ROGER H. BATES

Airport Consultant

December 28, 2020

Mr. J'Maine Chubb
Chief Financial Officer
Houston Airport System
16930 JFK Boulevard
Houston, TX 77032

Re: 2021 Annual Rate Report—Consolidated Rental Car Facility

Dear Mr. Chubb:

Acting in the capacity of the City's designated Independent Rate Consultant, I am pleased to submit this annual Rate Report for Calendar Year 2021 regarding the Consolidated Rental Car Facility (the Project or the Facility) at George Bush Intercontinental Airport / Houston (the Airport).

In March 2001, the City of Houston (the City) issued *\$130,250,000 City of Houston, Texas, Airport System Special Facilities Taxable Revenue Bonds (Consolidated Rental Car Facility Project), Series 2001* (the Bonds) to finance the Project. The Bonds are secured in large part by a pledge of CFC Revenues—revenues derived from a Customer Facility Charge imposed by the City and collected by the rental car operators (the Operators). The City imposed a Customer Facility Charge of \$3.00 per transaction day at the Airport as of April 1, 2001. The Operators have been collecting CFC revenues and forwarding those revenues to the Trustee since that date. The CFC rate has subsequently been adjusted on several occasions over the years. The current CFC is \$4.00 per transaction day, a rate that has been in effect since April 1, 2017.

Purposes of the Rate Report

In connection with the issuance of the Bonds, the City (as the Issuer of the Bonds) entered into a Trust Indenture, dated March 1, 2001, with Chase Manhattan Bank (now The Bank of New York Mellon Trust Company, N.A.) as Trustee.

The specific requirements for the Rate Report are set forth in Section 7.2 of the Trust Indenture.

Section 7.2.a of the Trust Indenture states:

> The City shall cause the Customer Facility Charge to be calculated, established and imposed as herein provided so long as any Bonds remain Outstanding, and the City shall use diligence to cause the Customer Facility Charge to be collected by the Operators in accordance with the terms of the Agreement and deposited with the Trustee directly by the Operators. The Customer Facility Charge shall be established initially and reviewed and adjusted (if necessary) annually by the Director based upon the Rate Reports from the Independent Rate Consultant (or, with the consent of the LLC, by the City) at rates estimated to generate CFC revenues, along with other Pledged Revenues, in such calendar year equal to not less than:

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(1) 125% of the debt service requirements on the Bonds for such calendar year; and

(2) the amounts necessary to fund in each calendar year all transfers from the Revenue Fund as required by Article IV of this Indenture.

This provision is referred to as the Rate Covenant.

Section 7.2.b of the Trust Indenture goes on to state:

> The Director [the City's Director of Aviation] shall cause the Rate Reports to be prepared and to be filed with the Trustee prior to each calendar year, based upon the Transaction Day and other rental information required to be provided annually to the Independent Rate Consultant by the Operators pursuant to the Agreement.

The Trust Indenture defines "Rate Reports" as follows:

> "Rate Reports" shall mean the written reports and recommendations of the Independent Rate Consultant…which shall include the following information:
>
> (1) the recommended Customer Facility Charge for the ensuing calendar year (or other stated period);
>
> (2) the recommended transfers to the Revenue Fund from the CFC Stabilization Account or from other amounts in the Facility Improvement Fund;
>
> (3) pro forma Customer Facility Charge collection data for the ensuing calendar year (or other stated period) on a monthly basis, together with calculations showing 90% and 80% of such monthly amounts;
>
> (4) the estimated Administrative Cost Requirement for the ensuing calendar year (or other stated period); and
>
> (5) any additional documentation to support the recommended CFC rate and reflecting the anticipated disposition of the CFC revenues among the funds established and maintained under the Indenture.

This Report has been prepared to respond to the requirements of Section 7.2 of the Trust Indenture.

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The Houston Rental Car Operators

The Houston rental car market is served by four companies operating 11 brands: *Avis Budget Group, Inc.* (operating Avis, Budget, Payless and Zipcar); *Enterprise Holdings Inc.* (operating Enterprise, Alamo and National); *The Hertz Corporation* (operating Hertz, Dollar and Thrifty) and *Sixt Rent a Car, LLC* (operating Sixt).

Hertz filed for bankruptcy on May 22, 2020, a victim of the sudden economic downturn sparked by the COVID-19 pandemic (see below). Since the bankruptcy filing, Hertz has continued to operate at the Airport and to meet its CFC payment responsibilities to HAS, including all amounts due both before and after the date of the filing.

Advantage Opco, LLC (operating as Advantage and EZ), previously operated at the Airport, but declared bankruptcy on May 26, 2020 and ceased operations as of that date. Following a bankruptcy court judgment, Sixt Rent a Car assumed the Advantage concession agreement and special facilities lease and began operating at the Airport in October 2020.

COVID 19 and the Air Transportation and Rental Car Industries

The year 2020 saw a precipitous decline in air traffic and rental car activity at the Airport (and worldwide) as a result of a novel corona virus that caused the disease now known as COVID-19.

Pneumonia cases with an unknown cause were first reported in Wuhan, the capital of Hubei province in China, at the end of December 2019. Patients described symptoms including a fever and difficulty in breathing. Both the virus and the disease were unknown before the outbreak began. It is now known that a novel coronavirus named SARS-CoV-2 is causing COVID-19 and that the virus is spreading from person to person. While the overwhelming majority of cases were initially concentrated in China, the disease quickly spread worldwide. On March 11, the World Health Organization declared the COVID-19 outbreak a pandemic. As of early December, there were approximately 66.4 million reported cases of COVID-19 in the world, and over 1.5 million people had lost their lives.

There are more cases of COVID-19 in the United States than in any other country. According to the Centers for Disease Control & Prevention (CDC), as of December 7, 2020 there were 14.4 million reported cases in the United States and approximately 279,000 associated deaths. In the State of Texas, some 1,249,000 cases had been reported and some 22,600 people had lost their lives to the virus as of the same date. In Harris County (where Houston is located), nearly 200,000 cases had been reported and nearly 2,500 people had lost their lives.

In response to the rising number of COVID-19 cases, many states encouraged self-isolation and working from home. In April 2020, it was estimated that over 90 percent of the U.S. population was under some kind of stay-at-home order. To further prevent the spread of the virus, most states closed bars and restaurants, canceled public events, and banned large gatherings. Some opening of these venues began in the summer of 2020, but a resurgence of the reported number of cases in the fall caused some states to require certain venues to close again.

