March 5, 2018

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

RE: Accounting for Interest Cost during the Period of Construction Exposure Draft (Project 9-5)

Dear Mr. Bean:

Houston Airport System was compelled to comment on the Exposure Draft of the Governmental Accounting Standards Board (GASB) on Accounting for Interest Cost during the Period of Construction after recent review. While Houston Airport System appreciates GASB’s effort to simply accounting for interest cost during the period of construction, we fundamentally disagree with other objectives of Project No. 9-5.

Houston Airport System, as an enterprise fund of the City of Houston reporting on an economic resources measurement basis, contends interest costs incurred during the period of construction should continue to be capitalized. Given the high dollar value of assets employed to earn aeronautical revenues, the incurrence of interest cost via bond issuances and other vehicles is absolutely necessary. The current accounting treatment of interest cost capitalization supports the matching principle as interest cost incurred to bring airport assets to service capacity is expensed during periods the related assets are used to earn revenues. The incurred interest cost is clearly a cost of acquiring the requisite capital assets to earn aeronautical revenues. Houston Airport System believes this is a very strong argument that outweighs any concern over the complexity of accounting for interest cost capitalization.

GASB in its exposure draft states it wants to enhance comparability of information about capital assets and the cost of borrowing for a reporting period. As reporting entities already report the amount of interest cost capitalized during each given reporting period in notes to the financial statements, the proposed change does not, in substance, improve comparability. We therefore believe any imagined benefit of classifying capitalized interest cost as expense within the Statement of Revenues, Expenses and Changes in Net Position for comparability purposes is outweighed by the violation of the matching principle. Additionally, airports operate similar to private businesses and focus on self-sufficiency and sustainability through pricing that allows at minimum a return which allows the entity to continue as a going concern.
Airports operating within the United States should then logically report similar to their international airport and private business colleagues.

In closing, Houston Airport System supports the continuance of the current practice of capitalizing interest cost during the period of construction. The current practice supports the matching principle by correctly assigning interest costs, necessary to acquire high-dollar-value capital assets, to periods over which the capital assets are used to earn revenues. The current practice allows for comparability among airports operating in the United States and their private business and international airport colleagues. Lastly, the complexity of accounting for interest cost capitalization does not outweigh the benefits gained by keeping the current practice in place. The Houston Airport System requests the GASB reconsider its proposed statement. Many thanks to GASB for the opportunity to comment on the proposed statement.

Please feel free to contact me directly at (832) 763-4558 should you have any questions or concerns.

Regards,

J'Maine Chubb, CMA, CPA
Assistant Director Finance & Administration
Houston Airport System