April 29, 2020

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

RE: Postponement of the Effective Dates of Certain Authoritative Guidance (Project No. 3-39)

Dear Mr. Bean:

Philadelphia International Airport (PHL) has reviewed the Exposure Draft of the Governmental Accounting Standards Board ("GASB") on Postponement of the Effective Dates of Certain Authoritative Guidance. PHL is grateful that the GASB recognizes the impact of the COVID-19 pandemic on governmental entities and delayed the effective dates for upcoming statements and implementation guides for one year. PHL continues to be in favor of this option, however a more beneficial approach would be to allow for a two-year extension for the implementation of Leases, GASB 87.

The current worldwide health crisis has created an unparalleled interruption, at a global level, within the aviation industry. It’s expected that the impact of this crisis will go beyond a one-year time frame. PHL has nearly 200 concessionaire locations throughout our terminals and rental car facilities. Over the course of the last several weeks, about 90% of the locations have closed. The remaining open establishments are operating with minimum staffs and revenues have declined more than 90%. There is no way to determine when, if at all, these locations will return. PHL has offered rent deferrals, however further tenant lease negotiations may be warranted. Additionally, PHL has numerous commercial lease agreements that could potentially need to be renegotiated. It is difficult to quantify the scale of the lease modifications and terminations that may occur over the next two years. The magnitude could be very substantial and would not represent the typical number of lease modifications that we would expect to experience during normal operations.

The full impact of COVID-19 on PHL and its agreements cannot be assessed until a minimum of at least 18 to 24 months have passed. This will necessitate an analysis of all
agreements with tenants occupying airport property. The current health and corresponding economic crisis will have major consequences on our finances and financial reporting. Being able to provide clear communications going forward with users of our financial reports will be considerably easier without the additional burden of attempting to further explain such a broad, sweeping accounting change as the lease provisions of GASB 87.

The aviation industry is currently adapting to a rapidly changing business environment. Given the nature of the impact of these changes, along with the reevaluation of the lease requirements needed to adopt GASB 87, it merits an implementation delay of more than one year. PHL believes a two-year extension is necessary as a result of the inescapable, significant impact of the COVID-19 pandemic on airports. We need adequate time to assess the long-term effects of the current pandemic on our agreements in order to appropriately implement this new standard.

PHL is certainly appreciative of the GASB’s fast response to requests of extending the effective dates of recently adopted standards and implementation guides. We believe a postponement of a minimum of two years is justified for the implementation of the GASB 87 for the reasons outlined above. We continue to value the efforts of the GASB and the opportunity to provide comments on accounting standards. We are available to answer any questions that the GASB staff may have of us.

Sincerely,

Tracy S. Borda
Chief Financial Officer

cc:
Ms. Rochelle Cameron, CEO
Ms. Cassandra Williams, Deputy CFO