COVID-19 STATISTICS
World, United States, State of Texas and Harris County

	Total Number of Cases	Total Number of Deaths
World[1]	66,422,058	1,532,418
United States[2]	14,397,135	278,806
State of Texas[2]	1,249,323	22,594
Percent of U.S.	*8.7%*	*8.1%*
Harris County[3]	198,961	2,488
Percent of State of Texas	*15.9%*	*11.0%*

1. *World Health Organization, as of December 7, 2020.*
2. *Center for Disease Control (CDC), as of December 7, 2020.*
3. *Harris County Public Health, as of December 6, 2020.*

The pandemic has had a major adverse impact on the global and U.S. economies. On March 27, 2020, President Trump signed into law *The Coronavirus Aid, Relief, and Economic Security Act*, also known as the CARES Act, a $2.2 trillion economic stimulus bill, the largest of its kind in U.S. history. A second major aid package, estimated at about $900 billion, is currently under consideration in Congress.

The pandemic has significantly affected many industries—in particular, airlines and rental cars. While the long-term impact of the pandemic is difficult to predict, repercussions are expected to be felt in the U.S. and around the world for several years.

Air traffic statistics published by the FAA and airport organizations are available only after a significant lag of time. A reliable real time measure of air traffic activity is the number of travelers passing through TSA checkpoints—data which is available with a lag of only a few days. The table below shows the total number of passengers passing through TSA checkpoints for the months of March through November 2020 and illustrates the impact of the coronavirus pandemic on air travel demand. In April 2020 the number of travelers declined over 95% from that of April 2019, evidencing how hard air travel demand has been impacted by COVID-19 as a result of widespread business closures and lockdowns. Traffic levels have gradually recovered since then, improving every month since April. However, passenger traffic in November 2020 remained nearly 63% below the level of November 2019.

TSA DAILY CHECKPOINT TRAVEL NUMBERS

Month	Total Traveler Throughput 2020	Total Traveler Throughput 2019	2020 Throughput as % of 2019	Percent Change 2020 vs 2019
Jan				
Feb				
Mar	35,139,502	72,680,065	48.3%	-51.7%
Apr	3,287,008	70,124,591	4.7%	-95.3%
May	7,165,829	74,499,253	9.6%	-90.4%
Jun	14,481,802	76,619,900	18.9%	-81.1%
Jul	20,740,781	79,511,968	26.1%	-73.9%
Aug	21,708,071	74,776,010	29.0%	-71.0%
Sep	21,488,263	66,531,258	32.3%	-67.7%
Oct	25,636,496	72,096,495	35.6%	-64.4%
Nov	25,512,987	68,787,654	37.1%	-62.9%

Source: Transportation Security Administration.
Data for January and February 2020 are not available on the website.

Potential Aviation Industry Recovery from the COVID-19 Pandemic

Although small signs of improvement have emerged, the current market consensus is that the recovery of airline passenger traffic—and with it, rental car demand—from the COVID-19 pandemic will remain slow, with volumes unlikely to recover to pre-COVID levels until late 2023 or early 2024.

The commercial aviation industry will continue to be devastated by the coronavirus pandemic for years to come, according to a new report from Moody's.[1] According to the report, the main factor in the recovery will be sustained passenger demand. Moody's forecast is built on the assumption that passenger demand will recover to 2019 levels—the benchmark for a recovery—by the end of 2023, contingent on the production and distribution of effective COVID-19 vaccines or treatments. The forecast aligns with the timeframe that analysts and industry experts began to acknowledge last spring, with most citing a three-to-five-year recovery timeframe for the airline industry.

Moody's anticipates a recovery in passenger demand close to 2019 levels by the end of 2023, once the concerns related to personal health and safety are relieved. However, the rating agency cautions that "…with the recent increasing rates of infections in the US that followed loosening of social distancing and quarantine protocols, passenger demand may ultimately align with its slower recovery case, or worse, if governments enforce social distancing and reinstate quarantine protocols because of the recent increasing infection rates."

In a more recent report,[2] S&P Global Ratings concluded that it also expects passenger demand to stay below pre-pandemic levels through 2023, and that the recovery of global air traffic may be weaker than previously foreseen.

[1] Moody's, "Corona Virus Disruptions to Airline Industry Affect Broad Swath of Global Economy," New York, July 16, 2020.

[2] S&P, "As COVID-19 Cases Increase, Global Air Traffic Recovery Slows" November 12, 2020.

Over the longer term, S&P believes that air travel will eventually return when current health and safety concerns have been "meaningfully addressed" (not defined) by the industry and consumer confidence rebounds. S&P now expects what it calls a "swoosh-shaped recovery" for aviation—a slow climb back after a rapid decline—and one that will be a much more protracted recovery than the rebounds observed after the 9/11 terror attack, the SARS pandemic of 2003, and the 2008/2009 global financial crisis. More specifically, the report went on to note:

> "There's considerable uncertainty regarding the overall outlook for air travel; however, we now believe that 2020 traffic ...and revenues are likely to be 65%-80% lower than in 2019 (compared with our previous estimate of 60%-70% lower). We see a weak recovery in 2021, with traffic and revenues still 40%-60% lower than in 2019 (compared with our previous estimate of 30%-40% lower). This estimate incorporates the recent consensus among health experts that a vaccine may be widely available by the middle of 2021. We also lowered our expectations for 2022, to 20%-30% below 2019 levels (compared with 15%-20%, previously), but continue to expect air traffic to match 2019 volumes by 2024."

However, a recent report from Morgan Stanley Research[3] lays out a more optimistic timeline for recovery as a result of pent-up demand, fewer airline competitors than in past global crises, and a more stable fuel-price outlook. The study notes, "Although the next 6–12 months contain risks from pandemic uncertainty, historical trends suggest a faster rebound in passenger traffic, which could make the industry's long-term prospects more bullish. Based on current operational conditions, air travel demand could return to pre-COVID levels by late 2021 or early 2022."

To assess the potential for the recovery of passenger demand, Morgan Stanley compared the pandemic with historical precedents of disruption and recovery. After previous demand shocks, such as the 9/11 attacks, SARS and MERS outbreaks (2002 and 2014, respectively) and the global financial crisis in 2008, passenger volumes took about four years to return to pre-crisis levels, which explains the current consensus for full recovery by 2024.

But according to Morgan Stanley, "...compared with 2001 and 2008, the COVID disruption is deeper and more widespread. The combination of severe lockdowns and international border closings have created pent-up demand, by consumers and corporate travel alike, that could advance the recovery timeline." In addition, Morgan Stanley points out the strong historical correlation between GDP and air-travel demand and notes that "...GDP could return to pre-COVID levels globally in the final quarter of 2020 and in the U.S. by the last quarter of 2021."

Morgan Stanley forecasts that U.S. revenue-passenger kilometers could return to pre-COVID levels by late 2021 or early 2022—with a bear case of 2024 in line with the consensus. How the U.S. and global nations navigate the pandemic's trajectory and international border re-openings will no doubt affect these projections. The study concludes, "Ultimately, even when we take the second or third wave of the pandemic into account, long term, we see very limited permanent demand substitution for air travel as a result of COVID, post-vaccine."

