

# CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT



MASSACHUSETTS PORT AUTHORITY • YEARS ENDED JUNE 30, 2014 & JUNE 30, 2013

MASSACHUSETTS PORT AUTHORITY • COMPREHENSIVE ANNUAL FINANCIAL REPORT • YEARS ENDED JUNE 30, 2014 & JUNE 30, 2013



# Massachusetts Port Authority

## Comprehensive Annual Financial Report

*For Fiscal Years Ended June 30, 2014 and June 30, 2013*



# TABLE OF CONTENTS

*For Fiscal Years Ended June 30, 2014 and June 30, 2013*

## Introductory Section

Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	9
Organization Chart .....	11
List of Authority Board Members and Executive Staff.....	13

## Financial Section

Report of Independent Auditors .....	16
Management's Discussion and Analysis .....	18

### Financial Statements:

Statements of Net Position .....	41
Statements of Revenues, Expenses and Changes in Net Position .....	42
Statements of Cash Flows .....	43

### Notes To Financial Statements:

1. Summary of Significant Accounting Policies and Practices.....	44
2. Reconciliation Between Increase in Net Position as Calculated Under GAAP and Net Revenues as Calculated Under Accounting Practices Prescribed by the 1978 Trust Agreement.....	54
3. Deposits and Investments .....	55
4. Capital Assets .....	61
5. Bonds and Notes Payable .....	64
6. Employee Benefit Plans.....	70
7. Other Post-employment Benefits.....	72
8. Leases .....	75
9. Risk Management .....	76
10. Payments in Lieu of Taxes .....	77
11. Commitments.....	78
12. Litigation .....	78
13. Interagency Agreements .....	80
14. Subsequent Events .....	80

### Required Supplementary Information:

Schedules of Pension and OPEB Funding Progress.....	82
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### Supplementary Schedules:

I. Combining Schedule of Net Position as of June 30, 2014 .....	83
II. Combining Schedule of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2014 .....	84
III. Combining Schedule of Net Position as of June 30, 2013 .....	85
IV. Combining Schedule of Revenues, Expenses, and Changes in Net :Position for the year ended June 30, 2013 .....	86

## TABLE OF CONTENTS (Cont'd)

### Statistical Section

S-1	Changes in Net Assets, and Net Assets by Component .....	88
S-2	Most Significant Own-Source Revenues and Related Rates and Charges .....	90
S-3	Historical Principal Operating Revenue Payers .....	93
S-4	Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses .....	94
S-5	Calculation of Net Revenues Pledged Under the 1978 Trust Agreement, Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement and Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement .....	96
S-6	Calculation of Debt Service Coverage and Debt Metrics Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement .....	100
S-7	Largest Private Sector Employers.....	103
S-8	Demographics and Employment Data .....	104
S-9	Number of Employees by Facility .....	106
S-10	Logan International Airport Traffic Metrics .....	108
S-11 & S-11a	Logan International Airport Market Share of Total Passenger Traffic .....	110
S-12	Logan International Airport Passenger Market .....	115
S-13	Port of Boston Cargo and Passenger Activity .....	116
S-14	Port of Boston Principal Customers .....	119
S-15	Tobin Memorial Bridge Activity .....	120
S-16	Insurance Coverage .....	121
S-17	Physical Asset Data .....	122

### Annual Disclosure Section

Annual Disclosure Document – 1978 Trust Agreement .....	123
Annual Disclosure Document – PFC Trust Agreement .....	133
Annual Disclosure Document – CFC Trust Agreement.....	143

### Appendices

Appendix PFC-1-Historical PFC Revenue and Debt Service Coverage .....	PFC-1
Appendix PFC-2-First Lien Sufficiency Covenant Calculation .....	PFC-2
Appendix CFC-1-Total Enplaned Passengers, By Type of Passenger .....	CFC-1
Appendix CFC-2-Debt Service Coverage – Rate Covenant .....	CFC-2



## *portside at pier one*

In December 2013, Mayor Thomas M. Menino and the Massachusetts Port Authority joined with Governor Deval Patrick, New Jersey-based developer Roseland, RBS Citizens and other elected officials and members of the East Boston community to celebrate the ground breaking of the Portside at East Pier, East Boston's first new residential waterfront development in many years. The first of seven planned buildings was recently completed and will lead in the transformation of the underutilized shoreline which has spectacular views of the Boston skyline.









