased by $824 thousand or 0.2% in FY 2017.

- **Rents** derived from PHL's signatory airlines increased by $3.6 million or 3.3% from FY 2016 to FY 2017 due primarily to a 4% increase in leased square footage and an 8.3% increase in the airline rental rate. In addition, in FY 2017, the Airport recorded a $1.7 million offset to revenue to reflect that the airlines repaid an additional one-third of the $5.0 million Operations and Maintenance (O&M) Account accrual from FY 2015.

- **Landing fees** derived from PHL's signatory airlines decreased by ($4.1) million or (5.7%) from FY 2016 to FY 2017 primarily due to a (5.1%) decrease in landed weight. In addition, in FY 2017, the Airport recorded a $1.7 million offset to revenue to reflect that the airlines repaid an additional one-third of the $5.0 million O&M Account accrual from FY 2015.

- **Passenger fees** derived from PHL's signatory airlines decreased by ($1.9) million or (5.6%) in FY 2017 due to a decrease in international passenger traffic, which more than offset a rate increase.

- **Parking** revenue increased from $30.0 million in FY 2016 to $33.9 million in FY 2017 due to higher main lot parking; a $3.9 million increase or 13.1%.

- **Food/Beverage/Retail** revenue decreased ($4.5) million or (12.5%) due to revenue attributable to the Airport's concession development program operated by MarketPlace PHL, LLC (MPPHL). The Airport 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.

- **Rental car** revenue increased $112.0 thousand or 0.6%, noteworthy given that enplanements and rental car transaction days decreased and Transportation Network Company (TNC) usage is increasing.

- **Ground transportation** revenue increased $3.1 million or 120.1% due to the startup of TNCs at the beginning of FY 2017.

- **Other** operating revenue, which consists of advertising, catering, hotel, fuel flowage, utilities and other miscellaneous revenue, increased $646 thousand or 1.6%. The increase was primarily due to revenue increases in advertising, fuel flowage fees and several other smaller miscellaneous categories.

- **Non-operating revenues**, which consist of federal, state and local grants for non-capital purposes, PFCs, CFCs, and interest income, decreased by ($0.6) million or (0.6%) in FY 2017.

- **Grants** from other governments for non-capital purposes (operating grants) increased by $0.9 million or 153.5% in FY 2017. This increase in revenue is attributable to an increase in the Transportation Security Administration's (TSA) federal grant reimbursement for PHL's deployment of law enforcement officers.

- **PFCs** decreased by ($1.5) million or (2.5%), due to a decrease in enplanements.

- **CFCs** decreased by ($1.1) million or (3.3%) driven by a decrease in transaction days.

- **Interest income** increased by $1.1 million or 42.4% in FY 2017 which is reflective of the overall performance of the Airport's investments across all funds.

Capital contributions, which consist of federal, state and local grants for capital purposes decreased by ($14.6) million or (60.5%) in FY 2017.

- **Capital grant revenue** in any given year is dependent upon construction timelines for reimbursement of grant-eligible Airport capital projects. The decrease for FY 2017 is due to federal grant-eligible expenditures decreasing ($13.9) million in FY 2017 and State of Pennsylvania grant-eligible expenditures decreasing ($600) thousand in FY 2017.

Expenses

Airport expenses result from a wide range of services. Wages, benefits and purchased services account for 61% of total expenses while depreciation and amortization account for an additional 24%, the remainder includes debt service interest and other operating and non-operating expenses.

The table below presents the major components of expense for FY 2017 and FY 2016, followed by an explanation of changes in these components.

Expenses by Source ($000)

	Fiscal Year 2017	Fiscal Year 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Operating expenses				
Personnel services	$ 73,776	$ 69,283	$ 4,493	6.5%
Employee benefits	61,940	57,855	4,085	7.1%
Purchase of services	118,283	108,419	9,864	9.1%
Materials & supplies/equipment	5,156	6,945	(1,789)	(25.8)%
Other operating	5,197	1,696	3,501	206.4%
Depreciation	101,109	101,909	(800)	(0.8)%
Total operating expenses	365,461	346,107	19,354	5.6%
Non-operating expenses				
Debt service interest	54,271	54,003	268	0.5%
Other non-operating	123	67	56	83.6%
Total non-operating expenses	54,394	54,070	324	0.6%
Total expenses	$ 419,855	$ 400,177	$ 19,678	4.9%

Operating expenses increased by $19.4 million or 5.6% in FY 2017.

- **Personnel services and employee benefits** increased by a total of $8.6 million or 6.7% in FY 2017. Personnel services increased $4.5 million or 6.5% in FY 2017 due primarily to an increase in payroll costs. Employee benefits increased $4.1 million or 7.1% in FY 2017 primarily due to increases in the Airport's pension costs.

- **Purchase of services** increased by $9.9 million or 9.1% in FY 2017 mainly due to an increased expensing of indirect costs of construction in progress (CIP).

- **Materials and supplies and other operating expenses**, including the purchase of equipment, increased by $1.7 million or 19.8% in FY 2017. This is mainly attributable to the retirement of aged equipment, and an increase in indemnities and taxes in FY 2017.

Non-operating expenses, which includes debt service interest and other non-operating expenses, increased $324 thousand or 0.6% in FY 2017. This increase is attributable to changes in net interest expense and loss on disposal of fixed assets for FY 2017.

Summary of Cash Flows

The following table shows the major sources and uses of cash for FY 2017 and FY 2016:

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

	Fiscal Year 2017	Fiscal Year 2016	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Cash received from operations	$ 321,103	$ 367,374	$ (46,271)	(12.6)%
Cash expended from operations	(258,135)	(241,011)	(17,124)	7.1%
Net cash provided by operations	62,968	126,363	(63,395)	(50.2)%
Net cash provided by non-capital financing activities	2,655	1,765	890	50.4%
Net cash provided by (used in) capital and related financing activities	29,320	(132,188)	161,508	(122.2)%
Net cash provided by (used in) investing activities	(41,868)	19,208	(61,076)	(318.0)%
Net (decrease) in cash and cash equivalents	53,075	15,148	37,927	250.4%
Balance beginning of year	110,615	95,466	15,149	15.9%
Balance end of year	$ 163,690	$ 110,614	$ 53,076	48.0%

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

Net cash provided by capital and related financing activities increased $161.5 million, primarily from a $125.0 million long-term taxable revenue note and $51.3 million in new CP note issuance.

CAPITAL ASSETS AND CONSTRUCTION

The Airport's investment in capital assets, net of accumulated depreciation, amounted to more than $2.03 billion at the end of FY 2017. The following table presents the changes in capital assets for FY 2017.

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

	Fiscal Year 2016	Additions	Deletions	Fiscal Year 2017
Non-depreciable assets				
Land and intangibles	$ 150,123	$ 14,839	$ -	$ 164,962
Construction in progress	432,127	137,395	(33,858)	535,664
Total non-depreciable assets	582,250	152,234	(33,858)	700,626
Depreciable assets				
Buildings	2,058,721	11,382	-	2,070,103
Infrastructure	1,028,187	5,169	-	1,033,356
Equipment	53,555	6,074	(2,412)	57,217
Total depreciable assets	3,140,463	22,625	(2,412)	3,160,676
Accumulated depreciation				
Capital additions	(1,024,581)	(64,347)	-	(1,088,928)
Infrastructure	(664,492)	(33,768)	-	(698,260)
Equipment	(43,007)	(2,994)	2,288	(43,713)
Total accumulated depreciation	(1,732,080)	(101,109)	2,288	(1,830,901)
Net depreciable assets	1,408,383	(78,484)	(124)	1,329,775
Total capital assets	$ 1,990,633	$ 73,750	$ (33,982)	$ 2,030,401

Capital Development

The Division of Aviation maintains an on-going capital plan that addresses airport development needs, as well as repair and maintenance of existing facilities. The following sections describe the Division's capital plans, including a shift from the prior Capacity Enhancement Program (CEP) to the Capital Development Program (CDP).

In January 2011, the FAA approved the CEP for the Airport, a program with the purpose of enhancing airfield capacity to address delays at the Airport. At that time, the Airport had been long identified by the FAA as one of the airports contributing to delays throughout the National Airspace System (NAS). The CEP was based on the Airport's Master Plan and included projects addressing runway length, airfield geometry, runway capacity, in addition to expansion and reconfiguration of the existing terminal complex.

In September 2011, the FAA awarded a $466.5 million Letter of Intent (LOI) to provide some funding for airfield elements of the CEP. From 2007 through 2017, improvements to air traffic control were implemented by FAA, and some airfield improvements were completed by the Airport. These improvements, in conjunction with a decrease in operational activity during this same period (due in part to airline changes to their aircraft fleets and increase to average seats per operation), resulted in reduced aircraft movements and a reduction in delays at the Airport. As a result, the Airport and Airlines priorities shifted from airfield capacity and delay projects, such as a new runway, and focused instead on the terminal, gate capacity, landside, and cargo development. Additionally, airfield improvement priorities were reassessed by the Airlines, Airport and the FAA.

In October 2017, the Airport and the FAA agreed to close the LOI, which resulted in the suspension of FAA's Record of Decision and a formal closure notice posted by FAA in the Federal Register in October 2017. This is anticipated to allow the Airport to focus FAA Entitlement and future Discretionary Grant funding for other airfield improvements rather than projects associated with the new runway. The Airport Master Plan, which includes the new runway project, is still valid and the Airport intends to preserve the ability to construct the new runway and other projects when operational needs warrant it.

The shift in capital priorities to terminal, landside, and cargo development along with reprioritized airfield improvements, has resulted in the Airport implementing a revised capital plan that incorporates elements identified in the Master Plan in addition to near-term capital facility needs, including on-going rehabilitation and repair projects. That plan is identified as the CDP and is described in more detail below.

Under the Airline Agreement, the Airlines have approved approximately $2.4 billion in capital development projects, of which approximately $370.1 million have been completed. The CDP includes approximately $2.0 billion of airline approved projects remaining to be completed, which incorporate long-term development projects and on-going rehabilitation and repair projects that generally address the Airport's capital needs. The primary focus of the CDP is for the terminal development and rehabilitation, airfield improvements and pavement rehabilitation, apron improvements, land acquisition, ground transportation projects, security and information technology enhancements, support facilities, and improvements at the Northeast Airport. The Airport continues to work with the airlines to evaluate operational needs at the Airport and assess the timing and scope of projects. The CDP will continue to evolve as needs and priorities change.

The following capital projects with current airline or other funding approval are underway. These projects are in various phases of construction.

Capital Projects Underway

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

Roof Replacement C Concourse & Hammerhead, D Concourse: This $5.5 million project consists of the installation of Ethylene Propylene Diene Monomer (EPDM), an extremely durable synthetic rubber roofing membrane, along with flashings, expansion joints and other related accessories at C Hammerhead, C Concourse and Terminal D Concourse.

Restroom Renovation – Terminals D, E and F: Under this program the existing restrooms will be upgraded with new partitions, plumbing fixtures, accessories, and finishes. The ADA compliant design captured water and electrical consumption efficiencies, along with safe, non-slip durable epoxy grout tile while maintaining modern, easily maintained facilities. The project was substantially completed in the summer of 2017 and within the original budget of $10.0 million.

Rooftop Unit (RTU) HVAC Renovation and Replacement Program: This program includes the replacement of existing roof-top air handling units on Terminals B, C and D. Phase one of this program replaced 32 RTUs along Terminal Concourse and Hammerhead. The units on Terminal B were completed in the summer of 2107. Phase two is currently under construction and will replace the units on Terminals C and D upon completion in the spring of 2018. Both phases are expected to be within the $15.0 million budget.

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

Recently Completed Capital Projects and Acquisitions

Fixed asset additions totaled $22.6 million during FY 2017. 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 2017 include the following:

New Deicing Facility: This $43.0 million project modernized the existing deicing facility to industry level standard, converting the application from a fixed boom system to a mobile truck-based operation. The new facility was designed with current treatment technologies on storm water discharge under the National Pollutant Discharge Elimination Systems (NPDES) and FAA guidelines for Aircraft Deicing Fluid (ADF), incorporating new technology processes for collecting, storing, treating, and recycling and/or otherwise managing runoff, protecting adjacent waterways and aquatic ecosystems.

Loading Bridge Replacement Program – Phase One: Thirteen loading bridges were replaced on Terminals B and C in phase one of this program to enhance passenger safety, security and convenience during enplanement and deplanement. Phase two of this program is in design and is scheduled to begin construction in 2018. Phase one was completed within the original budget of $20.0 million.

Runway 9R Approach Light Pier Replacement: This project involved the replacement of the approach light pier for runway 9R. The updated approach light pier is connected by fiberglass walkways with steel railings and included an overhaul of the electrical system with new conduit and cable. The project completed in the fall of 2017 within the approved budget of $7.9 million.

T-12 Light Conversion to LED Program – Phase One: Under this program, the obsolete T-12 lighting fixtures were replaced with energy efficient LED lighting. This replacement increases the light output by 30% while also reducing energy costs by more than 60%. Light fixtures were replaced in all Terminals in phase one which completed in the fall of 2017 for $1.3 million. Phase two is currently being planned and design should begin in early 2018.

Land Acquisition: In 2017, PHL acquired Parcel G from the Philadelphia Authority for Industrial Development (PAID) for $14.1 million. This 20.88 acre vacant site will be used for future Airport expansion. Also acquired from PAID were Parcel T, a vacant 1.2 acre parcel of land at Island Avenue and Escort Street, 1.1 acre Parcel 8A, a vacant parcel of land south of Tinicum Island Road, and the abandoned former Conrail Orange Line. PHL acquired two other properties on the east side of the airport for future expansion, including 4848 Island Avenue, a 3.4 acre site containing warehouse, production, and office space for $4.6 million, and 8436 Enterprise Avenue, a 2.0 acre site at Enterprise Avenue and Executive Avenue for $3.1 million. PHL also acquired and leased portions of Hog Island Road for $5.0 million for future expansion.

In January 2018, the City of Philadelphia made an initial payment of $54.5 million toward the acquisition of a 135-acre tract of land west of the Airport known as the Henderson property. Additional information is provided in the Claims Litigation section of the Notes to Financial Statements (pg. 78).

DEBT ADMINISTRATION

As of June 30, 2017, PHL's outstanding long-term debt totaled $1.1 billion and payments for scheduled maturities totaled $65.6 million. The following table summarizes the changes in long-term debt, including the current portion, for FY 2017:

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

	Fiscal Year 2016	Additions	Retirements/ Repayments	Fiscal Year 2017
Revenue bonds	$ 1,124,705	$ -	$ 63,240	$ 1,061,465

For FY 2017, total revenue bonds payable of $1.061 billion, less current maturities of $65.6 million, equated to $67.26 per enplaned passenger, compared to $72.29 for FY 2016.

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

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

The Project Fund Deposit will fund a portion of the Airports 2019-2023 $2.375 billion Capital Development Program (CDP). The issue also paid down 52% of previously outstanding commercial paper (CP). Two outstanding bond issues were refunded, generating $34.1 million in present value interest savings; 15% of the par value refunded. The newly issued bonds have maturities similar to the refunded bonds. The issue also enabled the Airport to fully cash fund the $68.5 million Sinking Fund Reserve Account. Previously, the Airport had used letters of credit to do so.

Credit Ratings: In November 2017, Standard & Poor's, Fitch, and Moody's maintained their ratings of "A", "A" and "A2", respectively, for the Series 2017 A and B issues along with PHL's outstanding airport revenue bonds while affirming a stable outlook.

Commercial Paper 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, 2017, PHL had drawn $242.1 million of CP, which was used to fund ongoing capital projects, program management efforts and the purchase of land parcels.

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

Rate Covenant: The table below - "Summary of Project Revenues and Expenses," presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test 1) and total debt service coverage (Rate Covenant Test 2) in accordance with Section 5.01 of the Amended and Restated General Revenue Bond Ordinance (GARBO). Rate Coverage Test 1 requires PHL to maintain debt service coverage of not less than 1.50x and Rate Covenant Test 2 requires debt service coverage of not less than 1.0x. Debt service coverage is calculated based on a formula in GARBO. Historically, PHL has maintained a coverage ratio significantly higher than its requirement. During FY 2017, PHL's debt service coverage for Test 1 was 2.83x and Test 2 was 1.88x.