Given the strong correlation between jet fuel and oil prices, Morgan Stanley estimates jet fuel prices will be bound in a range of \$45-\$65 a barrel—much lower than the 10-year historical average of around \$90 a barrel. The study also observes, "Jet fuel prices should stay relatively low and steady over the next one to

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[3] Morgan Stanley Research, "U.S, Airlines Prepare for Take-Off—With Possible Delays," October 26, 2020.

two years, if crude oil prices hold steady"—which should support a positive medium-term outlook for recovery of the aviation industry.

These studies suggest that HAS needs to adopt a longer term strategy to support the financial operations of the Consolidated Rental Car Facility at the Airport over the next several years as passenger and rental demand recovers from the COVID-19 pandemic.

Recent Trends in Air Traffic Demand

Table 1 on the following page shows recent trends in air traffic activity at the Airport by month for calendar year 2019 and year-to-date 2020 (January through October), as obtained from HAS records. (Traffic data for November 2020 are not yet available.)

For the first 10 months of 2020, passenger originations at the Airport (the driver of rental car activity) decreased by 60% compared to the same period of 2019. However, October 2020 did show a moderate rebound compared to the previous month and compared to the same month of the previous year, continuing if not strengthening the trend of the past several months.

For the most part, air traffic activity at the Airport during the first ten months of 2020 has followed national trends in the wake of the coronavirus pandemic.

Recent Trends in Transaction Days and CFC Revenues

Tables 2A and 2B on the second following page show (1) rental car transaction days and (2) CFC revenues, respectively, for the first 10 months of Calendar Years 2020 and 2019. (Note that CFC Revenues are shown on an accrual basis; i.e., the revenues *earned* in the particular month.) Actual CFC revenues and transaction days for 2020 are then compared with the 2019 actual amounts and with the projections for 2020 prepared in December 2019.

The first 10 months of 2020, the total number of transaction days decreased by nearly 54% from the same period of 2019, slightly less than the 60% decline in originating passengers during the same period.

Year to date, the total number of transaction days in 2020 are nearly 55% behind the projection prepared in December 2019.

Table 1

RECENT TRENDS IN AIR TRAFFIC ACTIVITY
Calendar Years 2020 and 2019
George Bush Intercontinental Airport / Houston

Year / Month	Enplaned Passengers			Originating Passengers			
	Number	% Change from Prior Year	% Change from Prior Month	Number	% Change from Prior Year	% Change from Prior Month	% of Total Enplaned Passengers
2020							
Jan	1,822,345	3.9%	-11.0%	971,924	7.1%	-15.6%	53.3%
Feb	1,680,780	5.1%	-7.8%	887,264	6.2%	-8.7%	52.8%
Mar	994,283	**-49.6%**	-40.8%	563,375	**-47.4%**	-36.5%	56.7%
Apr	89,933	**-95.1%**	-91.0%	58,326	**-94.2%**	-89.6%	64.9%
May	181,367	**-90.9%**	101.7%	96,617	**-91.7%**	65.6%	53.3%
Jun	294,980	**-85.8%**	62.6%	158,866	**-87.0%**	64.4%	53.9%
Jul	486,327	**-76.9%**	64.9%	312,931	**-74.7%**	97.0%	64.3%
Aug	550,258	**-71.7%**	13.1%	344,642	**-69.1%**	10.1%	62.6%
Sep	602,103	**-63.2%**	9.4%	370,028	**-60.4%**	7.4%	61.5%
Oct	764,394	**-59.8%**	27.0%	458,063	**-57.1%**	23.8%	59.9%
	7,466,770	**-60.4%**		**4,222,036**	**-60.0%**		**56.5%**
Nov							
Dec							
	0			0			
Total 2020	**7,466,770**	**-67.1%**		**4,222,036**	**-66.9%**		**56.5%**
2019							
Jan	1,754,411	9.2%		907,142	8.6%		51.7%
Feb	1,599,774	5.0%		835,744	6.4%		52.2%
Mar	1,971,680	7.1%		1,070,645	9.0%		54.3%
Apr	1,851,037	4.3%		1,010,416	8.1%		54.6%
May	2,001,019	6.0%		1,167,060	11.4%		58.3%
Jun	2,075,288	1.0%		1,218,096	6.1%		58.7%
Jul	2,105,804	-0.2%		1,238,326	6.8%		58.8%
Aug	1,943,226	2.1%		1,116,097	6.5%		57.4%
Sep	1,636,371	-0.2%		934,819	2.1%		57.1%
Oct	1,901,931	4.1%		1,068,225	6.5%		56.2%
	18,840,541	3.7%		10,566,570	7.2%		56.1%
Nov	1,828,330	0.0%		1,029,163	1.4%		56.3%
Dec	2,047,693	6.8%		1,151,634	8.6%		56.2%
	3,876,023	3.5%		2,180,797	5.1%		56.3%
Total 2019	**22,716,564**	**3.7%**		**12,747,367**	**6.8%**		**56.1%**

Source: Houston Airport System

Table 2A

2020 TRANSACTION DAYS[1]

Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

Applicable Month	Month of Payment	Total Transaction Days Actual 2020	Total Transaction Days Actual 2019	Increase (Decrease)	Percentage Change	2020 Projection[2]	Actual 2020 vs. Projection	Percentage Change
Jan	Feb	335,508	319,041	16,467	5.2%	352,000	(16,492)	-4.7%
Feb	Mar	342,192	331,059	11,133	3.4%	362,000	(19,808)	-5.5%
Mar	Apr	239,633	407,095	(167,463)	-41.1%	428,000	(188,368)	-44.0%
Apr	May	64,126	400,206	(336,080)	-84.0%	419,000	(354,874)	-84.7%
May	Jun	76,813	427,931	(351,118)	-82.1%	419,000	(342,187)	-81.7%
Jun	Jul	108,088	373,433	(265,345)	-71.1%	364,000	(255,912)	-70.3%
Jul	Aug	119,088	363,067	(243,979)	-67.2%	353,000	(233,912)	-66.3%
Aug	Sep	122,770	375,518	(252,748)	-67.3%	373,000	(250,230)	-67.1%
Sep	Oct	134,447	330,749	(196,302)	-59.4%	331,000	(196,553)	-59.4%
Oct	Nov	172,071	393,515	(221,444)	-56.3%	401,000	(228,929)	-57.1%
		1,714,735	**3,721,614**	**(2,006,878)**	**-53.9%**	**3,802,000**	**(2,087,265)**	**-54.9%**
Nov	Dec	0	363,963			405,000		
Dec	Jan	0	336,504			357,000		
		0	**700,467**	**(700,467)**		**762,000**	**0**	
		1,714,735	**4,422,081**	**(2,707,345)**	**-61.2%**	**4,564,000**	**(2,087,265)**	**-62.4%**

1. Source: Derived from reported CFC revenues by dividing by the $4.00 CFC rate.
2. Roger H. Bates, "2020 Annual Rate Report--Consolidated Rental Car Facility".