November 25, 2014\*

To the Members of the Massachusetts Port Authority:

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the Massachusetts Port Authority (the “Authority” or “Massport”) as of and for the fiscal year ended June 30, 2014 (“fiscal year 2014”). This report was prepared by the Authority’s Administration and Finance Department. Responsibility for the accuracy of the presented data and the complete and fair presentation, including all disclosures, rests with the Authority. This report, in all material respects, presents fairly and discloses the Authority’s financial position, results of operations and cash flows as of and for the year ended June 30, 2014 in accordance with the requirements of accounting principles generally accepted in the United States of America (“GAAP”).

Certain information within the CAFR has been presented based on the accounting principles prescribed under the Trust Agreement dated as of August 1, 1978, as amended (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (successor-in-interest to State Street Bank and Trust Company), as Trustee, under the PFC Trust Agreement dated as of May 1, 1999 (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as Trustee, and under the CFC Trust Agreement dated as of May 18, 2011 (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association, as Trustee. The 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement collectively are referred to as the “Trust Agreements” and the accounting thereunder is collectively referred to as “Trust Accounting.” Specifically, information within the CAFR under the Annual Disclosure, PFC Disclosure and CFC Disclosure tabs are presented in accordance with the respective Trust Agreements. Please see Note 2 in the notes to the financial statements as of June 30, 2014 for the reconciliation between GAAP and Trust Accounting. In addition, tables S-4, S-5 and S-6 included in the Statistical Section of the CAFR present historical financial information based on Trust Accounting, and should be read in connection with the audited financial statements attached hereto.

### **Overview of the Massachusetts Port Authority**

The Authority was created by and exists pursuant to Chapter 465 of the Massachusetts Acts of 1956, as amended to date (the “Enabling Act”) and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”). It is governed by a seven member board. Five members are appointed by the Governor of Massachusetts and one is appointed by the Massachusetts Port Authority Community Advisory Committee to staggered terms of seven years each, and the seventh member is the Secretary of Transportation and Chief Executive Officer of the Massachusetts Department of Transportation (“MassDOT”). Members are not compensated for their service.

Thomas P. Glynn continues to serve as CEO and Executive Director of the Authority. In this position, Mr. Glynn is responsible for operations at Massport’s Aviation, Port and Real Estate businesses as well as Massport’s customer service, safety and security activities. In addition, Mr. Glynn continues to focus on positioning Massport to play a larger role in the global economy so that the Authority fulfills one of its primary missions: promoting economic growth and opportunity in New England. Mr. Glynn also maintains a collaboration with state and local governments and with surrounding communities impacted by Massport’s facilities so as to build constructive partnerships that enhance both the transportation services Massport provides and the quality of life of neighboring communities.

\*The information derived from the Authority’s audited financial statements is as of the date of such audit, September 24, 2014.

The Authority's facilities include airport properties, comprising Boston-Logan International Airport ("Logan Airport" or the "Airport"), Worcester Regional Airport ("Worcester Regional Airport") and Laurence G. Hanscom Field ("Hanscom Field") (collectively "Aviation"); the Paul W. Conley Marine Terminal ("Conley Terminal"); the Black Falcon Cruise Terminal ("Cruiseport Boston"); and various maritime and industrial port properties, located in Charlestown, South Boston and East Boston (collectively the "Port"); and various commercial and residential properties, located primarily in South Boston and East Boston (collectively the "Real Estate").

Logan Airport is the most active airport in New England and provides both international and domestic commercial service. Logan serves the 11<sup>th</sup> largest domestic origin-destination ("O&D") air travel market in the U.S. and was the fastest growing of the large domestic O&D markets with passenger average annual growth for the last five years of 3.8% compared to the average annual growth of 1.5% for the top 20 markets. Logan Airport is the primary source of the Authority's revenues. Hanscom Field is the region's premier general aviation airport and provides niche commercial service. Worcester Regional Airport supports the commercial service and general aviation needs of central Massachusetts. The Port is New England's major port and provides a full range of services, from cruise ship to container ship handling. In addition to operating its facilities, the Authority is committed to providing the modern infrastructure necessary to support the transportation needs of the travelers and shippers in Boston, the Commonwealth and New England.