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

Amounts Available for Debt Service	**Fiscal Year 2016**	**Fiscal Year 2017**
1. Space rentals	$ 108,115	$ 113,400
2. Landing fees	73,968	80,457
3. Ramp Area rentals	1,213	572
4. International Terminal revenues	34,025	33,747
5. Subtotal, Airline Rentals, Fees and Charges	217,322	228,175
6. Nonairline Revenues	123,434	133,658
7. Interest income and Contribution for carrier incentive program	494	232
8. Total Project Revenues	341,250	362,065
9. Passenger Facility Charges (PFCs) Available for Debt Service	31,176	33,693
10. Portion of Fund Balance Attributable to Amounts Available for Debt Service	71,220	87,875
11. Total Amounts Available for Debt Service	443,646	483,633
Expenses		
12. Net Operating Expenses	132,149	136,498
13. Required Renewal Fund Deposit	500	250
14. Revenue Bond Debt Service	120,595	122,596
15. Interdepartmental Charges	106,775	116,753
16. Total Expenses	360,020	376,097
17. Net Revenue	$ 83,626	$ 107,536
Rate Covenant Tests of the Original General Airport Revenue Bond Ordinance		
18. Test 1 (Line 11- Line 12- Line 13) / (Line 14)	2.58	2.83
19. Test 2 (Line 11- Line 12- Line 13- Line 15) / (Line 14)	1.69	1.88

BUDGETARY HIGHLIGHTS

Actual expenditures for FY 2017 were (1.5%) lower than budgeted expenditures. The following factors contributed to this difference:

Direct expenses were ($4.2) million or (3.0%) lower than budgeted in FY 2017. This was primarily attributable to lower than expected costs for contractual services related to general facility maintenance, capital program management, ground transportation management and public information services.

Net interdepartmental charges were $0.3 million or 0.3% higher than projected in FY 2017. These results are a function of several expense categories, but are mainly due to higher than expected costs of nearly $1.4 million from the Airport's fringe benefit costs and $3.6 million from costs related to the operation and maintenance of PHL's fleet of vehicles. Conversely, PHL experienced decreases below the forecasted amounts of nearly ($3.0) million in utility (electric, natural gas, telephones, and water, sewer & stormwater) costs, and ($0.5) million in vehicle purchases.

Net debt service was ($2.8) million or (3.1%) lower than budgeted in FY 2017 due to delayed incremental borrowing that occurred after fiscal year end.

REQUESTS FOR INFORMATION

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

CITY OF PHILADELPHIA
AVIATION FUND
Statements of Net Position

	Fiscal Year 2017	Fiscal Year 2016	Percentage Increase (Decrease)
Assets			
Current assets			
Cash and cash equivalents	$ 6,064,682	$ 31,385,876	(80.7)%
Investments	120,445,300	84,868,399	41.9%
Accounts receivable	60,518,269	26,216,267	130.8%
Allowance for doubtful accounts	(1,099,925)	(1,179,733)	(6.8)%
Inventories	3,376,490	3,395,306	(0.6)%
Due from other governmental units	1,158,513	1,325,300	(12.6)%
Total current assets	190,463,329	146,011,415	30.4%
Non-current assets			
Restricted:			
Cash and cash equivalents	157,625,199	79,228,764	98.9%
Cash held by fiscal agent	449	449	0.0%
Investments	185,761,757	207,841,323	(10.6)%
Sinking funds and reserves held by fiscal agents	79,527,606	47,869,253	66.1%
Grants from other governments for capital purposes	6,460,396	21,806,799	(70.4)%
Receivables	12,871,957	9,372,361	37.3%
Total restricted assets	442,247,364	366,118,949	20.8%
Capital assets:			
Land and other non-depreciable assets	164,962,272	150,123,537	9.9%
Infrastructure	1,033,356,274	1,028,187,767	0.5%
Construction in progress	535,663,163	432,126,149	24.0%
Buildings and equipment	2,127,320,880	2,112,276,668	0.7%
Less: accumulated depreciation and amortization	(1,830,901,351)	(1,732,081,227)	5.7%
Property, plant and equipment, net	2,030,401,238	1,990,632,894	2.0%
Total non-current assets	2,472,648,602	2,356,751,843	4.9%
Total assets	2,663,111,931	2,502,763,258	6.4%
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	8,341,971	16,038,983	(48.0)%
Deferred outflows related to pensions	18,585,174	28,306,952	(34.3)%
Refunding in defeasance of debt	4,548,480	5,505,599	(17.4)%
Total deferred outflows of resourses	$ 31,475,625	$ 49,851,534	(36.9)%

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statements of Net Position

		Fiscal Year 2017		Fiscal Year 2016	Percentage Increase (Decrease)
Liabilities					
Current liabilities					
Accounts and vouchers payable	$	18,276,678	$	13,945,095	31.1%
Salaries and wages payable		2,556,006		2,638,711	(3.1)%
Construction contracts payable		40,109,201		38,430,923	4.4%
Accrued expenses		1,311,086		1,496,764	(12.4)%
Accrued interest payable		2,510,949		2,442,275	2.8%
Unearned revenue		35,476,146		21,686,958	63.6%
Commercial paper notes		242,100,000		189,900,000	27.5%
Current maturities of long-term bonded debt		65,605,000		63,240,000	3.7%
Current portion of taxable airport revenue note		2,230,000		-	-
Total current liabilities		410,175,066		333,780,726	22.9%
Non-current liabilities					
Taxable airport revenue note, long-term		122,770,000		-	-
Revenue bonds, net of current maturities		995,860,000		1,061,465,000	(6.2)%
Unamortized bond premiums		32,069,740		36,199,087	(11.4)%
Derivative instrument liability		8,341,971		16,038,983	(48.0)%
Net pension liability		217,477,916		222,761,206	(2.4)%
Other long-term liabilities		13,978,463		14,629,559	(4.5)%
Total non-current liabilities		1,390,498,090		1,351,093,835	2.9%
Total liabilities		1,800,673,156		1,684,874,561	6.9%
Deferred inflows of resources					
Deferred gain on refunding debt		157,982		171,560	-
Deferred inflows related to pensions		(327,578)		1,350,807	-
Total deferred inflows of resourses		(169,596)		1,522,367	-
Net position					
Net investment in capital assets		788,504,638		800,301,351	(1.5)%
Restricted for:					
Capital projects		72,395,321		73,033,097	(0.9)%
Debt service		109,000,961		77,598,368	40.5%
Unrestricted		(75,816,924)		(84,714,952)	(10.5)%
Total net position	$	894,083,996	$	866,217,864	3.2%

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statements of Revenues, Expenses and Changes in Fund Net Position

	Fiscal Year 2017	Fiscal Year 2016	Percentage Increase (Decrease)
Operating revenues			
Airline revenues			
Rents	$ 111,099,652	$ 107,504,766	3.3%
Landing fees	67,710,165	71,796,365	(5.7)%
International arrival fees	32,017,978	33,927,721	(5.6)%
Total airline revenues	210,827,795	213,228,852	(1.1)%
Nonairline revenues			
Concessions	101,405,474	98,224,716	3.2%
Other rents	20,382,548	19,270,494	5.8%
Utilities and other fees	4,803,778	5,063,174	(5.1)%
Other operating revenues	4,200,936	5,009,010	(16.1)%
Total nonairline revenues	130,792,736	127,567,394	2.5%
Total operating revenues	341,620,531	340,796,246	0.2%
Operating expenses			
Personal services	73,776,022	69,283,424	6.5%
Purchase of services	118,283,429	108,418,709	9.1%
Materials and supplies	5,156,099	6,944,528	(25.8)%
Employee benefits	61,939,679	57,854,677	7.1%
Indemnities and taxes	5,196,986	1,695,946	206.4%
Depreciation and amortization	101,109,005	101,909,394	(0.8)%
Total operating expenses	365,461,220	346,106,678	5.6%
Operating loss	(23,840,689)	(5,310,432)	348.9%
Non-operating revenues (expenses)			
Federal, state and local grants	2,488,459	1,621,300	53.5%
Interest income	3,786,077	2,658,109	42.4%
Interest expense	(54,271,038)	(54,003,323)	0.5%
Passenger facility charges	59,384,648	60,920,335	(2.5)%
Customer facility charges	30,875,320	31,934,786	(3.3)%
Loss on disposal of fixed assets	(122,785)	(67,463)	82.0%
Total nonoperating revenues, net	42,140,681	43,063,744	(2.1)%
Income before capital contributions	18,299,992	37,753,312	(51.5)%
Capital contributions			
Federal, state and local grants	9,566,140	24,203,573	(60.5)%
Total capital contributions	9,566,140	24,203,573	(60.5)%
Change in net position	27,866,132	61,956,885	(55.0)%
Net position beginning of period	866,217,864	804,260,979	7.7%
Net position end of period	$ 894,083,996	$ 866,217,864	3.2%

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statements of Cash Flows

	Fiscal Year 2017	Fiscal Year 2016	Percentage Increase (Decrease)
Cash flows from operating activities			
Receipts from customers	$ 319,970,720	$ 366,334,147	(12.7)%
Receipts from interfund services	1,131,961	1,040,227	8.8%
Payments to suppliers	(124,844,839)	(112,151,538)	11.3%
Payments to employees	(126,383,509)	(121,820,713)	3.7%
Internal activity-payments to other funds	(6,906,485)	(7,038,751)	(1.9)%
Net cash provided by operating activities	62,967,848	126,363,372	(50.2)%
Cash flows from non-capital financing activities			
Grant proceeds not specifically restricted for capital purposes	2,655,246	1,765,259	50.4%
Cash flows from capital and related financing activities			
Proceeds from issuance of debt	1,053,900,000	668,900,000	57.6%
Grant proceeds for capital purposes	24,912,546	25,096,537	(0.7)%
Purchase of capital assets	(139,321,858)	(151,396,205)	(8.0)%
Principal paid on debt instruments	(939,940,000)	(715,810,000)	31.3%
Interest paid on capital debt	(57,388,170)	(52,910,013)	8.5%
Passenger & customer facility charges	87,157,313	93,931,328	(7.2)%
Net cash used in capital and related financing activities	29,319,831	(132,188,353)	(122.2)%
Cash flows from investing activities			
Net proceeds (purchases) from sale and maturities of investments	(45,423,351)	18,195,937	(349.6)%
Interest and dividends	3,555,667	1,012,433	251.2%
Net cash provided (used) in investing activities	(41,867,684)	19,208,370	(318.0)%
Net increase in cash and cash equivalents	53,075,241	15,148,648	250.4%
Balance beginning of year	110,615,089	95,466,441	15.9%
Balance end of year	$ 163,690,330	$ 110,615,089	48.0%
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	$ (23,840,689)	$ (5,310,432)	348.9%
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	101,109,005	101,909,394	(0.8)%
Bad Debts, net of recoveries	-	-	-
Changes in assets and liabilities:			
Receivables, net	(34,280,680)	6,502,717	(627.2)%
Inventories	18,816	(358,655)	(105.2)%
Accounts and other payables	6,172,208	3,525,131	75.1%
Unearned revenue	13,789,188	20,095,217	(31.4)%
Net cash provided by operating activities	$ 62,967,848	$ 126,363,372	(50.2)%

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

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

Basis of Accounting

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

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

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

Recently Issued GASB Statements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. 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 governmental OPEB plans for making decisions and assessing accountability. 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 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. 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 August 2015, the GASB issued Statement No. 77, *Tax Abatement 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 and commitments made by a government, other than to abate taxes, as part of a tax abatement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The adoption of this Statement did not result in any significant changes to the City's financial statements.

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 January 2016, the GASB issued Statement No. 80, *Blending Requirements For Certain Component Units, an amendment of GASB Statement No. 14*. 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 adopted GASB Statement No. 80 during the fiscal year; the additional blending requirements did not affect the status of any of the City's component units.

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.

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.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has not completed the process of evaluating the impact of adopting this Statement.

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

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

Cash and Investments

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

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

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, 2017 and 2016.

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, 2017 and 2016. Credit balance receivables have been included in unearned revenue in the Statements of Net Position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

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

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

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

Capital Assets

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

- Land is always treated separately from any related capital asset associated with it (i.e.: a building on the land, a runway on the land, etc.). The cost of the land includes its acquisition price and the cost of preparing the land for its intended use. Included in preparation costs are commissions, professional fees, permanent landscaping, demolition of existing buildings, and other costs incurred in acquiring the land.

- Intangible capital assets lack physical substance and can be expected in many cases to provide benefit indefinitely. An example of an intangible capital asset is software that was developed in-house.

- Buildings and Building Improvements are permanent structures included in the category of buildings. Building improvements increase the value of the building and/or materially extends the useful life of the building. If the improvement does not meet these conditions, those costs are expensed in the period incurred. Repairs and maintenance are examples of items expensed because they help to retain value and do not increase the value of the asset.

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

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

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

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

- Vehicles and equipment are defined as movable tangible assets used in operations. This includes general-use, firefighting, and snow removal vehicles and related equipment, computer equipment, furniture and fixtures, and other moveable equipment.

- Infrastructure assets are long-lived capital assets that are normally stationary and can be preserved for a significantly greater number of years than most capital assets. Infrastructure includes, but is not limited to: runways, taxiways, aprons, ramps, roads, sidewalks, signage, drainage systems, water and sewer systems, and lighting systems.

- Construction in progress includes costs incurred to construct a capital asset before it is substantially ready to be placed in service. At the time of being placed in service, the asset will be reclassified into the appropriate asset category and be subject to depreciation.

- The following Depreciation Guidelines were used in the Aviation Fund's FY 2017 financial statements:

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

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

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

Asset Category	Life of Asset	Threshold
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.

- 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.

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, 2017 and 2016, 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, 2017 the fair value of the Aviation Fund's holdings consisted of the following:

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

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

	Fair Value	% of Total
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%
	$ 375,355,981	100.0%

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

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

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

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	-
	$ 130,345,521	$ 245,010,461

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

The City's investment in U.S. Government securities (32.73%) or U.S. Government Agency obligations (21.68%) are allowable investments up to 100% of the portfolio. The U.S. Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services (Moody's). All U.S. Government Securities meet the criteria.

The City's investment in Commercial Paper (12.79%) is limited to 25% of the portfolio, and must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (9.78%) are limited to 25% of the portfolio, and had an S&P rating of AAA to AA or Moody's rating of Aa2 or better.

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

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. At the end of the fiscal year, the City did not have any investments of that nature.

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

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

The Airport has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury securities of $172.0 million are valued using quoted prices from active markets (Level 1).
- Corporate bond securities of $72.6 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2).
- Commercial Paper securities of $59.6 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- U.S. Agency securities of $44.1 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- Short-term investment pools of $146.0 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 investment balances related to the net proceeds of Philadelphia Authority for Industrial Development's (PAID) Airport Revenue Bonds, Series 1998A and 2001A. In accordance with GASB Interpretation #2, these bonds are considered by PAID to be conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on PAID's financial statements.

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

4. CAPITAL ASSET ACTIVITY

The following tables present the changes in capital assets for FY 2017 and FY 2016.

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

	Balance FYE 06/30/2015	Additions	Deletions	Balance FYE 06/30/2016
Non-depreciable assets				
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
Total non-depreciable assets	700,866,233	146,151,119	(264,767,666)	582,249,686
Depreciable assets				
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
Total depreciable assets	2,879,802,771	262,353,723	(1,692,059)	3,140,464,435
Accumulated depreciation				
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)
Total accumulated depreciation	(1,631,796,429)	(101,909,394)	1,624,596	(1,732,081,227)
Net depreciable assets	1,248,006,342	160,444,329	(67,463)	1,408,383,208
Total capital assets	$ 1,948,872,575	$ 306,595,448	$ (264,835,129)	$ 1,990,632,894

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 $3,642,447 and $4,944,033 for the fiscal years ending June 30, 2017 and 2016, respectively. For the fiscal year ending June 30, 2017, this represents $3,686,463 of interest expense net of $44,016 of interest income. For the fiscal year ending June 30, 2016, this represents $5,053,251 of interest expense net of $109,218 of interest income.

Depreciation and amortization expense was $101,109,005 and $101,909,394 for the fiscal years ending June 30, 2017 and 2016, respectively.