Table 2B

2020 CFC REVENUES[1]

Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

Month of Accrual	Month of Payment	Total CFC Revenues Actual 2020	Total CFC Revenues Actual 2019	Increase (Decrease)	Percentage Change	2020 Projection[2]	2020 vs. Projection	Percentage Change
Jan	Feb	$1,342,032	$1,276,164	$65,868	5.2%	$1,408,000	($65,968)	-4.7%
Feb	Mar	$1,368,768	$1,324,236	$44,532	3.4%	$1,448,000	($79,232)	-5.5%
Mar	Apr	$958,530	$1,628,380	($669,850)	-41.1%	$1,712,000	($753,470)	-44.0%
Apr	May	$256,504	$1,600,824	($1,344,320)	-84.0%	$1,676,000	($1,419,496)	-84.7%
May	Jun	$307,252	$1,711,724	($1,404,472)	-82.1%	$1,676,000	($1,368,748)	-81.7%
Jun	Jul	$432,352	$1,493,732	($1,061,380)	-71.1%	$1,456,000	($1,023,648)	-70.3%
Jul	Aug	$476,352	$1,452,268	($975,916)	-67.2%	$1,412,000	($935,648)	-66.3%
Aug	Sep	$491,080	$1,502,072	($1,010,992)	-67.3%	$1,492,000	($1,000,920)	-67.1%
Sep	Oct	$537,788	$1,322,995	($785,207)	-59.4%	$1,324,000	($786,212)	-59.4%
Oct	Nov	$688,284	$1,574,060	($885,776)	-56.3%	$1,604,000	($915,716)	-57.1%
		$6,858,934	**$14,886,455**	**($8,027,521)**	**-53.9%**	**$15,208,000**	**($8,349,058)**	**-54.9%**
Nov	Dec	$0		$0		$1,620,000		
Dec	Jan	$0		$0		$1,428,000		
		$0	**$0**	**$0**		$3,048,000	($3,048,000)	
		$6,858,934	**$14,886,455**	**($8,027,521)**	**-53.9%**	**$18,256,000**	**($11,397,066)**	**-62.4%**

1. Source: As reported by the Operators to the Trustee.
CFC payments are required to be sent to the Trustee by the 20th day of the month following collection.
Therefore, for example, the payments received the Trustee in May represent CFC revenues accrued in April.
2. Roger H. Bates, "2020 Annual Rate Report--Consolidated Rental Car Facility".

Projection of Rental Car Demand and CFC Revenues in 2020

Table 3, "Estimated Rental Car Transaction Days and CFC Revenues—Calendar Year 2020," on the following page, shows relationships between air traffic activity, rental car transaction days and CFC revenues and CFC collections for the first 10 months of 2020 and develops projections of CFC revenues and CFC collections for the full year 2020.

In Table 3, CFC revenues are projected for the months of November and December based on assumptions regarding *passenger traffic growth, percentage of originating passengers to total enplaned passengers*, and *transaction days per originating passenger* shown at the top of the table.

For reasons discussed in the next section, HAS decided to leave the current $4.00 CFC rate in place throughout calendar year 2020, in spite of the precipitous decline in rental car demand. As such, the monthly declines in CFC revenues have generally followed the pattern of declines in originating passengers shown earlier on Table1.

Total CFC *revenues* are projected to be $8,075,000 in 2020—a 53% decrease from actual CFC revenues in 2019 and 56% below the projection of 2020 CFC revenues made last December. Total CFC *collections* are projected to be $8,825,000 in 2020—a 49% decrease from actual CFC collections in 2019 and 52% below the projection of 2019 CFC collections made last December.

How HAS Addressed the 2020 CFC Revenue Shortfall

Under the Trust Indenture, scheduled debt service payments are pre-funded by monthly transfers from the Revenue Fund to the Debt Service Fund. Then, moneys then accumulated in the Debt Service Fund are used to pay principal and interest on the bonds when due semi-annually.

During the first half of 2020, HAS adapted its business plan for the enterprise to address the precipitous decline in CFC revenues and collections that began in March in the wake of the COVID-19 pandemic. HAS's principal objective in 2020 was to make sure that debt service payments on the outstanding bonds were made on July 2, 2020 and will be made on January 2, 2021 as required.

The required monthly transfers to the Debt Service Fund are summarized in the table on the following page.

Of principal concern is the fact that no one knows how long the decline in rental car activity—and with it, CFC revenues—will continue. Rather than attempt to guess the longer term timing and financial consequences of the market decline, *HAS has decided to eliminate any risk of default (due to a revenue shortfall) by transferring moneys from the Facility Improvement Fund to the Revenue Fund each month to provide for the full amount of required debt service transfers.*

Such transfers are allowable under the Trust Indenture. The Trust Indenture defines "Pledged Revenues" as:

> "...the aggregate of (i) the Special Facilities Rent [i.e., Customer Facility Charges] received or receivable; (ii) all investment income of every kind derived from amounts credited to the Pledged Funds..., and (iii) *amounts transferred to the Revenue Fund from* the Coverage Fund or *[the] Facility Improvement Fund*." [Italics added.]

2020 DEBT SERVICE TRANSFERS AND PAYMENTS

	Monthly Transfers		
	Interest	Principal	Total
Jan	406,460	520,000	926,460
Feb	406,460	520,000	926,460
Mar	406,460	520,000	926,460
Apr	406,460	520,000	926,460
May	406,460	520,000	926,460
Jun	406,460	520,000	926,460
	$2,438,758	$3,120,000	$5,558,758
Balance 6/30/20	**$2,438,758**	**$3,120,000**	**$5,558,758**
7/2/20 Payment	**($2,438,758)**	**$0**	**($2,438,758)**
Jul	406,460	520,000	926,460
Aug	406,460	520,000	926,460
Sep	406,460	520,000	926,460
Oct	406,460	520,000	926,460
Nov	406,460	520,000	926,460
Dec	406,460	520,000	926,460
	$2,438,758	$3,120,000	$5,558,758
Balance 12/31/20	**$2,438,758**	**$6,240,000**	**$8,678,758**
1/2/21 Payment	**($2,438,758)**	**($6,240,000)**	**($8,678,758)**

Therefore, amounts transferred from the Facility Improvement Fund to the Revenue Fund, for any reason, may be used to pay debt service and counted as Pledged Revenues for the purposes of debt service coverage.