The Authority operates its businesses to achieve ten primary public service objectives which are to:

1. maintain and enhance safety and security at Massport-owned facilities;
2. provide high quality standards of service, superior facilities and customer convenience to the nearly 31 million aviation passengers at Logan Airport, 338,400 cruise passengers at the Cruiseport Boston, and Massport's primary shipping partners that transport over 116,800 containers of product through the Port;
3. maintain high employee morale throughout our diverse workforce;
4. revitalize Worcester Regional Airport with the arrival of JetBlue Airlines which began daily direct service to Florida in November 2013;
5. operate as a strong economic engine for the Commonwealth as demonstrated by the addition of new international air services at Logan Airport, an increase in jobs in the South Boston Innovation and Seaport District, and the advancement of the Massachusetts fishing and maritime industries in our Port;
6. evaluate the Maritime operations and the impact of larger ships docking at Conley Terminal if navigation channels are deepened;
7. be a good neighbor to the surrounding communities affected by all of our business operations;
8. to operate Hanscom Airport as the premier full service general aviation facility for the region, while being diligent towards our environmental and community responsibilities entrusted by our ownership;
9. allocate sufficient resources to build and maintain Massport's transportation facilities that promote local and regional economic prosperity and development today and into the future; and
10. to improve the Authority's financial health while maintaining proper internal controls through fiscal discipline, cost management principles and identifying areas of revenue growth to assist Massport's business partners during this continued period of slow economic growth.

The Authority's business consists of three distinct operating departments: Aviation, the Port and Real Estate. During fiscal year 2014, the Authority generated approximately \$622.5 million in operating revenues from these departments, which represented an increase of \$50.7 million or 8.9% compared to fiscal year 2013. Operating expenses were approximately \$622.3 million, an increase of \$52.9 million, or 9.3% from fiscal year 2013. Operating expenses (excluding depreciation and amortization) were \$404.5 million, an increase of 9.2% or \$34.1 million over the prior fiscal year mainly due to business expansion; increases in employee wages and benefits, pension plan and OPEB contributions and health insurance premiums; environmental cleanup expenses; higher utility usage and transmission costs and investments in technology. Depreciation and amortization expenses increased \$18.8 million to \$217.8 million in fiscal year 2014 mainly as a result of \$536.1 million in new assets placed in service. Please see further discussion in the MD&A section.

### **Economic Conditions and Local Economy**

The Authority and its businesses continued to benefit from moderate yet steady growth in the national and local economies. After sluggish growth in real Gross Domestic Product ("GDP") averaging 2.3% in 2012, U.S. economic growth began accelerating in mid-2013 and in the second quarter of 2014 real GDP increased by 4.6%. Along with a strengthening U.S. economy, several positive factors are expected to contribute to long-term passenger gains at Logan Airport: growth in the regional economy and its above average income base; the region's travel-intensive industries and Logan Airport's attractiveness as a business air travel market for airlines, especially low cost carriers ("LCCs") that wish to broaden their customer base; the region's rich cultural attractions that draw leisure travelers; the Airport's status as a major international gateway and the possibilities of additional long haul services; and the strong presence and expansion plans of JetBlue.

As an O&D airport, Logan Airport has a variety of low cost and legacy carrier airlines with no one carrier dominating Boston's aviation market. During fiscal year 2014, the largest airline, JetBlue accounted for approximately 18.4% of total landing fee and terminal rent revenues. In addition, the following three airlines, Delta Airlines, US Airways and American Airlines accounted for 33.9% of total landing fee and terminal rental revenues.

Air travel demand and airport passenger traffic are strongly linked to the economic characteristics of a region. The Boston service area encompasses the greater Boston metropolitan area, a central player in the nation's finance technology, biotechnology, healthcare and education sectors. As one of the nation's largest population and economic centers, Boston is a mature market with a high per capita income (33% above the U.S. average in 2012) and an unemployment rate typically below the national average. Such favorable economic conditions contribute to the region's sustained demand for air travel.

Logan Airport serves the Boston-Cambridge-Quincy Metropolitan Area consisting of Essex, Middlesex, Norfolk, Plymouth and Suffolk counties in Massachusetts and Rockingham and Strafford counties in New Hampshire. According to the Census Bureau for 2013 this metropolitan area (the "Boston MSA") is the nation's ninth largest metropolitan area measured by population and ninth largest regional economy measured by gross metropolitan product.