5. UNEARNED REVENUE

Unearned revenue was $35,476,146 and $21,686,958 for the fiscal years ending June 30, 2017 and 2016, respectively and includes revenues received in advance, excess billing to the scheduled airlines, and credit balance receivables.

6. ARBITRAGE REBATE

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. The Airport's arbitrage rebate liability was $0 as of June 30, 2017 and 2016.

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, 2017 and 2016 are as follows:

Type	Cash Flow Hedge - pay fixed interest rate swap
Change in Fair Value of Deferred	
Outflow at June 30, 2017	$7,697,012
Outflow at June 30, 2016	$185,815
Fair value at June 30, 2017	($8,341,971)
Fair value at June 30, 2016	($16,038,983)
Objective	Hedge changes in cash flow on the 2005 Series C bonds
Notional amount at June 30, 2017	$110,700,000
Notional amount at June 30, 2016	$121,400,000
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, 2017	Aa3/A+
at June 30, 2016	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.

As of June 30, 2017 and 2016, the swap had a notional amount of $110.7 million and $121.4 million, respectively, and the associated variable-rate bonds had a $110.7 million and $121.4 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, 2017 and 2016, the swap had a negative fair value of ($8.3) million and ($16.0) 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, 2017, 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, 2017 and 2016, the rates were:

Interest Rate Swap	Terms	June 30, 2017	June 30, 2016
Fixed payment to JP Morgan Chase	Fixed	3.91079%	4.11356%
Variable rate from JP Morgan Chase	SIFMA	-0.91000%	-0.41000%
Net interest rate swap payments		3.00079%	3.70356%
Variable rate bond coupon payments	Weekly resets	0.92500%	0.42000%
Synthetic interest rate on bonds		3.92579%	4.12356%

Swap payments and associated debt: As of June 30, 2017, 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
2018	11,400,000	1,023,975	3,321,880	4,345,855
2019	12,200,000	918,525	2,668,386	3,586,911
2020	13,000,000	805,675	2,022,456	2,828,131
2021	13,700,000	685,425	1,486,956	2,172,381
2022	14,300,000	558,700	1,058,186	1,616,886
2023-2025	46,100,000	861,175	1,081,946	1,943,121
Totals	$ 110,700,000	$ 4,853,475	$ 11,639,810	$ 16,493,285

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 $242.1 million of CP notes outstanding at June 30, 2017. CP interest expense charged to PHL's Statement of Revenues, Expenses, and Changes in Fund Net Position was $0 and $618,581 for fiscal years ending June 30, 2017 and 2016, respectively.

As of June 30, 2017, the total outstanding balance of CP notes was $242,100,000.

Balance as of July 1, 2016	$ 189,900,000
Commercial Paper Notes Issued	739,000,000
Commercial Paper Notes Refunded	(686,800,000)
Balance as of July 1, 2017	$ 242,100,000

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, 2017.

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.

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.

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

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

- Airport Revenue Refunding Bonds, Series 2010B (non-AMT) were issued as uninsured serial bonds in the amount of $24.4 million with interest ranging from 2.0% to 5% and maturing in 2015. The proceeds of these bonds were used to refund the City's Airport Revenue Bonds, Series 1997A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.

- Airport Revenue Refunding Bonds, Series 2010C were issued as uninsured serial bonds in the amount of $54.7 million with interest ranging from 2.0% to 5% and maturing in 2018. The proceeds of these bonds were used to partially refund the City's Airport Revenue Bonds, Series 1998A; fund the deposit into the sinking fund reserve; and pay costs of issuance relating to the bonds.

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

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

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

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

Fiscal Years Ending June 30	Principal	Interest	Total Debt Service
2018	65,605,000	56,501,722	$ 122,106,722
2019	61,835,000	53,056,137	114,891,137
2020	65,065,000	49,766,909	114,831,909
2021	68,320,000	46,446,066	114,766,066
2022	187,135,000	42,781,243	229,916,243
2023-2027	366,640,000	146,141,961	512,781,961
2028-2032	179,340,000	70,668,138	250,008,138
2033-2037	141,700,000	33,529,575	175,229,575
2038-2040	50,825,000	5,165,250	55,990,250
Totals	$ 1,186,465,000	$ 504,057,001	$ 1,690,522,001

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.

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

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

10. DIRECT LOAN

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

Type of Debt	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2018	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 1998B	$ 443,700,000	-	5,000	5,000	2028	4.25 - 5.38%
Airport Revenue Bonds - Series 2005C	$ 189,500,000	11,400,000	99,300,000	110,700,000	2025	Variable Rate
Airport Revenue Bonds - Series 2007A	$ 172,470,000	4,440,000	142,340,000	146,780,000	2037	5.00 - 5.00%
Airport Revenue Bonds - Series 2007B	$ 82,915,000	3,720,000	43,065,000	46,785,000	2027	4.50 - 5.00%
Airport Revenue Bonds - Series 2009A	$ 45,715,000	2,120,000	30,810,000	32,930,000	2029	1.50 - 5.00%
Airport Revenue Bonds - Series 2010A	$ 273,065,000	6,050,000	245,260,000	251,310,000	2040	2.00-5.25%
Airport Revenue Bonds - Series 2010C	$ 54,730,000	8,995,000	-	8,995,000	2018	2.00-5.00%
Airport Revenue Bonds - Series 2010D	$ 272,475,000	16,830,000	168,925,000	185,755,000	2028	2.00-5.25%
Airport Revenue Bonds - Series 2011A	$ 199,040,000	7,350,000	153,890,000	161,240,000	2028	2.00-5.00%
Airport Revenue Bonds - Series 2011B	$ 34,790,000	1,445,000	24,995,000	26,440,000	2031	2.00-5.05%
Airport Revenue Bonds - Series 2015A	$ 97,780,000	3,255,000	87,270,000	90,525,000	2035	4.00 - 5.00%
		$ 65,605,000	$ 995,860,000	$ 1,061,465,000		

	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	$ 1,124,705,000	$ -	$ (63,240,000)	$ 1,061,465,000	$ 65,605,000
Taxable airport revenue note	-	125,000,000	-	125,000,000	2,230,000
Unamortized premium / (discount)	36,199,086	-	(4,129,346)	32,069,740	-
Total revenue bonds payable	$ 1,160,904,086	$ 125,000,000	$ (67,369,346)	$ 1,218,534,740	$ 67,835,000

11. FUND BALANCES

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

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

12. DEFERRED COMPENSATION PLAN

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

13. OPERATING LEASES

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

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

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^{th}) day of each month and the remaining rental payment, the excess rents collected during the month greater than the MAG, is due on or before the last day of each month.

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

Minimum rentals	$ 45,740,720
Additional rentals	171,270,355
Total rental income	$ 217,011,075

Cash basis rental income from operating leases for FY 2016 was as follows:

Minimum rentals	$ 44,389,571
Additional rentals	184,760,622
Total rental income	$ 229,150,193

As of the end of FY 2017, future minimum rentals receivable under non-cancelable operating leases are as follows:

Fiscal Years Ending June 30	Amount
2018	$ 28,647,125
2019	7,081,882
2020	6,686,098
2021	4,902,437
2022	4,353,108
2023-2027	17,997,981
2028-2032	12,640,881
2033-2037	6,170,409
2038-2042	5,888,755
Total	$ 94,368,676

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

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 2017 was as follows:

Minimum rentals	$	940,944
Additional rentals		12,490,297
Total rental expense	$	13,431,241

Rental expense for operating leases for FY 2016 was as follows:

Minimum rentals	$	824,924
Additional rentals		13,671,198
Total rental expense	$	14,496,122

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

Fiscal Years Ending June 30		Amount
2018	$	1,006,872
2019		545,061
2020		392,888
2021		392,888
2022		392,888
2023-2027		1,964,440
2028-2032		1,964,440
2033-2037		1,964,440
2038-2042		1,964,440
Total	$	10,588,357

14. CONCENTRATION OF CREDIT RISK

American Airlines is the principal airline serving Philadelphia International Airport. The airline, together with its American Eagle affiliates, accounted for approximately 70.0% and 72.7% of passengers enplaned at the airport in fiscal years 2017 and 2016, respectively. Operating revenues from American Airlines and its affiliates totaled approximately $184.5 million and $187.5 million in fiscal years 2017 and 2016, respectively, which represented approximately 54.2% and 51.6% of total Airport operating revenues in fiscal years 2017 and 2016, respectively.

15. 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, 2017.

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

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

<u>Plan Administration</u>
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.

Plan Membership

At July 1, 2016, the date of the most recent actuarial valuation, pension plan membership for the City as a whole consisted of the following:

Active Members	28,308
Retirees	22,412
Beneficiaries	8,567
Disabled	4,005
DROP Members	1,614
Terminated Vested	1,248
Total City Members	66,154
Annual Salaries	$1,676,548,962
Average Salary per Active Member	$59,225
Annual Retirement Allowances	$741,828,339
Average Retirement Allowance	$21,205

Contributions

Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2016, members contributed at one of the following rates:

Employee Contribution Rates

For the Period of July 1, 2016 to June 30, 2017

	Municipal (1)	**Elected**	**Police**	**Fire**
Plan 67	6.00%	N/A	6.00%	6.00%
Plan 67 - 50% of Aggregate Normal Cost (2)	5.95%	N/A	N/A	N/A
Plan 87	3.02%	8.21%	5.00%	5.00%
Plan 87 - 50% of Aggregate Normal Cost (3)	3.37%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	3.63%	10.60%	N/A	N/A
Plan 87 Prime (5)	4.02%	9.21%	6.00%	6.00%
Plan 87 Prime - Accelerated Vesting	4.63%	11.60%	N/A	N/A
Plan 10	3.14%	N/A	5.50%	5.50%
Plan 16	4.14%	N/A	N/A	N/A

1 - For the Municipal Plan 67 members who participate in the Social Security System, employee contributions are 3.75% of compensation up to the social security wage base and 6% above it.

2 - Effective November 2014 guards represented by DC 33 contributions at 50% of the aggregate Normal Cost of all members.

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

4 - Members rate for Municipal Plan 87 (Y5) members eligible to vest in 5 years and Elected Officials eligible to be vested in 8 years.

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

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

Within the AVR, 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.

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 changes in the actuarial liability are amortized in level-dollar payments as follows:

* Actuarial gains and losses – 20 years beginning July 1, 2009. Prior gains and losses were amortized over 15 years.

* Assumptions changes – 15 years beginning July 1, 2010. Prior to July 1, 2010, assumption changes were amortized over 20 years.

* Plan changes for active members – 10 years.

* Plan changes for inactive members – 1 year.

* Plan changes mandated by the State – 20 years.

In fiscal year 2017, the City and other employers' contributions of $706.2 million was less than the actuarially determined employer contribution (ADEC) of $881.4 million. In the event that the City contributes less than the funding policy, an experience loss will be created that will be amortized in accordance with funding policy over a closed 20-year period.

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 2017, the City and other employers' contributions of $706.2 million exceeded the Minimum Municipal Obligation of $629.6 million.

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 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, 2016, the date of the most recent actuarial valuation, there was $7,222,828 in the PAF and the Board voted to make PAF distributions of $6,855,987 during the fiscal year ended June 30, 2017.

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, 2017 is $122.3 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 7.70% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projection (currently 7.70%) over a market cycle. The investment return assumption was reduced by the Board from 7.75% to 7.70%. The Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund.

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

The following was the Board's approved asset allocation policy as of June 30, 2017:

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

Money-Weighted Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of rate of return on pension plan investments, net of pension plan investment expense, was 13.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Summary of Significant Accounting Policies

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

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

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and for properties not appraised, the present value of the projected future net income stream is used.

For private market investments which include private equity, private debt, venture capital, hedge funds and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Futures contracts, foreign exchange contracts, and options are marked-to-market daily with changes in market value recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

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

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

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

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

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

Risks and Uncertainties: The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position. Contributions are calculated based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these statements and assumptions in the near term would be material to the financial statements.

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

Cash Deposits, Investments and Securities Lending

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

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

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2017, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund subject to credit risk on $852.3 million of directly owned fixed income. The Fund's directly owned rated debt investments as of Jun 30, 2017 were rated by Standard & Poor's, a nationally recognized statistical rating agency.

Foreign Currency Risk: The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 39% of the total investment in equities.

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

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

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

Derivative Instruments: The following table summarizes the aggregate notional or contractual amounts for the Fund's derivative financial instruments at June 30, 2017 in addition to the fair value and the change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

	Change in Fair Value		Fair Value at June 30, 2017		Notional
Classification					
Investment Derivatives					
Forward Currency Contracts	Net appreciation / (depreciation) in investments	$ 1,442,945	Accrued interest and other receivables	$ 854,480	$ 220,310,216
Futures	Net appreciation / (depreciation) in investments	$ 65,566	Accrued expenses and other liabilities	$ (75,965)	$ 156
	Grand Totals	$ 1,508,511		$ 778,515	$ 220,310,372

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

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

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

Swap Agreements: These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were not any total receive fixed interest swaps during 2017. 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: These derivative instruments are types of contracts in which the buyer agrees to purchase and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized gain from futures contracts was $1,474,541.

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 $55,615.

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

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

Fair Value Measurement: See the City's CAFR to view the Municipal Pension Fund's recurring fair value measurement as of June 30, 2017.

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

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

1. Equity long/short hedge funds: This Fund will typically hold 40-50 long positions and 10-15 short positions in U.S. common stocks. Management has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The Fund mitigates market risk by

utilizing short positions. In periods of extreme volatility, the Fund may hold a significant portion of its assets in cash. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments can be redeemed with a 90 days' notice.

2. Credit distressed hedge funds: The Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice.

3. Real estate funds: This type includes funds that invest in U.S. and non-U.S. commercial and residential real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed. It is expected that the underlying assets of the funds will be liquidated over the next seven to 10 years.

4. Private equity funds: The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments that fund may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

5. Fixed income funds: The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding.

6. Equity funds: The primary goal of these Funds is to employ a private equity approach to public market investing which seeks to deliver superior returns through a value-oriented investment strategy focusing on companies that are (or should be) implementing strategic change.

Securities Lending Program

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

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

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

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2017, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2017, the Fund had no credit risk exposure to borrowers.

As of June 30, 2017, the fair value of securities on loan was $360.6 million. Associated collateral totaling $369.2 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2017, the invested cash collateral was $369.2 million and is valued at amortized cost.

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

Net Pension Liability
The components of the net pension liability as of June 30, 2017 were as follows:

Total Pension Liability	$(11,192,601,311)
Plan Fiduciary Net Position	4,874,074,826
Net Pension Liability	$ (6,318,526,485)

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 43.5%

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016 and was rolled forward to June 30, 2017. The June 30, 2016 valuation used the following actuarial assumptions, applied to all periods, including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.70% compounded annually, net of expenses
Salary Increases:	Age-based table

* The investment return assumption was changed from 7.75% from the prior year valuation to 7.70% 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.
* The mortality rates were based on the RP 2000 Healthy Annuitant Mortality Table for males and females with adjustments for mortality improvements using Scale AA with a five-year set-back for Municipal males and females and a two-year set-back for Police and Fire males and females.

The measurement date for the net pension liability (NPL) is June 30, 2017. Measurements are based on the fair value of assets as of June 30, 2017 and the total pension liability (TPL) as of the valuation date, July 1, 2016, updated to June 30, 2017. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL decreased by approximately $201 million. The service cost and interest cost increased the collective NPL by approximately $982 million while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately $1,338 million.

There were no changes in benefits during the year. There were actuarial experience losses during the year of approximately $104 million which includes the loss due to the Pension Adjustment Fund payment of $30 million for the previous year.

The Board adopted an assumption change to decrease the expected long-term return on assets from 7.75% to 7.70% which increased the TPL by approximately $51 million.

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

Discount Rate: The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability: The following table presents the net pension liability of the System, calculated using the discount rate of 7.70%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.70%	Current Discount Rate 7.70%	1% Increase 8.70%
System Net Pension Liability	$7,440,018,887	$6,318,526,485	$5,362,903,590

Guarantee of Benefits:

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

Changes in Collective Net Pension Liability:

The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (FNP, or fair value of the System assets), and the net pension liability (NPL) during the measurement period ending on June 30, 2017.