In April 2020 HAS began making transfers in the amount of *$1,250,000 a month*—an amount that *exceeded* 125% of the monthly debt service transfer requirement.

Appendix A, at the end of this letter report, is a summary of all of the transactions in the funds and accounts of the Consolidated Rental Car Facility enterprise for the first 11 months of 2020 and illustrates how HAS put this plan into practice. Areas highlighted in yellow show the monthly transfers for debt service. Areas highlighted in green show transfers to and from the Facility Improvement Fund. Transfers *from* the Facility Improvement Fund to the Revenue Fund were made early in each month. Then, at the end of each month, the amount that CFC collections plus FIF transfers exceeded the cash flow requirements of the enterprise (including required debt service transfers) was transferred from the Revenue Fund *back to* the Facility Improvement Fund.

The table below summarizes the estimated transfers *from* and *back to* the Facility Improvement Fund for calendar year 2020.

SUMMARY OF MONTHLY ACTIVITY IN THE REVENUE FUND
Calendar Year 2020

BOM = Beginning of month
EOM = End of month

	CFC Collections							
	Actual 2019	Act / Est 2020	% Change from 2019	Investment Income	Transfers to Admin Cost Fund	Transfers to Debt Service Fund	Transfers from FIF (BOM)	Transfers back to FIF (EOM) (= remaining revenues)
Actual								
Jan	$1,272,976	$1,346,015	5.7%	$15,469	($48,000)	($926,460)	$0	($387,024)
Feb	$1,276,164	$1,342,032	5.2%	$5,808	$0	(926,460)	0	(421,380)
Mar	$1,324,236	$1,368,768	3.4%	$5,986	$0	(926,460)	0	(448,294)
Apr	$1,628,380	$958,530	**-41.1%**	$4,142	$0	(926,460)	1,250,000	(1,286,212)
May	$1,600,824	$256,496	**-84.0%**	$1,672	$0	(926,460)	1,250,000	(581,708)
Jun	$1,711,724	$307,252	**-82.1%**	$1,005	$0	(926,460)	1,250,000	(631,797)
Jul	$1,493,732	$432,352	**-71.1%**	$742	$0	(926,460)	1,250,000	(756,634)
Aug	$1,452,268	$476,352	**-67.2%**	$540	$0	(926,460)	1,250,000	(800,432)
Sep	$1,502,072	$491,080	**-67.3%**	$354	$0	(926,460)	1,250,000	(814,974)
Oct	$1,322,995	$537,788	**-59.4%**	$380	$0	(926,460)	1,250,000	(861,708)
Nov	$1,574,060	$688,404	**-56.3%**	$384	0	(926,460)	1,250,000	(1,012,328)
	$16,159,431	$8,205,069	-49.2%	$36,482	($48,000)	($10,191,060)	$10,000,000	($8,002,491)
Projected								
Dec	$1,455,852	$620,000	-57.4%	385		(926,460)	1,250,000	(943,925)
Total 2019 (actual)	**$17,615,283**							
Total 2020 (projected)		**$8,825,069**		**$36,867**	**($48,000)**	**($11,117,520)**	**$11,250,000**	**($8,946,416)**
Percent change 2020 vs 2019 (projected)		**-49.9%**						

Total Transfers from the FIF in 2020 (projected)	$11,250,000
Total Transfers back to the FIF in 2020 (projected)	($8,946,000)
Net Transfers from the FIF in 2020 (projected)	**$2,304,000**

It is projected, by the end of the year, only $2.3 million of funds in the Facility Improvement will have been used to support the cash flow requirements of the Consolidated Rental Car Facility for the full year 2020 in spite of the precipitous decline in CFC collections during the year. This is largely attributable to the fact, when the budget was established before COVID-19 at the beginning of the year, the $4.00 CFC kept in place substantially exceeded the breakeven CFC rate requirement of the enterprise.

Availability of Funds for Upcoming Debt Service Payment

In September 2014, HAS refunded a portion of the outstanding Bonds in a financing transaction that generated material savings in annual debt service over the seven year period, 2014-2020. Projected CFC collections for November and December of 2020, together with (1) moneys currently available in the Debt Service Account and (2) projected transfers from the FIF in November and December, are projected to be more than sufficient to provide for the debt service payments coming due on January 2, 2021:

Funds Available for January 2, 2021 Debt Service Payment	
Balance in Debt Service Fund - October 31, 2020	$6,825,840
CFC Collections - November and December 2020	$1,308,000
Transfers from FIF - November and December 2020	$2,500,000
Total funds estimated to be available	**$10,633,840**
Debt service requirements--January 2, 2021	
Remaining 2001 Bonds	
Principal	0
Interest	2,345,564
	$2,345,564
2014 Refunding Bonds	
Principal	6,240,000
Interest	93,194
	$6,333,194
Total Debt Service Payment--January 2, 2021	**$8,678,758**

Mr. J'Maine Chubb
December 28, 2020

Table 3

ESTIMATED RENTAL CAR TRANSACTION DAYS AND CFC REVENUES

Calendar Year 2020

Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

											CFC Rate			
										Jan-Mar	$4.00			
Nov / Dec projections:			-60.0%		-57.0%					Apr-Dec	$4.00			
Applicable Month	Actual or Projection	Enplaned Passengers	*% Change from Prior Year*	Originating Passengers	*% Change from Prior Year*	Percent Originating	Transaction Days	*% Change from Prior Year*	Transaction Days per O.P.	*% Change from Prior Year*	CFC Revenues	*% Change from Prior Year*	CFC Collections	*% Change from Prior Year*
Jan	Actual	1,822,345	**3.9%**	971,924	**7.1%**	53.3%	335,508	**5.2%**	0.345	-1.8%	$1,342,032	**7.0%**	$1,346,015	**5.7%**
Feb	Actual	1,680,780	**5.1%**	887,264	**6.2%**	52.8%	342,192	**3.4%**	0.386	-2.6%	$1,368,768	**1.4%**	$1,342,032	**5.2%**
Mar	Actual	994,283	**-49.6%**	563,375	**-47.4%**	56.7%	239,633	**-41.1%**	0.425	11.9%	$958,530	**-39.9%**	$1,368,768	**3.4%**
Apr	Actual	89,933	**-95.1%**	58,326	**-94.2%**	64.9%	64,126	**-84.0%**	1.099	177.6%	$256,496	**-83.9%**	$958,530	**-41.1%**
May	Actual	181,367	**-90.9%**	96,617	**-91.7%**	53.3%	76,813	**-82.1%**	0.795	116.8%	$307,252	**-81.3%**	$256,496	**-84.0%**
Jun	Actual	294,980	**-85.8%**	158,866	**-87.0%**	53.9%	108,088	**-71.1%**	0.680	121.9%	$432,352	**-70.0%**	$307,252	**-82.1%**
Jul	Actual	486,327	**-76.9%**	312,931	**-74.7%**	64.3%	119,088	**-67.2%**	0.381	29.8%	$476,352	**-65.1%**	$432,352	**-71.1%**
Aug	Actual	550,258	**-71.7%**	344,642	**-69.1%**	62.6%	122,770	**-67.3%**	0.356	5.9%	$491,080	**-66.0%**	$476,352	**-67.2%**
Sep	Actual	602,103	**-63.2%**	370,028	**-60.4%**	61.5%	134,447	**-59.4%**	0.363	2.7%	$537,788	**-58.8%**	$491,080	**-67.3%**
Oct	Actual	764,394	**-59.8%**	458,063	**-57.1%**	59.9%	172,071	**-56.3%**	0.376	2.0%	$688,284	**-54.8%**	$537,788	**-59.4%**
		7,466,770	**-60.4%**	**4,222,036**	**-60.0%**	**56.5%**	**1,714,735**	**-53.9%**	**0.406**	**15.3%**	**6,858,934**	**-53.9%**	**7,516,665**	**-48.5%**
Nov	Estimated	731,000	-60.0%	443,000	-57.0%	60.6%	155,000	-58.8%	0.350	-2.4%	$620,000	-58.4%	$688,284	-54.8%
Dec	Estimated	819,000	-60.0%	495,000	-57.0%	60.4%	149,000	-54.2%	0.300	-9.5%	$596,000	-53.2%	$620,000	-58.4%
Total 2020		**9,017,000**	**-58.9%**	**5,160,000**	**-56.8%**	**57.2%**	**2,019,000**	**-54.3%**	**0.391**	**5.6%**	**$8,075,000**	**-53.3%**	**$8,825,000**	**-49.0%**
Prior Projection (Dec 2019)		**23,112,000**		**12,943,000**		**55.0%**	**4,564,000**		**0.368**		**$18,256,000**		**$18,228,000**	
Change from Projection		**(14,095,000)**		**(7,783,000)**			**(2,545,000)**				**(10,181,000)**		**(9,403,000)**	
% Change		**-61.0%**		**-60.1%**			**-55.8%**				**-55.8%**		**-51.6%**	

Trends in Transaction Days per Originating Passenger

Table 4 shows historical patterns in monthly transaction days per enplaned passenger for calendar years 2018, 2019 and year-to-date 2020, and projected monthly transaction days per originating passenger for the last two months of 2020 and all of calendar year 2021.

The data in Table 4 generally show significant fluctuations in annual transaction days per originating passenger during 2020 compared to 2019, although the monthly patterns have been more consistent with historical trends since the summer months of 2020. Therefore, for the purposes of forecasting CFC revenues in 2021, it is assumed that the monthly transaction days per originating passenger in 2021 would remain the same as in 2019 (pre-COVID). These assumptions regarding transaction days per originating passenger are principal drivers of the 2021 projection of transaction days and, in turn, CFC revenues.

Table 4

Trends in Transaction Days per Originating Passenger
Rental Car Market

George Bush Intercontinental Airport / Houston

	Actual			Projected
	2018	2019	2020	2021 *assume no change from actual 2019*
Jan	0.382	0.352	0.345	**0.352**
Feb	0.421	0.396	0.386	**0.396**
Mar	0.414	0.380	0.425	**0.380**
Apr	0.428	0.396	1.099	**0.396**
May	0.408	0.367	0.795	**0.367**
Jun	0.325	0.307	0.680	**0.307**
Jul	0.313	0.293	0.381	**0.293**
Aug	0.358	0.336	0.356	**0.336**
Sep	0.361	0.354	0.363	**0.354**
Oct	0.392	0.368	0.376	**0.368**
			Projected	
Nov	0.358	0.354	**0.350**	**0.354**
Dec	0.331	0.292	**0.300**	**0.292**
Annual Average	**0.370**	**0.347**	**0.391**	**0.346**
Percent Change	**0.2%**	**-6.4%**	**12.8%**	**0.0%**

Projected CFC Revenues and Collections at the Current CFC Rate

Table 5, "Projection of Rental Car Transaction Days and CFC Revenues—Calendar Year 2021," extrapolates the historical relationships shown in Table 3 to produce a projection of CFC revenues and

CFC collections for 2021 *assuming continuation of the current $4.00 CFC Rate.* The forecast of CFC revenues is also based on the following key assumptions:

- Overall air traffic activity (passenger enplanements) would remain at 40% of 2019 (pre-COVID) in the first four months (January-April) of 2021, then improve to 50% of 2019 in the second four months of 2021 (May-August), and to 60% of 2019 in the third four months of 2019 (September-December), showing a *gradual improvement over the course of the year* as vaccine programs take hold nationwide and confidence in air travel is further restored.

- Originating passengers would account at 60% of enplanements in the first four months (January-April) of 2021 (the same rate as in the latest actual month--October 2020), then 59% in the second four months of 2021 (May-August), and to 58% in the third four months of 2019 (September-December), showing a *gradual improvement in flow traffic (connecting passengers) toward the historical average of 55% over the course of the year* as confidence in air travel is further restored nationwide.

- Monthly transaction days per originating passenger in 2021 would be the same as in 2019 and would be consistent with the seasonal patterns of that year.

Assuming no change in the CFC rate, CFC *revenues* are projected to be $9,260,000 and CFC *collections* are projected to be $9,024,000 in 2021.

Although not shown in this report, based on the above assumptions the computed "breakeven" CFC rate for 2020 (the rate required to cover only debt service requirements and fund replenishments, without any supplemental transfers from the FIF) is **$5.95**, about 50% higher than the current rate.

Recommended CFC Rate

In the past the rating services have expressed concern about frequent CFC rate changes on debt service coverage margins and perceived credit worthiness, and as a result HAS has pursued rate stability as a goal, even where moderate rate reductions or increases might otherwise be supportable.

Also, if avoidable, HAS does not want to implement a CFC rate increase that would increase the cost of renting a car and thereby be an impediment to recovery of rental car demand at the Airport.

Finally, HAS anticipates that a major expansion and renovation of the Facility will be required sometime in the next five to ten years. Before the COVID-19 pandemic, HAS kept the CFC rate at $4.00 per transaction day in order to accumulate reserves in the Facility Improvement Fund for that future expansion program. This has allowed HAS to maintain CFC rate stability and demonstrate debt service coverage margins well in excess of the minimum requirements of the Trust Indenture. The Operators and the Trustee have concurred with this policy. Those reserves are now available to help address the current market disruption without having to resort to increasing costs to rental car customers.