Change in Collective Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balances at June 30, 2016	$ 10,877,209,958	$ 4,357,975,073	$ 6,519,234,885
Changes for the year:			
Service cost	157,607,110	-	157,607,110
Interest	823,959,345	-	823,959,345
Changes in benefits	-	-	-
Differences between expected and actual experience	103,878,650	-	103,878,650
Changes of assumptions	51,441,475	-	51,441,475
Contributions - employer	-	706,236,698	(706,236,698)
Contributions - member	-	73,607,359	(73,607,359)
Net investment income	-	566,624,580	(566,624,580)
Benefit payments	(821,495,227)	(821,495,227)	-
Administrative expense	-	(8,873,657)	8,873,657
Net Changes	315,391,353	516,099,753	(200,708,400)
Balances at June 30, 2017	$ 11,192,601,311	$ 4,874,074,826	$ 6,318,526,485

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

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

16. ACCUMULATED UNPAID SICK LEAVE

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

17. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Plan Description: The City of Philadelphia self-administers a single-employer, defined benefit plan 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.

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 2017 and 2016, the City's contributions were estimated to be $114.8 million and $107.2 million, respectively.

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 amounts actually contributed to the plan and changes in the net OPEB obligation:

(Amounts in Thousands of USD)

	June 30, 2017	June 30, 2016
Annual required contribution	$ 140,272	$ 136,268
Interest on net OPEB obligation	12,600	11,317
Adjustment to ARC	(11,353)	(10,197)
Annual OPEB cost	141,519	137,388
Payments made	(114,800)	(107,200)
Increase in net OPEB obligation	26,719	30,188
Net OPEB obligation – beginning of year	296,474	266,286
Net OPEB obligation – end of year	$ 323,193	$ 296,474

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 years ended June 30, 2015 through June 30, 2017 are as follows:

(Amounts in Thousands of USD)

Fiscal Years Ending June 30	Annual OPEB Cost	Percentage of Annual OPEB	Net OPEB Obligation
2015	$ 133,052	72%	$ 266,286
2016	$ 137,388	78%	$ 296,474
2017	$ 141,519	81%	$ 323,193

Funded Status and Funding Progress: As of July 1, 2016, 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 $1.94 billion. The covered annual payroll was $1.68 billion and the ratio of the UAAL to the covered payroll was 115.5%.

The required schedule of funding progress immediately following the City of Philadelphia's CAFR 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: The July 1, 2016 valuation was performed using a full valuation methodology. This means that new claims cost assumptions were developed based on the claims data available for the fiscal years ending June 30, 2015 through June 30, 2017, and this was applied to census data as of July 1, 2016.

The Entry Age Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the Retirement System until termination or retirement.

Change in Methods and Assumptions: This valuation includes updated claims cost and trend assumptions based on information available as of June 30, 2016 and anticipated experience. The discount rate was also decreased from 4.25% to 2.85% as of June 30, 2016 and increased to 3.58% as of June 30, 2017.

18. 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.

At June 30, the amount of these liabilities was $370.3 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, 2015 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
2015	$ 349.3	$ 296.0	$ (291.7)	$ 353.6
2016	$ 353.6	$ 216.2	$ (219.5)	$ 350.3
2017	$ 350.3	$ 249.1	$ (229.1)	$ 370.3

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 2017 and 2016 were $19.9 million and $2.8 million for Unemployment Compensation claims and $61.9 million and $65.3 million for Workers' Compensation claims, respectively.

The City's estimated outstanding workers' compensation liabilities are $269.4 million discounted at 3.50%. On an undiscounted basis, these liabilities total $352.6 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 $219.7 million (discounted) and $289.2 million (undiscounted).

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

19. COMMITMENTS

The Airport had commitments, which are open encumbrance balances, of approximately $39.7 million and $29.6 million for operating expenses and $121.5 million and $155.6 million for capital assets and improvements for fiscal years 2017 and 2016, respectively. The Airport expects to fund these commitments through operating revenue and through bond proceeds, capital grants, customer facility charges, and passenger facility charges.

20. CONTINGENCIES

Claims Litigation

Henderson 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 "Hendersons"). The Petition alleged 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 filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018.

The City filed its own Declaration of Taking and made an offer of just compensation of $36.4 million based upon a current appraisal. The City filed a Praecipe for possession and a Motion to Consolidate the City's Taking with the Henderson's Petition. The Hendersons objected to all of the foregoing. Additional related motions were pending, including a Motion for Summary Judgment filed by the City.

The City and the Hendersons settled the foregoing matters. The City obtained possession, and paid the Hendersons estimated just compensation of $54.5 million, and the Hendersons' de facto Taking case was dismissed.

The fair market value of the Property remains disputed, and will be determined by a Board of View, which will be appointed by the Court of Common Pleas in Delaware County. What the Board of View will determine to be fair market value is unknown. Both the City and the Hendersons will have the opportunity to advocate for the value each believes is the appropriate fair market value.

21. SUBSEQUENT EVENTS

- In October 2017, the Airport and the Federal Aviation Administration (FAA) agreed to close the Letter of Intent (LOI), which resulted in the suspension of the FAA's Record of Decision and a formal closure notice posted by the FAA in the Federal Register. This is anticipated to allow the Airport to focus FAA Entitlement and future Discretionary Grant funding for other airfield improvements rather than projects associated with the new runway. The Airport Master Plan, which includes the new runway project, is still valid and the Airport intends to preserve the ability to construct the new runway and other projects when operational needs warrant it. Additional information on the history of the LOI can be found in the Capital Development section of Management's Discussion and Analysis.

- In December 2017, Airport Revenue and Refunding Bonds, Series 2017 were issued in the amount of $692.5 million, consisting of $138.6 million aggregate principal amount of Airport Revenue and Refunding Bonds, Series 2017A (Non-AMT) and $553.9 million aggregate principal amount of Airport Revenue and Refunding Bonds, Series 2017B (AMT) (together with the 2017A Bonds, the "2017 Bonds"). The 2017 Bonds are being issued for the purpose of providing funds to (i) currently refund certain outstanding commercial paper notes, (ii) pay for a portion of the costs of the 2017 Capital Project, (iii) currently refund all of the City's outstanding Airport Revenue Bonds, Series 2007A, and all of the City's outstanding Airport Revenue Refunding Bonds, Series 2009A, (iv) provide for capitalized interest on a portion of the 2017 Bonds, (v) fund a deposit to the Parity Sinking Fund Reserve Account and (vi) pay the costs of issuance for the 2017 Bonds.

- In January 2018, the City of Philadelphia acquired a 135-acre tract of land west of the Airport known as the Henderson property. Additional information is provided above in the Claims Litigation section.

REQUIRED SUPPLEMENTARY

INFORMATION

CITY OF PHILADELPHIA
AVIATION FUND
Reconciliation of Fund Balance (Legally Enacted Basis) to Net Position (GAAP Basis)

	Fiscal Year 2017	Fiscal Year 2016	Percentage Increase (Decrease)
Fund balance, legal basis	$ 69,922,273	$ 71,416,143	(2.1)%
Add assets not included in legal basis:			
Current assets	62,710,018	28,614,942	119.2%
Fixed assets, net of depreciation	2,030,401,238	1,990,632,894	2.0%
Restricted assets	469,174,509	410,464,884	14.3%
	2,562,285,765	2,429,712,720	5.5%
Deduct liabilities not included in legal basis:			
Construction accounts payable	(40,109,201)	(38,430,923)	4.4%
Current liabilities	(270,626,514)	(205,881,330)	31.4%
Bonds payable	(1,213,986,260)	(1,155,398,488)	5.1%
Other long-term liabilities	(239,628,754)	(254,952,115)	(6.0)%
	(1,764,350,729)	(1,654,662,856)	6.6%
Add (deduct) fund balance accounts included in legal basis:			
Reserve for encumbrance, current	38,508,429	29,466,497	30.7%
Reserve for encumbrance, prior	(13,210,020)	(10,642,918)	24.1%
Reserve for collectible accounts	928,278	928,278	0.0%
	26,226,687	19,751,857	32.8%
Net position - GAAP basis	$ 894,083,996	$ 866,217,864	3.2%

CITY OF PHILADELPHIA
AVIATION FUND
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017
(Amounts in thousands)

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	$417,033	$416,160	$367,599	($48,561)
Revenue from Other Governments	4,500	4,500	2,655	(1,845)
Revenue from Other Funds	1,500	1,500	1,166	(334)
Total Revenues	423,033	422,160	371,420	(50,740)
Expenditures and Encumbrances				
Personal Services	73,196	74,345	70,881	3,464
Pension Contributions	32,900	25,428	35,352	(9,924)
Other Employee Benefits	26,294	35,766	22,897	12,869
Sub-Total Employee Compensation	132,390	135,539	129,130	6,409
Purchase of Services	144,339	144,339	107,078	37,261
Materials and Supplies	12,042	12,068	7,144	4,924
Equipment	9,110	9,084	6,835	2,249
Contributions, Indemnities and Taxes	6,717	6,717	5,197	1,520
Debt Service	139,626	139,626	122,205	17,421
Payments to Other Funds	24,648	24,648	7,157	17,491
Total Expenditures and Encumbrances	468,872	472,021	384,746	87,275
Operating Surplus (Deficit) for the Year	(45,839)	(49,861)	(13,326)	36,535
Fund Balance Available for Appropriation, July 1, 2016	38,781	71,231	71,416	185
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	15,000	11,832	(3,168)
Adjusted Fund Balance, July 1, 2016	55,781	86,231	83,248	(2,983)
Fund Balance Available for Appropriation, June 30, 2017	$9,942	$36,370	$69,922	$33,552

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.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

These schedules show airport performance over the past ten years.

EXHIBIT S-1: ANNUAL REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

(By Fiscal Year)

	2017	2016	2015	2014	2013	Restated * 2012	2011	2010	2009	2008
OPERATING REVENUES										
Charges for goods and services (1)	$ 104,531,921	$ 110,787,260	$ 100,619,746	$ 110,782,462	$ 88,823,551	$ 78,331,485	$ 81,161,226	$ 74,669,812	$ 73,950,707	$ 71,807,780
Rentals and concessions (2)	232,887,674	224,999,976	216,190,420	200,192,045	197,912,708	179,202,590	170,667,208	161,375,950	173,574,129	160,623,758
Miscellaneous operating revenues	4,200,936	5,009,010	5,554,490	4,439,768	4,630,590	5,631,463	6,226,427	3,917,583	4,178,104	5,925,273
TOTAL OPERATING REVENUES	341,620,531	340,796,246	322,364,656	315,414,275	291,366,849	263,165,538	258,054,861	239,963,345	251,702,940	238,356,811
OPERATING EXPENSES										
Personal services	73,776,022	69,283,424	70,424,997	65,636,270	63,190,699	60,503,430	59,258,555	59,674,324	63,732,083	62,924,125
Purchase of services	118,283,429	108,418,709	101,642,118	94,403,544	88,684,536	81,733,892	78,491,464	74,975,124	75,493,151	75,225,589
Materials and supplies	5,156,099	6,944,528	8,669,852	8,927,068	6,557,009	6,728,927	4,458,556	6,234,831	6,586,423	4,632,327
Employee benefits	61,939,679	57,854,677	52,106,797	65,665,321	46,467,020	50,585,661	44,845,414	43,729,908	45,238,320	44,246,797
Indemnities and taxes	5,196,986	1,695,946	1,839,638	1,108,774	1,945,850	1,899,313	2,219,123	1,448,984	937,733	1,568,449
Depreciation and amortization	101,109,005	101,909,394	98,125,419	99,707,937	97,873,389	100,592,947	100,894,334	89,011,531	82,156,722	76,180,892
TOTAL OPERATING EXPENSES	365,461,220	346,106,678	332,808,821	335,448,914	304,718,503	302,044,170	290,167,446	275,074,702	274,144,432	264,778,179
OPERATING INCOME (LOSS)	(23,840,689)	(5,310,432)	(10,444,165)	(20,034,639)	(13,351,654)	(38,878,632)	(32,112,585)	(35,111,357)	(22,441,492)	(26,421,368)
NON-OPERATING REVENUES (EXPENSES)										
Federal, state and local grants	2,488,459	1,621,300	1,885,786	2,483,722	1,661,600	2,377,228	4,215,312	3,009,284	2,052,401	1,917,216
Interest income	3,786,077	2,658,109	363,206	1,076,392	632,234	5,654,556	2,235,393	1,694,129	1,567,964	20,687,036
Debt service, interest	(54,271,038)	(54,003,323)	(41,428,793)	(40,966,678)	(40,179,599)	(40,069,791)	(45,847,778)	(53,211,021)	(52,085,548)	(57,668,503)
Other revenue (expenses)	-	-	-	-	(13,994,139)	(407,921)	(5,247)	(1,787,752)	3,380,024	-
Loss on disposal of property, net	(122,785)	(67,463)	(69,113)	(75,920)	(13,394)	-	-	-	-	(669,431)
Customer facility charges	30,875,320	31,934,786	29,933,177	4,857,600	-	-	-	-	-	-
Passenger facility charges	59,384,648	60,920,335	61,180,724	60,653,369	58,188,449	59,741,500	62,042,429	61,277,506	61,255,198	64,855,338
TOTAL NON-OPERATING REVENUES (EXPENSES)	42,140,681	43,063,744	51,864,987	28,028,485	6,295,151	27,295,572	22,640,109	10,982,146	16,170,039	29,121,656
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	18,299,992	37,753,312	41,420,822	7,993,846	(7,056,503)	(11,583,060)	(9,472,476)	(24,129,211)	(6,271,453)	2,700,288
CAPITAL CONTRIBUTIONS										
Federal, state and local grants	9,566,140	24,203,573	35,549,920	20,046,410	39,691,462	29,242,258	39,639,059	29,298,943	44,744,177	33,602,655
TOTAL CAPITAL CONTRIBUTIONS	9,566,140	24,203,573	35,549,920	20,046,410	39,691,462	29,242,258	39,639,059	29,298,943	44,744,177	33,602,655
INCREASE (DECREASE) IN NET POSITION	$ 27,866,132	$ 61,956,885	$ 76,970,742	$ 28,040,256	$ 32,634,959	$ 17,659,198	$ 30,166,583	$ 5,169,732	$ 38,472,724	$ 36,302,943
NET POSITION BEGINNING OF PERIOD	866,217,864	804,260,979	894,969,059	866,928,803	834,293,844	835,273,926	805,107,343	797,810,967	759,338,243	722,571,538
Adjustment	-	-	(167,678,822)	-	-	(18,639,280)	-	2,126,644	-	463,762
NET POSITION END OF PERIOD	**$ 894,083,996**	**$ 866,217,864**	**$ 804,260,979**	**$ 894,969,059**	**$ 866,928,803**	**$ 834,293,844**	**$ 835,273,926**	**$ 805,107,343**	**$ 797,810,967**	**$ 759,338,243**

* 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.

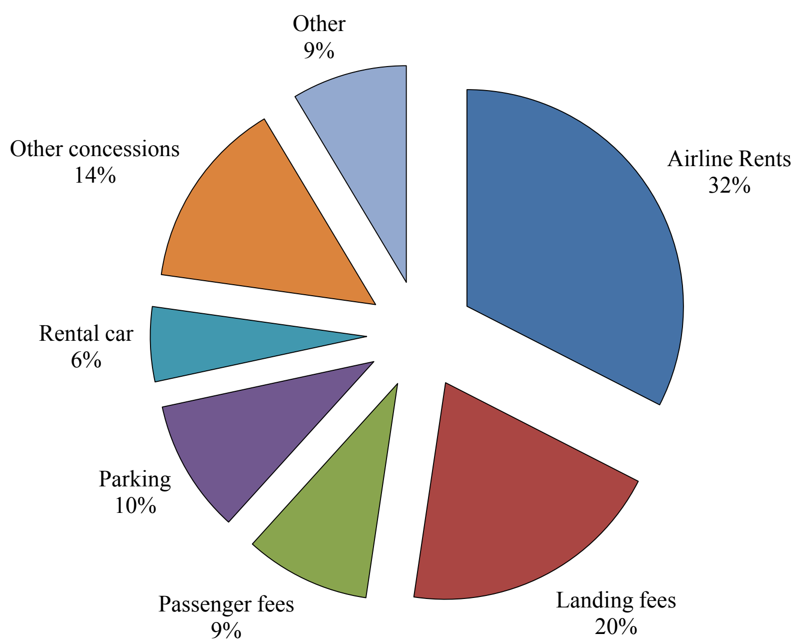
(2) Rental and concessions are comprised of airline revenues, specifically rents, and nonairline revenues, specifically concessions, and other rents.

EXHIBIT S-2: REVENUES BY SOURCE

(By Fiscal Year)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
AIRLINE REVENUE										
Rents	$ 111,099,652	$ 107,504,766	$ 115,637,922	$ 98,895,068	$ 102,444,565	$ 84,597,375	$ 73,285,708	$ 75,349,769	$ 81,661,072	$ 69,452,952
Landing fees	67,710,165	71,796,365	68,868,068	80,068,379	63,876,786	57,390,056	62,137,487	49,194,575	47,800,452	42,242,159
Passenger fees	32,017,978	33,927,721	26,573,596	24,873,375	20,041,927	16,202,394	17,565,552	19,496,578	19,672,570	17,722,494
TOTAL AIRLINE REVENUE	210,827,795	213,228,852	211,079,586	203,836,822	186,363,278	158,189,825	152,988,747	144,040,922	149,134,094	129,417,605
NON-AIRLINE REVENUE										
Parking	33,892,719	29,968,056	29,090,299	25,000,777	24,147,808	25,035,368	28,008,554	23,732,623	31,239,909	33,570,037
Rental car	19,057,032	18,925,037	17,972,921	19,129,901	19,353,044	18,374,270	17,977,440	17,200,502	18,310,229	20,273,674
Other concessions	48,455,722	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
Other	29,387,262	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
TOTAL NON-AIRLINE REVENUE	130,792,736	127,567,394	111,285,070	111,577,453	105,003,571	104,975,713	105,066,114	95,922,423	102,568,846	108,939,206
TOTAL OPERATING REVENUES	**$ 341,620,531**	**$ 340,796,246**	**$ 322,364,656**	**$ 315,414,275**	**$ 291,366,849**	**$ 263,165,538**	**$ 258,054,861**	**$ 239,963,345**	**$ 251,702,940**	**$ 238,356,811**

2017 REVENUES BY SOURCE



Source: City of Philadelphia

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
SIGNATORY AIRLINE RATES										
Landing Fee Rate	$ 4.02	$ 4.24	$ 3.77	$ 3.27	$ 2.91	$ 2.68	$ 2.76	$ 2.29	$ 2.18	$ 1.82
Terminal Rental Rates										
Type 1 - Ticket Counter and Ticket Counter Offices	$ 241.74	$ 223.11	$ 195.38	$ 184.28	$ 172.51	$ 155.26	$ 163.61	$ 169.40	$ 163.25	$ 146.01
Type 2 - Hold Rooms, Baggage Claim Area, Baggage Claim Offices, Airline Lounge, Airline Space	$ 181.30	$ 167.34	$ 146.54	$ 138.21	$ 129.38	$ 116.45	$ 122.71	$ 127.05	$ 122.44	$ 109.51
Type 3 - Airline Operations Space, Baggage Makeup Space, Inbound Baggage	$ 120.87	$ 111.56	$ 97.69	$ 92.14	$ 86.25	$ 77.63	$ 81.81	$ 84.70	$ 81.63	$ 73.01
Type 4 - FIS Area, Cart Tunnel/Baggage Recheck	$ 60.43	$ 55.78	$ 48.85	$ 46.07	$ 43.13	$ 38.82	$ 40.90	$ 42.35	$ 40.81	$ 36.50
Ramp Area Rental Rate	$ (8.60)	$ 87.82	$ 71.35	$ 81.79	$ 76.34	$ 50.09	$ 86.96	$ 99.27	$ 47.68	$ 55.68
International Common Use Fees										
Enplaning Area Fee	$ 5.11	$ 4.93	$ 4.10	$ 4.19	$ 3.75	$ 2.90	$ 3.02	$ 3.13	$ 3.30	$ 3.00
Deplaning Area Fee	$ 5.10	$ 4.82	$ 4.18	$ 4.10	$ 3.65	$ 2.95	$ 3.07	$ 3.19	$ 3.31	$ 3.00
FIS Area Fee	$ 6.10	$ 4.96	$ 3.98	$ 3.30	$ 2.42	$ 2.08	$ 2.34	$ 2.42	$ 2.45	$ 2.11
Ticket Counter Area Fee	$ 1.79	$ 1.98	$ 1.73	$ 1.63	$ 1.26	$ 1.41	$ 1.41	$ 1.14	$ 0.47	$ 0.43
Passenger Facility Charges	$ 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
OUTSTANDING DEBT BY TYPE										
Revenue Bonds Payable, Net	$ 1,093,534,740	$ 1,160,904,087	$ 1,225,329,622	$ 1,291,748,241	$ 1,328,226,206	$ 1,383,070,191	$ 1,450,836,074	$ 1,213,932,113	$ 1,250,794,205	$ 1,282,384,205
General Obligation Bonds Payable, Net	-	-	-	-	-	-	-	-	-	-
Commercial Paper	242,100,000	189,900,000	167,600,000	39,700,000	39,600,000	-	-	-	-	-
Taxable Revenue Note	125,000,000	-	-	-	-	-	-	-	-	-
Total Outstanding Debt	$ 1,460,634,740	$ 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
DEBT FACTORS										
Enplaned Passengers	14,806,882	15,683,558	15,312,738	15,316,053	15,215,885	15,344,126	15,611,583	15,193,741	15,362,743	16,052,973
Operating Revenue	$ 353,859,496	$ 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
Total Assets	$ 2,675,350,896	$ 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
Total MSA Population*	6,070,500	6,070,500	6,062,303	6,050,799	6,034,367	6,020,631	5,997,026	5,972,049	5,968,252	5,940,496
RATIOS										
Outstanding debt per Enplaned Passenger	$ 98.65	$ 86.13	$ 90.97	$ 86.93	$ 89.89	$ 90.14	$ 92.93	$ 79.90	$ 81.42	$ 79.88
Outstanding debt to Operating Revenue	$ 4.13	$ 3.96	$ 4.32	$ 4.22	$ 4.69	$ 5.26	$ 5.62	$ 5.06	$ 4.97	$ 5.38
Outstanding debt to Total Assets	$ 0.55	$ 0.54	$ 0.56	$ 0.58	$ 0.59	$ 0.58	$ 0.60	$ 0.56	$ 0.58	$ 0.60
Outstanding Debt per Capita	$ 240.61	$ 222.52	$ 229.77	$ 220.05	$ 226.67	$ 229.72	$ 241.93	$ 203.27	$ 209.57	$ 215.87

*** Estimated 2017 MSA data Source Not Available From Select Greater Philadelphia Until March, Previous Year Used**
All other MSA data Source: U.S. Census Bureau, Population Division
Non-MSA data Source: City of Philadelphia

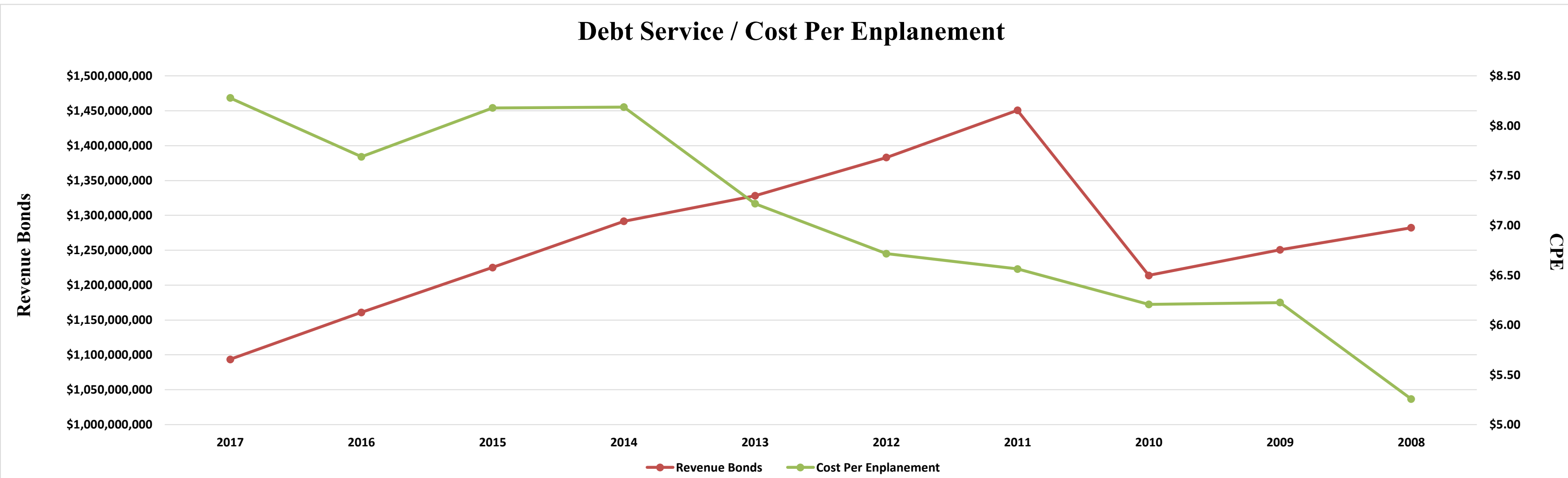


EXHIBIT S-5: PLEDGED DEBT SERVICE COVERAGE

(By Fiscal Year)

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	AMOUNTS AVAILABLE FOR DEBT SERVICE										
	Fund Balance	$ 87,875,140	$ 71,220,305	$ 66,340,425	$ 66,542,146	$ 69,271,565	$ 65,939,354	$ 77,635,096	$ 55,127,876	$ 61,412,637	$ 42,583,000
	Project Revenues	362,065,094	341,249,876	322,846,631	316,893,125	291,781,082	269,584,048	260,785,011	246,906,641	255,251,983	250,544,456
	Passenger Facility Charges	33,692,950	31,176,287	31,169,120	31,168,394	31,159,879	31,572,638	32,352,816	33,132,726	32,925,558	32,925,675
1		483,633,184	443,646,468	420,356,176	414,603,665	392,212,526	367,096,040	370,772,923	335,167,243	349,590,178	326,053,131
	TOTAL EXPENSES										
2	Net Operating Expenses*	136,747,633	132,649,211	125,966,943	117,782,250	110,710,079	99,513,684	98,383,522	102,859,758	99,520,353	99,820,432
	Interdepartmental Charges	116,753,148	106,775,414	108,692,423	103,902,286	101,858,400	92,666,125	88,638,745	80,754,867	89,002,478	89,135,556
3		253,500,781	239,424,625	234,659,366	221,684,536	212,568,479	192,179,809	187,022,267	183,614,625	188,522,831	188,955,988
	FUNDS AVAILABLE FOR DEBT SERVICE COVERAGE										
4	Revenue Bonds (Line 1 - Line 2)	346,885,551	310,997,257	294,389,233	296,821,415	281,502,447	267,582,356	272,389,401	232,307,485	250,069,825	226,232,699
5	All Bonds (Line 1 - Line 3)	230,132,403	204,221,843	185,696,810	192,919,129	179,644,047	174,916,231	183,750,656	151,552,618	161,067,347	137,097,143
	DEBT SERVICE										
	Revenue Bonds										
	Series 1995	-	-	-	-	-	-	-	-	-	-
	Series 1997A	-	-	-	-	-	-	-	5,842,671	5,946,507	5,843,243
	Series 1997B	-	-	-	-	-	-	-	-	-	-
	Series 1998A	-	-	-	-	-	-	7,133,834	9,917,682	10,105,763	9,766,064
	Series 1998 PAID	256	257	250	256	256	1,064,343	20,227,749	29,419,138	30,316,116	30,721,941
	Series 2001 PAID	-	-	-	-	-	2,936,077	13,458,483	13,000,145	13,156,229	12,009,554
	Series 2001B	-	-	-	-	-	-	2,758,744	2,652,249	2,703,605	2,428,393
	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
	Series 2005B	-	-	-	-	-	-	-	-	107,219	-
	Series 2005C	15,816,253	15,510,902	15,321,233	15,525,161	15,680,308	15,324,563	15,332,559	14,620,165	18,327,269	16,002,243
	Series 2007A	11,780,500	11,677,215	11,513,459	11,775,999	11,744,763	11,507,400	9,421,986	2,176,400	588,164	-
	Series 2007B	6,933,000	6,872,668	6,773,572	6,928,249	6,928,000	6,768,480	6,927,250	6,659,417	6,789,987	6,917,243
	Series 2009A	3,745,704	3,717,417	3,663,031	3,746,016	3,748,666	3,657,784	3,749,316	2,018,172	352,336	-
	Series 2010A	18,668,963	18,508,796	18,248,041	17,046,190	1,284,292	5,000	5,000	-	-	-
	Series 2010B	-	-	5,444,908	5,572,999	5,573,750	5,449,704	5,189,246	-	-	-
	Series 2010C	9,448,250	9,361,206	9,237,111	9,444,749	9,447,250	9,229,230	1,561,654	-	-	-
	Series 2010D	26,404,199	26,164,179	25,795,633	26,388,847	26,391,851	25,781,859	8,362,121	-	-	-
	Series 2011A	15,340,656	15,203,315	14,973,955	15,319,405	15,310,406	10,666,811	-	-	-	-
	Series 2011B	2,594,019	2,569,120	2,534,670	2,593,018	2,591,019	2,528,127	-	-	-	-
	Series 2015A	7,668,550	7,734,447								
	Direct Loan, Commercial Paper and Credit Facility Fees	4,195,981	3,275,822	3,615,367	2,737,987	2,819,925					
6	**Net Revenue Bond Debt Service**	122,596,331	120,595,344	125,248,348	125,397,330	109,835,941	103,042,145	102,447,647	94,306,669	95,645,239	84,388,275
	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
7	**TOTAL NET DEBT SERVICE**	$ 122,596,331	$ 120,595,344	$ 125,248,348	$ 125,397,330	$ 109,835,941	$ 103,042,145	$ 102,447,647	$ 94,306,669	$ 95,645,239	$ 84,388,275
	DEBT SERVICE COVERAGE										
	Revenue Bonds Only - Test "1" (Line 4/Line 6)	2.83	2.58	2.35	2.37	2.56	2.60	2.66	2.46	2.61	2.68
	Total Debt Service - Test "2" (Line 5/Line 7)	1.88	1.69	1.48	1.54	1.64	1.70	1.79	1.61	1.68	1.62

* 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	2,584 +/- acres		
Airport Code	PHL		
Runways		Length	Width
	9R-27L	10,506'	200'
	9L-27R	9,500'	150'
	17-35	6,501'	150'
	8-26	5,000'	150'
Aircraft Capability	Group VI - Airbus 380 (Limited)		
Terminals	Terminal A-East	433,001	square feet
	Terminal A-West	818,100	square feet
	Terminals B & C	951,721	square feet
	Terminals D & E	808,095	square feet
	Terminal F	243,437	square feet
	Total Terminal Space	**3,254,354**	**square feet**
	Number of Passenger Gates	126	gates
Parking	Public		
	Garage Parking	10,984	spaces
	Short-Term	839	spaces
	Surface Parking	7,117	spaces
	Total Public Parking	**18,940**	**spaces**
	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		