For these reasons, HAS has decided to *keep the current $4.00 CFC rate in place in 2021* and to *continue to make monthly transfers from the FIF to the Revenue Fund* to supplement CFC collections and ensure more than adequate debt service coverage margins. I concur with this decision.

Table 5

PROJECTION OF RENTAL CAR TRANSACTION DAYS AND CFC REVENUES
Calendar Year 2021
Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

											CFC Rate			
2021	Assumptions:									Jan-Mar	$4.00			
			see below			see below				Apr-Dec	$4.00			
Applicable Month	Actual or Projection	Enplaned Passengers	% Change from Actual 2019	Originating Passengers	% Change from Actual 2019	Percent Originating	Transaction Days	% Change from Actual 2019	Transaction Days per O.P.	% Change from Actual 2019	CFC Revenues	% Change from Actual 2019	CFC Collections	% Change from Actual 2019
Jan	Projection	702,000	-60%	421,000		60%	148,000		0.352		$592,000		$596,000	
Feb	Projection	640,000	-60%	384,000		60%	152,000		0.396		$608,000		$592,000	
Mar	Projection	789,000	-60%	473,000		60%	180,000		0.380		$720,000		$608,000	
Apr	Projection	740,000	-60%	444,000		60%	176,000		0.396		$704,000		$720,000	
May	Projection	1,001,000	-50%	591,000		59%	217,000		0.367		$868,000		$704,000	
Jun	Projection	1,038,000	-50%	612,000		59%	188,000		0.307		$752,000		$868,000	
Jul	Projection	1,053,000	-50%	621,000		59%	182,000		0.293		$728,000		$752,000	
Aug	Projection	972,000	-50%	573,000		59%	193,000		0.336		$772,000		$728,000	
Sep	Projection	982,000	-40%	570,000		58%	202,000		0.354		$808,000		$772,000	
Oct	Projection	1,140,000	-40%	661,000		58%	244,000		0.369		$976,000		$808,000	
Nov	Projection	1,097,000	-40%	636,000		58%	225,000		0.354		$900,000		$976,000	
Dec	Projection	1,229,000	-40%	713,000		58%	208,000		0.292		$832,000		$900,000	
Total - 2021		**11,383,000**	**-50%**	**6,699,000**	**-47%**	**59%**	**2,315,000**	**-48%**	**0.346**	**0%**	**$9,260,000**	**-48%**	**$9,024,000**	**-49%**

Given the extent of the market recovery since the depths of the COVID impacts in April 2020 and the further market recovery anticipated in 2021, I believe *the amount of the monthly transfers can safely be reduced from $1,250,000 in 2020 to $750,000 in 2021* while still ensuring debt service payments are made as required and while maintaining adequate debt service coverage margins.

Assuming no change in the CFC rate, projected monthly CFC collections in 2020 are summarized in Table 6 below:

Table 6

PROJECTED CFC COLLECTIONS

Calendar Year 2020

George Bush Intercontinental Airport / Houston

	Projected CFC Collections		
	100.0%	90.0%	80.0%
January	**$596,000**	$536,400	$476,800
February	**592,000**	532,800	473,600
March	**608,000**	547,200	486,400
April	**720,000**	648,000	576,000
May	**704,000**	633,600	563,200
June	**868,000**	781,200	694,400
July	**752,000**	676,800	601,600
August	**728,000**	655,200	582,400
September	**772,000**	694,800	617,600
October	**808,000**	727,200	646,400
November	**976,000**	878,400	780,800
December	**900,000**	810,000	720,000
Total	**$9,024,000**	**$8,121,600**	**$7,219,200**

Operating Cash Flow

Table 7 below shows the projected operating cash flow associated with the Consolidated Rental Car Facility in 2020 and 2021 *assuming continuation of the current $4.00 CFC rate in 2021.* CFC collections, together with planned monthly transfers from the FIF and other available resources, are projected to be sufficient to cover all the funding requirements under the Trust Indenture and generate projected surplus cash flows of $2.3 million in 2020 and $3.2 million in 2021.

Table 7

PROJECTED ANNUAL CFC REQUIREMENT AND CASH FLOWS
For Calendar Years Ending December 31
Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

		Estimated 2020	Projected 2021
CFC Rate:	*Jan-Mar*	**$4.00**	**$4.00**
	Apr-Dec	**$4.00**	**$4.00**
Projected CFC Collections (from Tables 3 and 5)		**$8,825,000**	**$9,024,000**
Transfers from CFC Rate Stabilization Account		0	0
Transfers from Facility Improvement Fund			
Amount of monthly transfer:		*$1,250,000*	*$750,000*
Months of transfers:		*Apr-Dec*	*Jan-Dec*
Total amount transferred:	A	**11,250,000**	**9,000,000**
Investment Income		37,000	50,000
Total Revenues and Transfers		$20,112,000	$18,074,000
Replenish Administrative Costs Account (to $48,000)		48,000	48,000
Replenish CFC Rate Stabilization Account (to $300,000)		0	0
Transfers to Debt Service Fund			
Principal		6,240,000	7,505,000
Interest		4,878,000	4,691,000
		$11,118,000	$12,196,000
Total Requirement		**$11,166,000**	**$12,244,000**
Projected surplus @ proposed CFC rate (= estimated transfers back to Facility Improvement Fund)	**B**	**$8,946,000**	**$5,830,000**
Net Transfers from the Facility Improvement Fund	**A - B**	**$2,304,000**	**$3,170,000**

Other Capital Needs

HAS and the Operators have developed a five-year (2021-2025) capital improvement program for the Consolidated Rental Car Facility. In addition, certain other projects are currently in progress (design phase). These capital projects are summarized in Table 8 below. The total cost of these projects is estimated by HAS to be approximately $3.8 million over the six-year period, 2020-2025. All of these projects have been or are anticipated to be funded from the Facility Improvement Fund (internally generated cash flow).

Table 8

2020 - 2025 CAPITAL IMPROVEMENTS
Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston

Project	Estimated 2020	Projected 2021	2022	2023	2024	2025	2020-2025 Total
Projects Expected to be Completed in 2020							
Vehicular Wayfinding Signage	325,000						325,000
Projects Planned for 2021-2025							
Escalator Deflector Wall		30,000					30,000
Back-up Generators	197,000	1,700,000					1,897,000
Fire Alarm Panel Replacement		75,000					75,000
BAS Controls Upgrade		74,000					74,000
Bus Level HVAC/Entrance Upgrade						472,500	472,500
Replace RTU Unit #7 at Bus Maintenance Facility		95,000					95,000
ADA Permanent Handicap Ramp		160,000					160,000
Flatwork Expansion - North			500,000				500,000
Flatwork Expansion - South					500,000		500,000
	$197,000	**$2,134,000**	**$500,000**	**$0**	**$500,000**	**$472,500**	**$3,803,500**
Total	**$197,000**	**$2,134,000**	**$500,000**	**$0**	**$500,000**	**$472,500**	**$3,803,500**

Source: CBRE (Rental Car Center facility operator) and Houston Airport System.