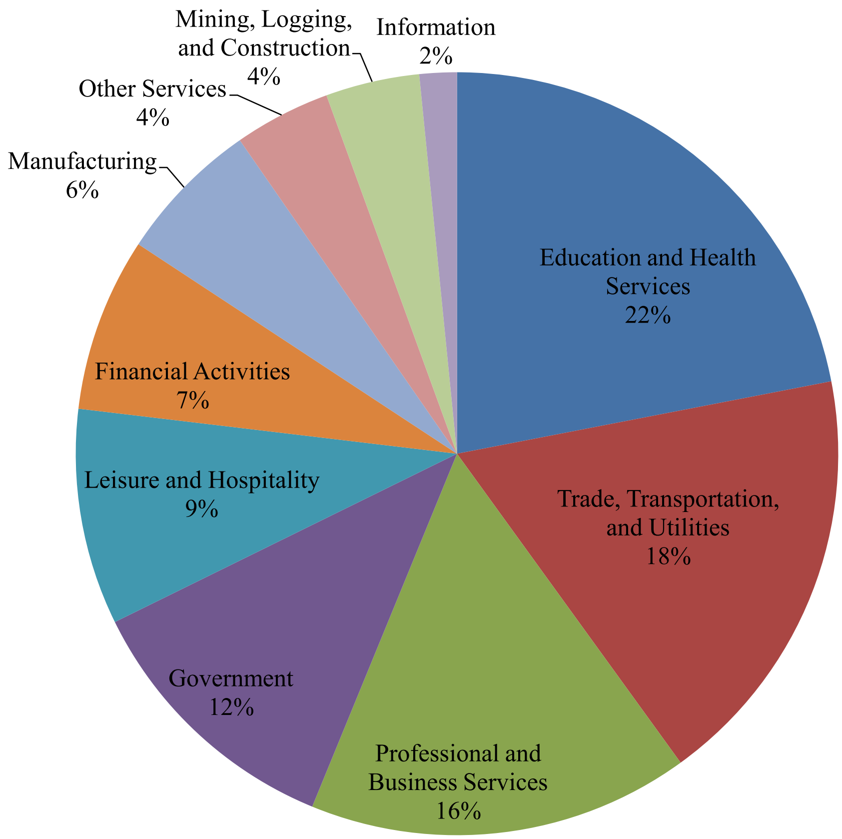
Data as of December 31, 2017
Source: City of Philadelphia

EXHIBIT S-7: EMPLOYMENT BY INDUSTRY

Metropolitan Statistical Area (By Calendar Year)

	Annual Average Number of Employees (in thousands)									
INDUSTRY	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Education and Health Services	641.2	622.7	603.6	589.3	574.5	566.2	556.9	549.7	544.3	534.8
Trade, Transportation, and Utilities	527.5	523.2	518.5	514.9	509.3	505.8	501.9	500.2	502.8	527.2
Professional and Business Services	472.4	460.4	450.7	439.9	431.5	423.8	417.3	408.6	409.1	431.2
Government	336.6	335.1	334.3	335.5	337.4	340.0	347.5	357.9	358.8	355.8
Leisure and Hospitality	267.4	259.2	252.3	247.0	241.4	236.8	230.1	224.0	220.2	224.9
Financial Activities	215.2	212.0	208.4	204.1	203.2	200.3	199.3	200.5	206.5	216.9
Manufacturing	178.1	178.6	179.6	179.7	180.2	182.4	185.6	187.3	194.8	215.8
Other Services	119.3	119.2	117.5	116.8	118.9	120.0	119.4	118.3	118.0	120.6
Mining, Logging, and Construction	116.2	113.6	110.1	104.8	101.9	99.4	100.3	99.7	103.8	123.5
Information	46.2	46.4	46.4	46.5	48.1	49.7	50.2	51.7	54.0	57.2
PHILADELPHIA PA-NJ-DE-MD METROPOLITAN STATISTICAL AREA	**2,920.1**	**2,870.4**	**2,821.4**	**2,778.5**	**2,746.4**	**2,724.4**	**2,708.5**	**2,697.9**	**2,712.3**	**2,807.9**

Air Trade Area Employment by Sector - 2017



* Number of employees (in thousands) for 2008-2015 modified by U.S. Department of Labor, Bureau of Labor Statistics for all Industries

2017 data includes preliminary estimate for December, 2017

Source: U.S. Department of Labor, Bureau of Labor Statistics

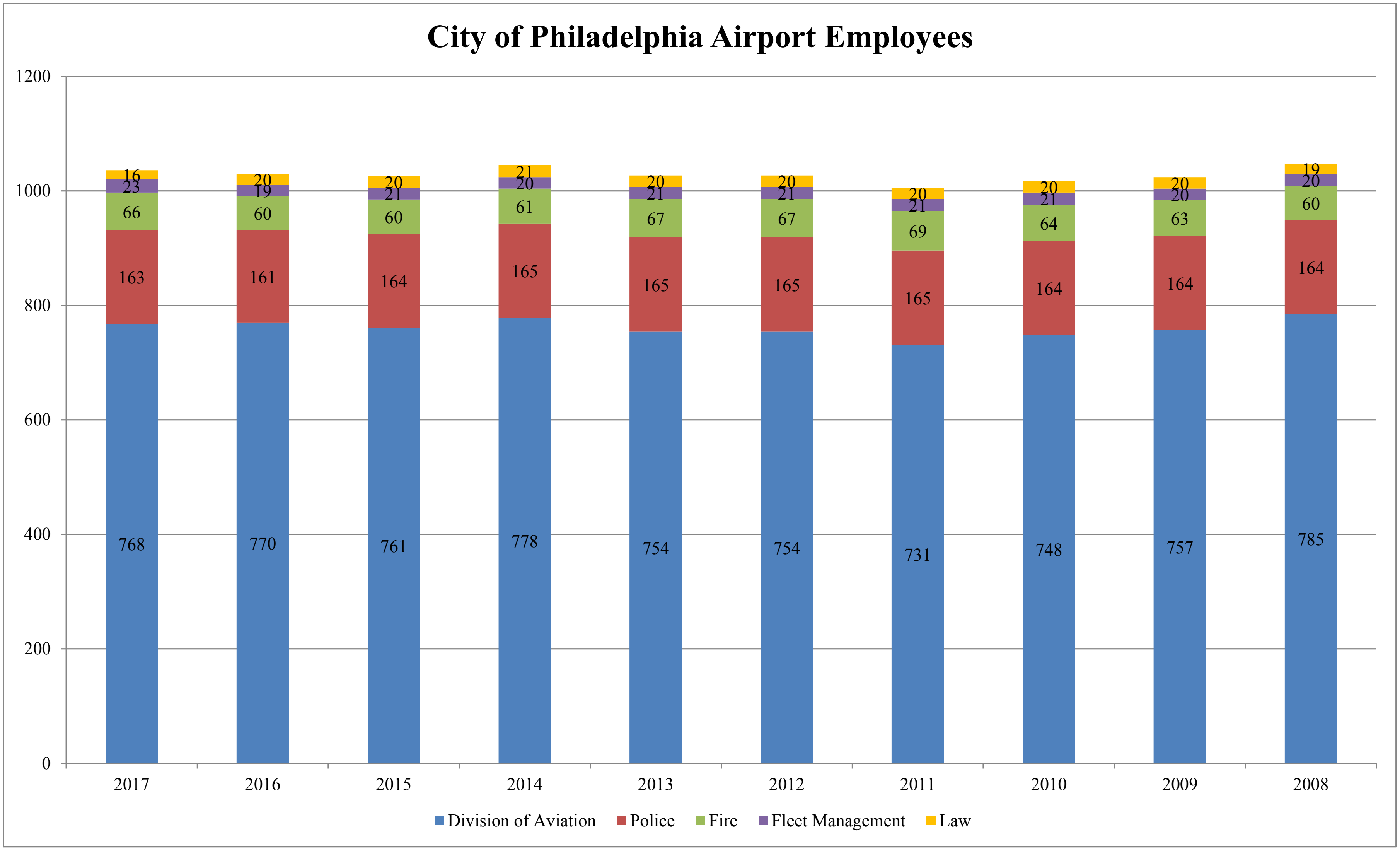
EXHIBIT S-8: POPULATION TRENDS

Metropolitan Statistical Area (MSA)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
DELAWARE & MARYLAND										
Cecil County, MD	102,603	102,397	102,180	101,917	101,776	101,635	101,163	100,796	99,949	99,400
New Castle County, DE	556,987	555,167	552,271	549,521	546,041	542,308	538,934	534,634	531,057	527,786
Total - Delaware & Maryland	659,590	657,564	654,451	651,438	647,817	643,943	640,097	635,430	631,006	627,186
NEW JERSEY										
Burlington County	449,284	449,675	451,054	449,939	451,226	450,555	449,238	446,108	445,492	446,314
Camden County	510,150	510,295	510,670	511,702	512,906	513,097	513,597	517,879	517,739	517,559
Gloucester County	292,330	292,106	291,493	290,408	290,094	289,737	288,989	289,920	288,168	286,056
Salem County	63,436	63,941	64,522	64,994	65,627	66,029	65,983	66,342	66,194	65,981
Total - New Jersey	1,315,200	1,316,017	1,317,739	1,317,043	1,319,853	1,319,418	1,317,807	1,320,249	1,317,593	1,315,910
PENNSYLVANIA										
Bucks County	626,399	626,821	626,169	625,783	625,930	626,397	625,538	626,015	623,562	621,334
Chester County	516,312	515,253	512,899	509,396	506,278	503,652	499,963	498,894	493,281	487,567
Delaware County	563,402	563,321	562,582	561,439	560,834	559,094	559,105	558,028	556,251	555,019
Montgomery County	821,725	818,363	816,350	813,400	809,540	805,500	801,112	782,339	778,452	775,631
Philadelphia County	1,567,872	1,564,964	1,560,609	1,555,868	1,550,379	1,539,022	1,528,427	1,547,297	1,540,351	1,530,031
Total - Pennsylvania	4,095,710	4,088,722	4,078,609	4,065,886	4,052,961	4,033,665	4,014,145	4,012,573	3,991,897	3,969,582
PHILADELPHIA MSA	**6,070,500**	**6,062,303**	**6,050,799**	**6,034,367**	**6,020,631**	**5,997,026**	**5,972,049**	**5,968,252**	**5,940,496**	**5,912,678**

Note: Population estimates for 2010 to 2015 modified by U.S. Census Bureau, Population Division.
Population estimates as of July 1st
2017 data is not available until March, 2018
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 - 2017 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

Fiscal Year	Air Carrier	Commuter	General Aviation	Military	Total
2017	**222,618**	**141,120**	**14,184**	**412**	**378,334**
2016	226,056	153,590	13,971	405	394,022
2015	237,788	161,386	14,548	399	414,121
2014	241,252	166,014	13,883	400	421,549
2013	240,165	183,828	13,848	423	438,264
2012	255,629	177,194	14,129	436	447,388
2011	266,138	173,255	18,325	1,114	458,832
2010	256,614	182,408	21,728	1,698	462,448
2009	273,206	183,160	20,648	1,559	478,573
2008	277,502	196,544	23,037	2,198	499,281

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

PNE Takeoffs and Landings

Fiscal Year	Air Carrier	Commuter	General Aviation	Military	Total
2017	**0**	**0**	**56,373**	**0**	**56,373**
2016	0	0	54,222	0	54,222
2015	0	0	72,975	0	72,975
2014	0	0	71,723	0	71,723
2013	0	0	67,997	0	67,997
2012	0	0	70,454	0	70,454
2011	0	0	66,507	0	66,507
2010	0	0	81,014	0	81,014
2009	0	0	72,618	0	72,618
2008	0	0	94,476	0	94,476

Note: Northeast Philadelphia Airport's annual aircraft operations have generally declined since FY 2005 to their current level of 56,373 for FY 2017. 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 the closing of Hortman Aviation Flight School in 2015.

Source: City of Philadelphia

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

Domestic Enplanements

Fiscal Year	PHL Domestic Passenger Enplanements	PHL Annual Growth	U.S. Air Carrier Domestic Enplanements *	U.S. Annual Growth
2017	**12,775,958**	**-5.3%**	**732,126,000**	**2.6%**
2016	13,484,253	3.1%	713,652,000	5.3%
2015	13,072,574	0.1%	677,973,000	3.7%
2014	13,059,804	0.3%	654,061,000	1.3%
2013	13,021,515	-0.9%	645,821,000	-0.1%
2012	13,134,251	-2.0%	646,199,000	1.0%
2011	13,407,158	2.2%	639,606,000	2.6%
2010	13,113,239	-1.8%	623,200,000	-0.2%
2009	13,357,446	-4.4%	624,720,000	-8.1%
2008	13,971,056	0.8%	679,424,000	1.5%

International Enplanements

Fiscal Year	PHL International Passenger Enplanements	PHL Annual Growth	U.S. Air Carrier International Enplanements *	U.S. Annual Growth
2017	**2,030,924**	**-7.7%**	**108,065,000**	**1.6%**
2016	2,199,305	-1.8%	106,402,000	3.2%
2015	2,240,164	-0.7%	103,114,000	1.1%
2014	2,256,249	2.8%	101,991,000	3.4%
2013	2,194,370	-0.7%	98,593,000	1.7%
2012	2,209,875	0.2%	96,911,000	1.4%
2011	2,204,425	6.0%	95,526,000	5.5%
2010	2,080,502	3.8%	90,543,000	0.8%
2009	2,005,297	-3.7%	89,814,000	-6.9%
2008	2,081,917	4.8%	96,503,000	5.6%

Total Enplanements

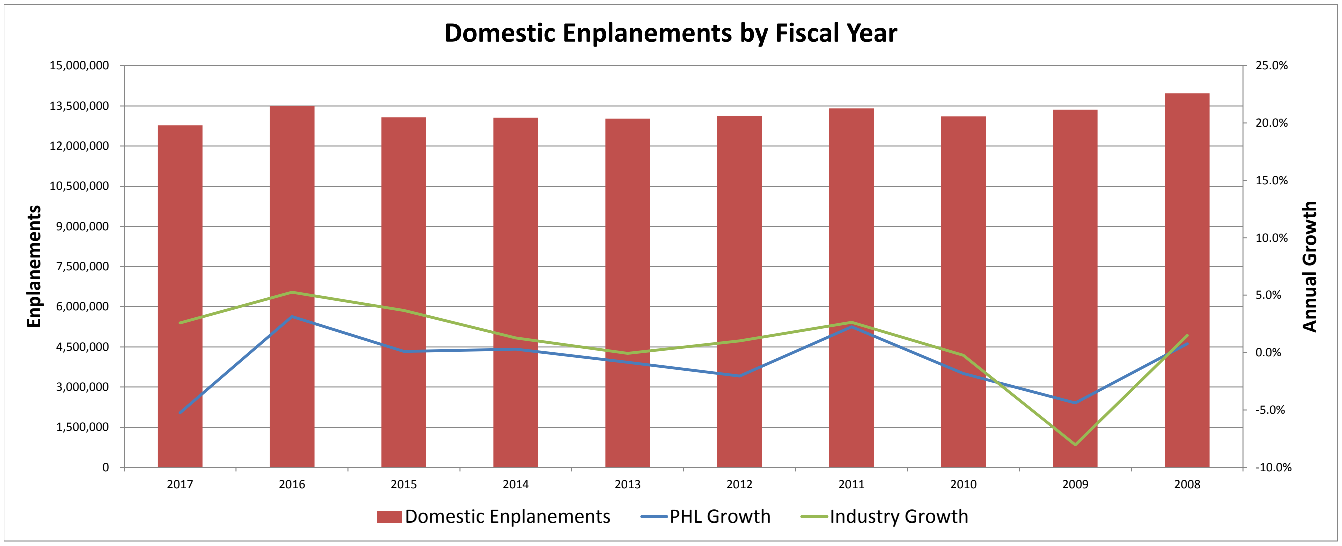
Fiscal Year	PHL Total Passenger Enplanements	PHL Annual Growth	U.S. Air Carrier Total Enplanements	U.S. Annual Growth
2017	**14,806,882**	**-5.6%**	**840,191,000**	**2.5%**
2016	15,683,558	2.4%	820,054,000	5.0%
2015	15,312,738	0.0%	781,087,000	3.3%
2014	15,316,053	0.7%	756,052,000	1.6%
2013	15,215,885	-0.8%	744,414,000	0.2%
2012	15,344,126	-1.7%	743,110,000	1.1%
2011	15,611,583	2.8%	735,132,000	3.0%
2010	15,193,741	-1.1%	713,743,000	-0.1%
2009	15,362,743	-4.3%	714,534,000	-7.9%
2008	16,052,973	1.3%	775,927,000	2.0%

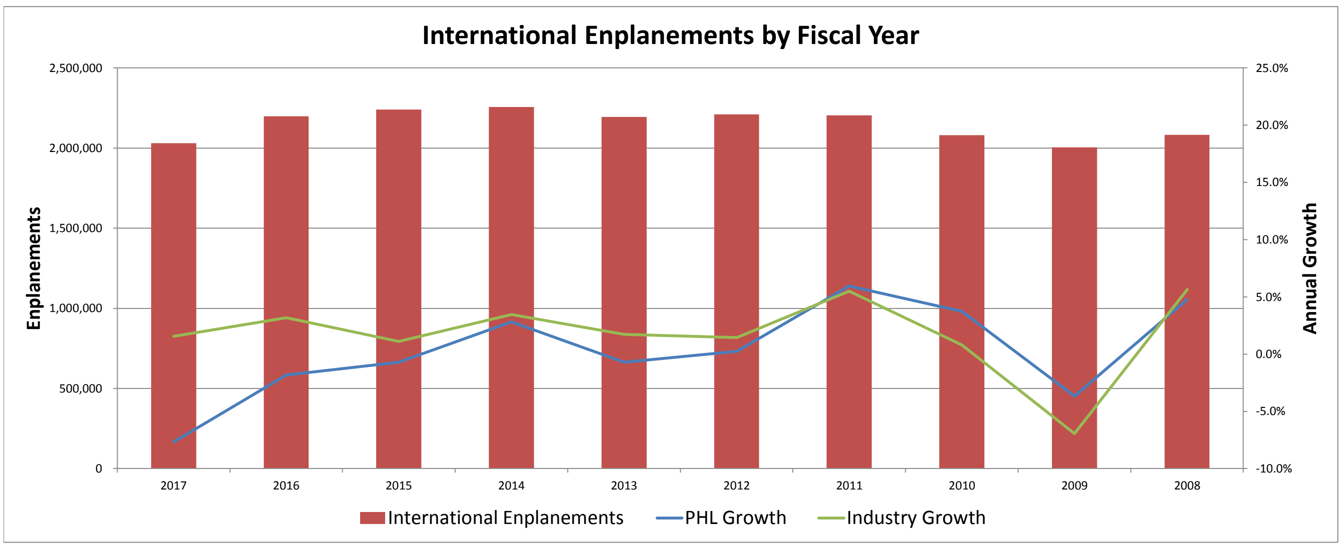
* 2016 U.S. Air Carrier Domestic and International Enplanements modified by Bureau of Transportation Statistics

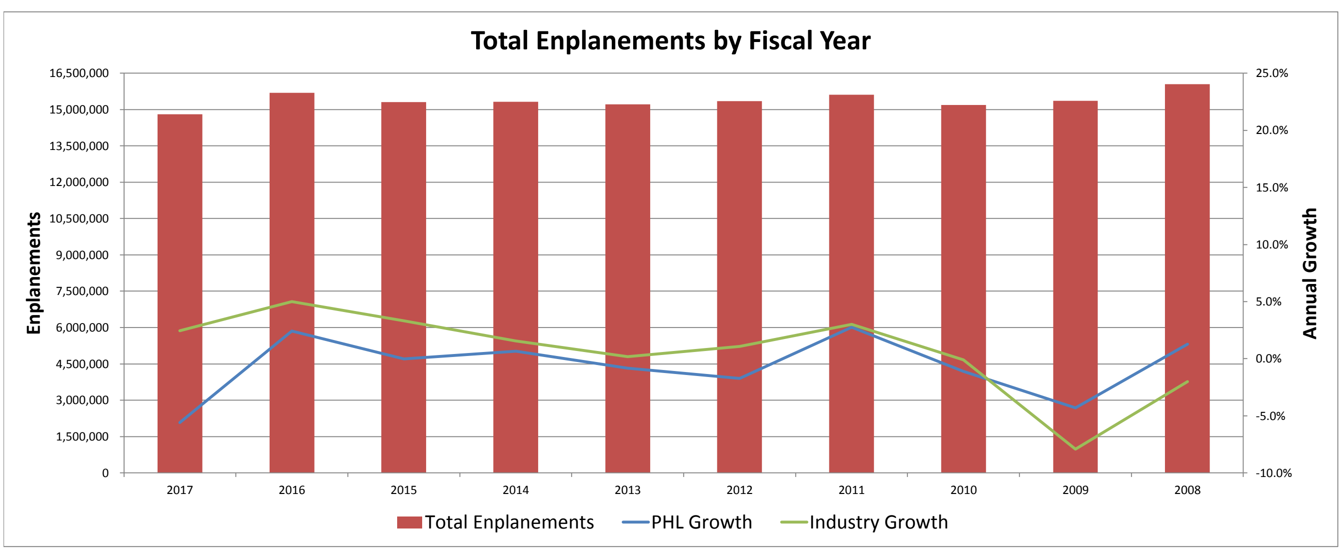
PHL Passenger Enplanements and Annual Growth from City of Philadelphia

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

EXHIBIT S-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	2017		2016		2015		2014		2013	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
Domestic										
Scheduled Major/National										
American	6,519,145	33.0%	6,622,369	31.8%	6,645,942	32.0%	6,729,332	32.5%	6,494,844	31.5%
Southwest	1,147,550	5.8%	1,122,080	5.4%	1,073,920	5.2%	1,010,276	4.9%	1,189,716	5.8%
Delta	986,238	5.0%	1,054,651	5.1%	1,074,449	5.2%	1,024,831	5.0%	955,459	4.6%
United	581,513	2.9%	593,949	2.9%	585,951	2.8%	555,244	2.7%	661,536	3.2%
Frontier	540,837	2.7%	463,422	2.2%	164,022	0.8%	4,693	0.0%	28,290	0.1%
Spirit	394,267	2.0%	265,760	1.3%	143,495	0.7%	132,519	0.6%	31,841	0.2%
JetBlue	249,728	1.3%	219,834	1.1%	158,080	0.8%	158,398	0.8%	18,624	0.1%
Alaska	61,952	0.3%	55,912	0.3%	55,475	0.3%	55,410	0.3%	52,460	0.3%
Air Canada	647	0.0%	660	0.0%	440	0.0%	660	0.0%	1,100	0.0%
AirTran	-	-	-	-	42,864	0.2%	204,488	1.0%	340,320	1.6%
Virgin America	-	-	-	-	35,545	0.2%	134,812	0.7%	213,741	1.0%
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled Major/National	10,481,877	53.0%	10,398,636	49.9%	9,980,183	48.0%	10,010,661	48.4%	9,987,931	48.4%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,170,582	5.9%	1,641,945	7.9%	1,730,258	8.3%	1,486,845	7.2%	1,559,460	7.6%
Piedmont	1,073,784	5.4%	856,093	4.1%	844,519	4.1%	984,862	4.8%	1,108,958	5.4%
Republic	1,054,737	5.3%	1,573,718	7.6%	1,758,726	8.5%	1,729,624	8.4%	1,575,475	7.6%
PSA	411,243	2.1%	393,415	1.9%	292,049	1.4%	274,903	1.3%	321,950	1.6%
Envoy	-	-	448	0.0%	-	-	-	-	-	-
Mesa	-	-	-	-	60,863	0.3%	64,607	0.3%	-	-
Chautauqua	-	-	-	-	-	-	-	-	86,587	0.4%
Subtotal - American Eagle	3,710,345	18.8%	4,465,619	21.4%	4,686,414	22.6%	4,540,840	21.9%	4,652,430	22.5%
Other	299,419	1.5%	262,640	1.3%	382,585	1.8%	501,896	2.4%	626,130	3.0%
Subtotal - Scheduled Regional/Commuter	4,009,764	20.3%	4,728,259	22.7%	5,068,999	24.4%	5,042,736	24.4%	5,278,560	25.6%
Charter	1,706	0.0%	679	0.0%	1,641	0.0%	4,257	0.0%	1,192	0.0%
Total - Domestic	14,493,348	73.4%	15,127,575	72.7%	15,050,823	72.5%	15,057,655	72.8%	15,267,683	74.0%
International										
Scheduled										
American	2,136,282	10.8%	2,575,401	12.4%	2,710,497	13.0%	2,809,292	13.6%	2,644,675	12.8%
British	292,559	1.5%	293,400	1.4%	284,499	1.4%	275,550	1.3%	268,709	1.3%
Air Wisconsin	187,389	0.9%	192,136	0.9%	220,289	1.1%	255,351	1.2%	240,546	1.2%
Qatar	163,004	0.8%	174,408	0.8%	183,868	0.9%	44,280	0.2%	-	-
Lufthansa	144,230	0.7%	155,154	0.7%	165,814	0.8%	137,300	0.7%	112,147	0.5%
Air Canada - Sky Regional / Jazz Aviation	123,047	0.6%	106,378	0.5%	99,695	0.5%	99,656	0.5%	99,814	0.5%
Delta	84,262	0.4%	81,552	0.4%	34,650	0.2%	22,694	0.1%	24,104	0.1%
Frontier	60,003	0.3%	76,825	0.4%	35,976	0.2%	25,738	0.1%	25,738	0.1%
Republic	41,748	0.2%	79,176	0.4%	74,146	0.4%	58,631	0.3%	103,697	0.5%
Icelandair	3,780	0.0%	142	0.0%	142	0.0%	-	-	-	-
JetBlue	172	0.0%	142	0.0%	142	0.0%	-	-	-	-
Southwest	-	-	-	-	128	0.0%	-	-	-	-
Air Jamaica / Caribbean	-	-	-	-	-	-	-	-	-	-
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Piedmont	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled	3,236,477	16.4%	3,734,713	17.9%	3,809,846	18.3%	3,728,492	18.0%	3,519,430	17.1%
Charter	6,400	0.0%	3,273	0.0%	2,532	0.0%	6,377	0.0%	1,483	0.0%
Total - International	3,242,877	16.4%	3,737,986	18.0%	3,812,379	18.4%	3,734,869	18.1%	3,520,913	17.1%
All-Cargo Airlines	2,022,419	10.2%	1,955,784	9.4%	1,909,573	9.2%	1,899,162	9.2%	1,849,771	9.0%
Grand Total	**19,758,643**	**100.0%**	**20,821,345**	**100.0%**	**20,772,775**	**100.0%**	**20,691,686**	**100.0%**	**20,638,367**	**100.0%**

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	2012		2011		2010		2009		2008	
	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share	Landed Weight	Market Share
Domestic										
Scheduled Major/National										
American	6,519,126	30.5%	6,592,315	30.0%	6,362,588	29.4%	6,219,301	27.4%	6,650,777	27.9%
Southwest	1,883,282	8.8%	2,335,648	10.6%	2,277,154	10.5%	2,825,044	12.4%	2,746,246	11.5%
Delta	972,645	4.6%	978,725	4.5%	974,740	4.5%	662,037	2.9%	703,140	3.0%
United	536,659	2.5%	518,260	2.4%	606,595	2.8%	728,405	3.2%	790,431	3.3%
Frontier	79,842	0.4%	101,704	0.5%	49,220	0.2%	57,622	0.3%	97,894	0.4%
Spirit	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
Alaska	2,880	0.0%	-	-	-	-	-	-	-	-
Air Canada	880	0.0%	1,173	0.0%	-	-	-	-	-	-
AirTran	301,816	1.4%	331,168	1.5%	356,872	1.6%	420,984	1.9%	614,560	2.6%
Virgin America	55,269	0.3%	-	-	-	-	-	-	-	-
Continental	179,638	0.8%	242,627	1.1%	239,403	1.1%	259,085	1.1%	284,767	1.2%
USA 3000	-	-	23,036	0.1%	28,866	0.1%	49,485	0.2%	81,622	0.3%
Midwest Airlines	-	-	-	-	57,713	0.3%	71,723	0.3%	106,316	0.4%
Northwest	-	-	-	-	-	-	421,248	1.9%	537,296	2.3%
Subtotal - Scheduled Major/National	10,532,037	49.3%	11,124,656	50.7%	10,953,151	50.6%	11,714,934	51.5%	12,613,049	52.9%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,576,239	7.4%	1,573,231	7.2%	1,750,797	8.1%	1,664,552	7.3%	1,828,253	7.7%
Piedmont	1,035,539	4.8%	1,038,016	4.7%	978,762	4.5%	998,160	4.4%	1,013,612	4.3%
Republic	1,629,517	7.6%	1,732,415	7.9%	1,715,114	7.9%	1,764,933	7.8%	1,540,131	6.5%
PSA	332,498	1.6%	243,104	1.1%	217,536	1.0%	253,746	1.1%	224,519	0.9%
Envoy	-	-	-	-	-	-	-	-	-	-
Mesa	-	-	74	0.0%	147	0.0%	-	-	74	0.0%
Chautauqua	96,884	0.5%	70,759	0.3%	61,781	0.3%	70,924	0.3%	79,352	0.3%
Subtotal - American Eagle	4,670,677	21.9%	4,657,599	21.2%	4,724,137	21.8%	4,752,315	20.9%	4,685,941	19.7%
Other	620,913	2.9%	605,377	2.8%	538,679	2.5%	568,997	2.5%	471,357	2.0%
Subtotal - Scheduled Regional/Commuter	5,291,590	24.8%	5,262,976	24.0%	5,262,816	24.3%	5,321,312	23.4%	5,157,298	21.6%
Charter	9,055	0.0%	2,878	0.0%	3,543	0.0%	3,365	0.0%	4,554	0.0%
Total - Domestic	15,832,682	74.1%	16,390,510	74.6%	16,219,510	74.9%	17,039,611	74.9%	17,774,901	74.6%
International										
Scheduled										
American	2,634,850	12.3%	2,584,725	11.8%	2,574,713	11.9%	2,478,569	10.9%	2,424,939	10.2%
British	277,447	1.3%	270,121	1.2%	254,332	1.2%	270,512	1.2%	279,575	1.2%
Air Wisconsin	228,326	1.1%	208,069	0.9%	177,801	0.8%	133,433	0.6%	183,676	0.8%
Qatar	-	-	-	-	-	-	-	-	-	-
Lufthansa	112,152	0.5%	135,775	0.6%	142,696	0.7%	136,488	0.6%	150,266	0.6%
Air Canada - Sky Regional / Jazz Aviation	94,620	0.4%	95,210	0.4%	77,999	0.4%	86,187	0.4%	81,021	0.3%
Delta	29,898	0.1%	62,752	0.3%	38,052	-	-	-	-	-
Frontier	18,770	0.1%	-	-	-	-	-	-	-	-
Republic	158,701	0.7%	115,635	0.5%	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
Southwest	-	-	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	47,424	0.2%	50,394	0.2%	44,165	0.2%	52,156	0.2%	53,416	0.2%
Continental	1,028	0.0%	-	-	-	-	-	-	-	-
USA 3000	-	-	26,307	0.1%	28,440	0.1%	29,862	0.1%	39,247	0.2%
Air France	-	-	-	-	35,770	0.2%	114,804	0.5%	123,103	0.5%
Piedmont	-	-	-	-	-	-	-	-	999	0.0%
Subtotal - Scheduled	3,603,216	16.9%	3,548,988	16.2%	3,373,968	15.4%	3,302,011	14.5%	3,336,242	14.0%
Charter	10,696	0.1%	9,394	0.0%	1,685	0.0%	5,413	0.0%	7,272	0.0%
Total - International	3,613,912	16.9%	3,558,382	16.2%	3,375,653	15.4%	3,307,424	14.5%	3,343,514	14.0%
All-Cargo Airlines	1,911,577	9.0%	2,010,961	9.2%	2,059,609	9.5%	2,387,809	10.5%	2,705,249	11.4%
Grand Total	**21,358,171**	**100.0%**	**21,959,853**	**100.0%**	**21,654,772**	**100.0%**	**22,734,844**	**100.0%**	**23,823,664**	**100.0%**

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

EXHIBIT S-14: AIRLINE MARKET SHARE BY PASSENGER ENPLANEMENTS

(By Fiscal Year)