The balance in the Facility Improvement Fund (FIF) as of October 31, 2020 (approximately $43.6 million) is more than sufficient to fund the currently anticipated capital needs of the Consolidated Rental Car Facility including the new 2021-2025 capital improvement program.

HAS has set aside $150,000 in the Administrative Costs Account to fund a planning study of long-term Facility expansion needs. The study is in progress and is expected to be complete by the end of 2021. This study should define the wide-ranging parameters of future Facility needs and costs.

Status of the Facility Improvement Fund

As of October 31, 2020 the balance in the FIF was $43.6 million. These funds represent moneys available for planned capital projects and for capital improvements, contingencies, debt retirement, or, if needed, rate stabilization.

Table 9 shows the projected flows in the FIF in 2020 and 2021. The balance in the FIF is projected to be approximately $43.0 million at the end of 2020 and $37.7 million at the end of 2021.

Table 9

PROJECTED CASH FLOWS IN THE FACILITY IMPROVEMENT FUND
Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston
For Years Ending December 31

	10 Mos YTD 2020	Estimated 2020	Projected 2021
Facility Improvement Fund (FIF)	*Actual as of 1/1/20*		
Beginning balance	**$45,245,466**	**$45,245,000**	**$43,014,000**
Transfers out (to Revenue Fund)	**(8,750,000)**	**(11,250,000)**	**(9,000,000)**
Transfers in (from Revenue Fund)	7,074,820	9,087,000	5,830,000
Capital Expenditures	(244,677)	(300,000)	(2,134,000)
Investment income	228,704	232,000	25,000
Ending Balance	**$43,554,313**	**$43,014,000**	**$37,735,000**
	Actual as of 10/31/19		
	$43,554,313		
	per Trustee Statement		

Other Account Balances

Under the Trust Indenture, two accounts were established in the Project Fund: the *Operators Account* used to construct the Operators' maintenance and storage facilities (referred to as the Operators Projects), and the *City Account* used to construct the site infrastructure, central facility, and rental car garage (referred to as the City Project). Both of these Projects are complete and the accounts have been closed out.

Projected Debt Service Coverage

Table 10 shows the calculation of debt service coverage on the 2001 Bonds and 2014 Refunding Bonds for actual 2018, actual 2019, estimated 2020, and projected 2021.

Pledged Revenues include CFC collections, investment income on certain funds and accounts, and transfers from the Rate Stabilization Account (if any), the Coverage Account and the Facility Improvement Fund. In 2020, investment performance deteriorated significantly as short-term market interest rates dropped to nearly 0%.

Table 10

CALCULATION OF DEBT SERVICE COVERAGE
Consolidated Rental Car Facility
George Bush Intercontinental Airport / Houston
For Years Ending December 31

CFC Rate:	**Jan - Mar**	**$4.00**	**$4.00**	**$4.00**	**$4.00**
	Apr - Jun	**$4.00**	**$4.00**	**$4.00**	**$4.00**
		Actual 2018	**Actual 2019**	**Estimated 2020**	**Projected 2021**
CFC Collections		**$17,311,972**	**$17,615,283**	**$8,825,000**	**$9,024,000**
Investment Income		131,074	167,458	37,000	50,000
Transfers from Facility Improvement Fund		0	0	**11,250,000**	**9,000,000**
Transfers from Rate Stabilization Account		0	0	0	0
Transfers from Coverage Account		3,169,143	3,169,143	3,169,143	3,169,000
Total Resources available for Debt Service	**A**	**$20,612,189**	**$20,951,884**	**$23,281,143**	**$21,243,000**
Total Annual Debt Service[1]					
2001 Bonds		$4,691,128	$4,691,128	$4,691,128	$12,196,128
2014 Refunding Bonds		$6,193,893	$6,306,534	$6,426,389	$0
	B	**$10,885,021**	**$10,997,662**	**$11,117,517**	**$12,196,128**
Debt Service Coverage Ratio	**A / B**	**1.89**	**1.91**	**2.09**	**1.74**

1. Debt service is shown on an accrual basis. For example, 2019 debt service equals the sum of the July 2, 2019 and January 2, 2020 interest and principal payments.

The Trust Indenture requires that Pledged Revenues provide at least 1.25x coverage of debt service each year. Debt service coverage is projected to be **2.09x in 2019** (based on extrapolating 10 months year-to-date actual results) and **1.74x in 2020**—ratios that substantially exceed the 1.25x Trust Indenture requirement.

* * * *

Conclusions

1. HAS has implemented an effective strategy to mitigate the financial risks associated with significant reduction of air traffic and rental car demand at the Airport that has occurred in the wake of the COVID-19 pandemic. Transferring funds from the FIF to the Revenue Fund to cover debt service requirements is permitted under the Trust Indenture and, when the Trust Indenture was written, was anticipated as a mechanism to address unexpected business contingencies. Such transfers can be counted as Pledged Revenues for the purposes of cash flow needs and debt service coverage calculations.

2. The prospects for a near-term recovery in rental car demand is very uncertain, particularly in light of the recent resurgence of the coronavirus and the reaction of many to shut down many public and business activities again. Therefore, it is best for HAS to have a plan in place that does not count on any particular level of market recovery, at least for the near term.

3. The current HAS plan—with monthly transfers of $1,250,000 a month from the FIF to the Revenue Fund—is more than the minimum level required to assure that all required transfers to the Debt Service Fund will be made. Under the plan, all CFC collections, as well as the amount by which the monthly FIF transfer ($1,250,000) exceeds the required monthly debt service transfer ($926,460) flow through the system and back to the FIF as surplus cash flow (and additional debt service coverage) each month.

4. As the market recovers over the next several years, it can reasonably be expected that such monthly transfers can be gradually reduced. The balance of funds in the FIF should be more than sufficient to allow HAS to address the financial uncertainties occasioned by the COVID-19 pandemic over the next few years.

Recommendations

Based on the foregoing, I concur with HAS's decision to leave the CFC rate at the current $4.00 per transaction day in 2021. I also recommend that HAS reduce the monthly revenue support transfer from the Facility Improvement Fund to the Revenue Fund from $1,250,000 in 2020 to $750,000 in 2021 in recognition of the market recovery that has occurred to date and should continue to occur next year as COVID vaccinations take place and consumer confidence in air travel returns..

Respectfully submitted,

Roger H Bates

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