Airlines	2017		2016		2015		2014		2013	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
Domestic										
Scheduled Major/National										
American	5,677,406	38.3%	5,890,212	37.6%	5,712,631	37.3%	5,865,921	38.3%	5,693,434	37.4%
Southwest	1,152,350	7.8%	1,133,501	7.2%	1,017,105	6.6%	927,172	6.1%	1,054,353	6.9%
Delta	853,135	5.8%	973,307	6.2%	924,773	6.0%	908,882	5.9%	804,404	5.3%
Frontier	580,452	3.9%	473,972	3.0%	154,956	1.0%	1,783	0.0%	28,307	0.2%
United	529,057	3.6%	549,849	3.5%	520,995	3.4%	492,899	3.2%	540,335	3.6%
Spirit	361,782	2.4%	245,438	1.6%	142,411	0.9%	129,417	0.8%	30,747	0.2%
JetBlue	205,817	1.4%	183,285	1.2%	123,511	0.8%	116,655	0.8%	15,502	0.1%
Alaska	64,154	0.4%	59,076	0.4%	56,514	0.4%	54,569	0.4%	47,617	0.3%
AirTran	-	-	-	-	42,858	0.3%	189,037	1.2%	296,466	1.9%
Virgin America	-	-	-	-	26,566	0.2%	97,932	0.6%	155,152	1.0%
Continental	-	-	-	-	-	-	-	-	-	-
USA 3000	-	-	-	-	-	-	-	-	-	-
Midwest Airlines	-	-	-	-	-	-	-	-	-	-
Northwest	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled Major/National	9,424,153	63.6%	9,508,640	60.6%	8,722,320	57.0%	8,784,267	57.4%	8,666,317	57.0%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,002,131	6.8%	1,419,663	9.1%	1,508,945	9.9%	1,302,475	8.5%	1,333,837	8.8%
Piedmont	918,638	6.2%	694,448	4.4%	708,011	4.6%	792,688	5.2%	854,595	5.6%
Republic	864,036	5.8%	1,326,308	8.5%	1,529,350	10.0%	1,462,890	9.6%	1,307,524	8.6%
PSA	309,469	2.1%	307,357	2.0%	239,146	1.6%	231,547	1.5%	264,630	1.7%
Mesa	-	-	-	-	49,094	0.3%	50,508	0.3%	-	-
Chautauqua	-	-	-	-	-	-	-	-	75,628	0.5%
Subtotal - American Eagle	3,094,274	20.9%	3,747,776	23.9%	4,034,546	26.3%	3,840,108	25.1%	3,836,214	25.2%
Other	257,068	1.7%	227,752	1.5%	315,442	2.1%	434,826	2.8%	518,639	3.4%
Subtotal - Scheduled Regional/Commuter	3,351,342	22.6%	3,975,528	25.3%	4,349,988	28.4%	4,274,934	27.9%	4,354,853	28.6%
Charter	463	0.0%	85	0.0%	266	0.0%	603	0.0%	345	0.0%
Total - Domestic	12,775,958	86.3%	13,484,253	86.0%	13,072,574	85.4%	13,059,804	85.3%	13,021,515	85.6%
International										
Scheduled										
American	1,378,328	9.3%	1,536,251	9.8%	1,625,083	10.6%	1,697,885	11.1%	1,683,363	11.1%
Air Wisconsin	175,336	1.2%	160,730	1.0%	195,937	1.3%	219,574	1.4%	182,534	1.2%
British	118,177	0.8%	128,290	0.8%	120,461	0.8%	112,422	0.7%	110,271	0.7%
Air Canada - Sky Regional / Jazz Aviatio	77,018	0.5%	61,797	0.4%	56,038	0.4%	56,524	0.4%	53,728	0.4%
Lufthansa	73,251	0.5%	69,405	0.4%	70,438	0.5%	63,334	0.4%	54,906	0.4%
Frontier	68,053	0.5%	80,497	0.5%	35,937	0.2%	23,108	0.2%	22,949	0.2%
Qatar	52,728	0.4%	61,745	0.4%	57,650	0.4%	18,299	0.1%	-	-
Delta	45,046	0.3%	35,045	0.2%	18,784	0.1%	15,473	0.1%	15,672	0.1%
Republic	36,300	0.2%	62,725	0.4%	59,107	0.4%	45,726	0.3%	70,712	0.5%
Icelandair	2,806	0.0%	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	-	-	-	-	-	-	-	-	66	0.0%
USA 3000	-	-	-	-	-	-	-	-	-	-
Air France	-	-	-	-	-	-	-	-	-	-
Piedmont	-	-	-	-	-	-	-	-	-	-
Subtotal - Scheduled	2,027,043	13.7%	2,196,485	14.0%	2,239,435	14.6%	2,252,345	14.7%	2,194,201	14.4%
Charter	3,881	0.0%	2,820	0.0%	729	0.0%	3,904	0.0%	169	0.0%
Total - International	2,030,924	13.7%	2,199,305	14.0%	2,240,164	14.6%	2,256,249	14.7%	2,194,370	14.4%
Grand Total	**14,806,882**	**100.0%**	**15,683,558**	**100.0%**	**15,312,738**	**100.0%**	**15,316,053**	**100.0%**	**15,215,885**	**100.0%**

EXHIBIT S-14: AIRLINE MARKET SHARE BY PASSENGER ENPLANEMENTS

(Continued, By Fiscal Year)

Airlines	2012		2011		2010		2009		2008	
	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share	Enplaned Passengers	Market Share
Domestic										
Scheduled Major/National										
American	5,618,451	36.6%	5,559,824	35.6%	5,354,194	35.2%	5,193,295	33.8%	5,524,375	34.4%
Southwest	1,494,613	9.7%	1,707,286	10.9%	1,710,602	11.3%	1,895,701	12.3%	1,859,184	11.6%
Delta	813,547	5.3%	805,797	5.2%	820,880	5.4%	571,723	3.7%	571,173	3.6%
Frontier	78,442	0.5%	89,554	0.6%	45,514	0.3%	52,366	0.3%	83,216	0.5%
United	427,458	2.8%	405,836	2.6%	455,193	3.0%	538,269	3.5%	614,669	3.8%
Spirit	-	-	-	-	-	-	-	-	-	-
JetBlue	-	-	-	-	-	-	-	-	-	-
Alaska	2,790	0.0%	-	-	-	-	-	-	-	-
AirTran	258,203	1.7%	300,480	1.9%	298,280	2.0%	370,833	2.4%	504,389	3.1%
Virgin America	38,878	0.3%	-	-	-	-	-	-	-	-
Continental	164,217	1.1%	233,502	1.5%	233,656	1.5%	234,198	1.5%	253,738	1.6%
USA 3000	1,052	0.0%	5,286	0.0%	13,435	0.1%	34,745	0.2%	68,903	0.4%
Midwest Airlines	-	-	-	-	50,962	0.3%	50,384	0.3%	72,270	0.5%
Northwest	-	-	-	-	-	-	337,432	2.2%	452,213	2.8%
Subtotal - Scheduled Major/National	8,897,651	58.0%	9,107,565	58.3%	8,982,716	59.1%	9,278,946	60.4%	10,004,130	62.3%
Scheduled Regional/Commuter										
American Eagle										
Air Wisconsin	1,287,022	8.4%	1,360,164	8.7%	1,386,681	9.1%	1,320,560	8.6%	1,461,107	9.1%
Piedmont	762,204	5.0%	766,538	4.9%	699,379	4.6%	675,918	4.4%	667,678	4.2%
Republic	1,318,546	8.6%	1,424,740	9.1%	1,386,820	9.1%	1,396,362	9.1%	1,231,656	7.7%
PSA	264,325	1.7%	181,411	1.2%	151,274	1.0%	176,692	1.2%	161,245	1.0%
Mesa	-	-	-	-	86	0.0%	-	-	-	-
Chautauqua	84,918	0.6%	58,684	0.4%	54,338	0.4%	62,312	0.4%	67,789	0.4%
Subtotal - American Eagle	3,717,015	24.2%	3,791,537	24.3%	3,678,578	24.2%	3,631,844	23.6%	3,589,475	22.4%
Other	518,655	3.4%	507,479	3.3%	450,367	3.0%	445,371	2.9%	375,815	2.3%
Subtotal - Scheduled Regional/Commuter	4,235,670	27.6%	4,299,016	27.5%	4,128,945	27.2%	4,077,215	26.5%	3,965,290	24.7%
Charter	930	0.0%	577	0.0%	1,578	0.0%	1,285	0.0%	1,636	0.0%
Total - Domestic	13,134,251	85.6%	13,407,158	85.9%	13,113,239	86.3%	13,357,446	86.9%	13,971,056	87.0%
International										
Scheduled										
American	1,662,124	10.8%	1,638,110	10.5%	1,621,853	10.7%	1,558,766	10.1%	1,564,857	9.7%
Air Wisconsin	151,941	1.0%	162,515	1.0%	137,464	0.9%	104,297	0.7%	140,444	0.9%
British	114,085	0.7%	107,276	0.7%	103,258	0.7%	103,473	0.7%	114,278	0.7%
Air Canada - Sky Regional / Jazz Aviatior	52,515	0.3%	49,839	0.3%	47,045	0.3%	47,871	0.3%	51,557	0.3%
Lufthansa	51,403	0.3%	60,185	0.4%	69,030	0.5%	69,804	0.5%	74,508	0.5%
Frontier	14,539	0.1%	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-
Delta	20,304	0.1%	40,212	0.3%	25,340	0.2%	-	-	-	-
Republic	105,734	0.7%	86,009	0.6%	-	-	-	-	-	-
Icelandair	-	-	-	-	-	-	-	-	-	-
Air Jamaica / Caribbean	30,032	0.2%	35,200	0.2%	36,217	0.2%	42,537	0.3%	42,445	0.3%
USA 3000	6,528	0.0%	24,492	0.2%	24,452	0.2%	26,144	0.2%	35,079	0.2%
Air France	-	-	-	-	15,784	0.1%	50,549	0.3%	56,920	0.4%
Piedmont	-	-	-	-	-	-	-	-	173	0.0%
Subtotal - Scheduled	2,209,205	14.4%	2,203,838	14.1%	2,080,443	13.7%	2,003,441	13.0%	2,080,261	13.0%
Charter	670	0.0%	587	0.0%	59	0.0%	1,856	0.0%	1,656	0.0%
Total - International	2,209,875	14.4%	2,204,425	14.1%	2,080,502	13.7%	2,005,297	13.1%	2,081,917	13.0%
Grand Total	**15,344,126**	**100.0%**	**15,611,583**	**100.0%**	**15,193,741**	**100.0%**	**15,362,743**	**100.0%**	**16,052,973**	**100.0%**

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

EXHIBIT S-15: PASSENGER FACILITY CHARGES

(By Fiscal Year)

Airlines	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
American Airlines	$ 39,043,549	$ 41,796,027	$ 44,750,745	$ 45,073,825	$ 42,039,158	$ 41,513,163	$ 41,717,336	$ 40,189,840	$ 39,331,888	$ 41,029,493
Southwest Airlines	4,368,651	4,289,012	4,105,508	4,239,400	4,631,058	5,723,994	7,189,896	7,501,929	8,023,839	8,258,101
Delta Air Lines	4,026,462	4,341,411	4,278,345	4,431,825	4,280,096	4,497,340	4,647,891	3,981,456	3,119,948	3,129,971
Frontier Airlines	2,885,920	2,677,659	1,099,228	110,986	194,315	419,786	400,188	194,184	188,639	367,873
United Airlines	2,858,141	3,294,665	3,242,993	3,605,346	4,300,163	3,748,743	3,366,328	3,961,146	3,766,613	3,760,815
Spirit Airlines	1,612,767	1,176,999	662,867	580,156	232,309	-	-	-	-	-
British Airways	1,139,619	921,880	869,270	472,492	436,866	459,661	433,965	449,950	454,990	483,049
JetBlue Airways	842,883	783,146	534,959	493,608	112,065	-	-	-	-	-
Qatar Airways	378,817	478,185	510,368	244,782	-	-	-	-	-	-
Air Canada	316,888	262,846	238,548	314,671	300,001	315,303	279,844	227,504	268,974	274,447
Alaska Airlines	307,026	233,192	216,975	196,234	176,761	46,155	-	-	-	-
Lufthansa German Airlines	269,827	252,421	277,672	278,363	248,459	227,404	248,691	297,880	321,689	318,686
Icelandair	37,135	-	-	-	-	-	-	-	-	-
Virgin America	-	-	45,827	396,871	620,919	271,653	-	-	-	-
AirTran Airways	-	-	-	-	474,237	1,094,262	1,287,966	1,222,320	1,453,951	2,001,729
Continental Airlines	-	-	-	-	-	1,001,188	1,766,211	1,777,532	1,622,831	1,610,515
Air Jamaica / Caribbean	-	-	-	-	-	118,003	152,355	155,050	182,870	182,734
USA 3000 Airlines	-	-	-	-	-	26,862	136,200	156,288	233,873	465,845
Midwest Airlines	-	-	-	-	-	-	58,127	278,812	209,801	300,297
Air France	-	-	-	-	-	-	-	44,471	180,675	209,560
Northwest Airlines	-	-	-	-	-	-	-	588,060	1,669,539	2,052,197
Other	1,296,964	412,891	347,420	214,807	142,043	277,982	357,430	251,084	225,079	410,025
Total	**$ 59,384,648**	**$ 60,920,335**	**$ 61,180,724**	**$ 60,653,369**	**$ 58,188,449**	**$ 59,741,500**	**$ 62,042,429**	**$ 61,277,506**	**$ 61,255,198**	**$ 64,855,338**

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.

EXHIBIT S-16: CURRENT TOP 30 PASSENGER ORIGINATION AND DESTINATION MARKETS

(By Fiscal Year)

Domestic		
2017 Market	Distance	Daily Pax
Orlando, Florida	856	2,152
Atlanta, Georgia	665	1,392
Chicago-O'Hare, Illinois	676	1,182
Boston, Massachusetts	280	1,103
Los Angeles, California	2,394	1,077
Ft. Lauderdale, Florida	994	1,002
Tampa/St. Petersburg, Florida	920	960
Denver, Colorado	1,564	896
Las Vegas, Nevada	2,170	846
Dallas/Fort Worth, Texas	1,299	819
San Francisco, California	2,514	742
Miami, Florida	1,014	735
Phoenix, Arizona	2,069	538
Detroit-Wayne Co, Michigan	451	510
Charlotte, North Carolina	447	500
Minneapolis/St Paul, Minnesota	977	476
Nashville, Tennessee	673	457
Raleigh/Durham, North Carolina	338	450
San Diego, California	2,363	408
Seattle/Tacoma, Washington	2,370	400
Houston-Intercontinental, Texas	1,322	398
Chicago-Midway, Illinois	666	395
West Palm Beach, Florida	952	391
New Orleans, Louisiana	1,080	374
San Juan, Puerto Rico	1,579	321
Fort Myers-Regional, Florida	994	284
St. Louis, Missouri	802	282
Austin, Texas	1,425	251
Kansas City-Intl, Missouri	1,035	251
Cincinnati, Ohio	505	226

International		
2017 Market	Distance	Daily Pax
London-Heathrow, England	3,534	649
Cancun, Mexico	1,464	414
Toronto-Pearson, Canada	346	385
Frankfurt, Germany	3,937	295
Punta Cana, Dominican Rep	1,527	289
Montreal-Dorval, Canada	394	242
Montego Bay, Jamaica	1,484	207
Paris-De Gaulle, France	3,716	202
Rome-Da Vinci, Italy	4,357	201
Dublin, Ireland	3,263	187
Madrid, Spain	3,671	175
Manchester, England	3,423	160
Munich, Germany	4,118	158
Doha, Qatar	6,780	143
Amsterdam, Netherlands	3,725	118
Barcelona, Spain	3,913	110
Venice-Treviso, Italy	4,234	108
Athens, Greece	5,012	106
Nassau, Bahamas	1,032	92
Lisbon, Portugal	3,448	84
Bermuda, Atlantic Ocean	784	81
Ottawa, Canada	377	79
Aruba, Aruba	1,916	64
St. Maarten, St. Maarten (Dutch)	1,672	64
Shannon, Ireland	3,165	52
Glasgow, Scotland	3,298	50
Halifax, Canada	690	43
Providenciales, Turks & Caicos	1,262	28
Zurich, Switzerland	4,012	26
Quebec, Canada	512	24

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)

2017	
Market	Daily Pax
Orlando, Florida	2,152
Atlanta, Georgia	1,392
Chicago-O'Hare, Illinois	1,182
Boston, Massachusetts	1,103
Los Angeles, California	1,077
Ft. Lauderdale, Florida	1,002
Tampa/St. Petersburg, Florida	960
Denver, Colorado	896
Las Vegas, Nevada	846
Dallas/Fort Worth, Texas	819

2016	
Market	Daily Pax
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

FY 2015	
Market	Daily Pax
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

FY 2014	
Market	Daily Pax
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

FY 2013	
Market	Daily Pax
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

FY 2012	
Market	Daily Pax
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

FY 2011	
Market	Daily Pax
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

FY 2010	
Market	Daily Pax
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

FY 2009	
Market	Daily Pax
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

FY 2008	
Market	Daily Pax
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

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