For most of the last two decades, unemployment rates in the Boston area have been lower than the national average. According to the Bureau of Labor Statistics August, 2014 estimates, the unemployment rate in the Boston MSA remained consistent at 6.2%, well below the national average of approximately 7.0%. The Boston MSA ranks as having the 19<sup>th</sup> lowest unemployment rate among the largest 49 metropolitan areas in the nation.

Tourism is an integral part of the Massachusetts economy. Millions of people visit Massachusetts and Boston every year to enjoy its rich historic and cultural heritage, attend cultural or sporting events, conduct business, visit area beaches and attend conventions at one of Boston's convention centers.

Logan Airport accommodated 30.9 million passengers in fiscal year 2014 and was the 18<sup>th</sup> busiest U.S. airport. Passenger traffic increased by 4.9% over the prior year, making Logan one of the fastest growing U.S. large hub airports in fiscal year 2014. Logan Airport is the principal airport for passengers traveling from the greater Boston metropolitan area and also serves the domestic long-haul and international travel needs of New England air travelers.

Although Massport owns and operates other facilities important to the local economy, Logan Airport provides the primary economic stability to the Authority.

## **Major Initiatives**

### ***Strategic Plan***

During fiscal year 2013, the Members of the Authority voted to undertake "Massport 2022" a strategic planning initiative to help guide the future of Massport in the coming decade and beyond. This initiative has involved Massport staff, the surrounding community, MassDOT and Massport's other stakeholders in the cooperative, community discussion about how Massport can best achieve its mission of promoting economic prosperity in a dynamic, highly competitive and ever-changing and expanding global environment. "Massport 2022" is intended to take a comprehensive look at all of Massport's Aviation, Maritime, Real Estate and Employee assets and to chart a course of action that benefits our customers and the community in the fairest and most effective way possible, balancing Massport's specific goals with the larger objectives of the city, the state and the entire New England region.

### ***International Air Service***

The Authority successfully attracted four new international airlines to Logan Airport during fiscal year 2014, increasing the total number of nonstop international destinations to 36. On July 10, 2013, Copa Airlines commenced daily nonstop service from Logan Airport to its hub airport in Panama City with convenient connections to more than 55 other destinations in Latin America. Emirates, named the "World's Best Airline" at the 2013 Paris Air Show, began flying daily nonstop service between Logan Airport and the United Arab Emirates. From its Dubai hub, Emirates flies to more than 130 destinations worldwide, including 10 in India. On May 12, 2014, Turkish Airlines began offering nonstop service from Logan Airport to its hub airport in Istanbul, Turkey with convenient connections to 248 global destinations, including cities in Asia, the Middle East, Europe and Africa, and more countries compared to any other airline. Logan gained its first nonstop service to China in June 2014 when Hainan Airlines began offering four weekly flights with the Boeing 787 Dreamliner aircraft to its international hub at Beijing. The Hainan service offers connections to cities throughout China, including Shanghai, Guangzhou, Fuzhou, Xi'an and Haikou. These new international services affirm the region's strong demand for business and leisure travel and open up new commercial and cultural opportunities for Massachusetts businesses and residents.

### ***Worcester Regional Airport***

On November 7, 2013, JetBlue commenced daily nonstop services from Worcester Regional Airport to Orlando and Fort Lauderdale, Florida. JetBlue's Worcester services carried 71,600 passengers in fiscal year 2014 and exceeded 110,000 passengers by the first anniversary date. The Authority also took steps to enhance Worcester's Instrument Landing Systems ("ILS") from a Category I to a Category III system. The project, estimated to cost \$30.0 million, will be installed over the next few years as permitting proceeds. Along with the Authority's investment, Rectrix Aviation, a private fixed based operator, broke ground on a \$5.0 million, 27,000 square foot fixed base operations facility which will include space for maintenance, storage, customer service and a training and conference center.

### ***Ground Transportation –Increasing High Occupancy Vehicle (HOV) Usage***

Logan Airport continues to rank among the top U.S. airports with respect to HOV mode share. The Authority undertook several initiatives during fiscal year 2014 to further diversify Logan Airport's ground transportation options (for passengers and employees) and reduce reliance on automobile travel to and from the airport. In April, the Authority introduced a pilot program for a Logan Express bus service (the first to serve an urban market) from Boston's Back Bay with stops at the Hynes Convention Center and the MBTA Copley Green Line station. The Authority also took steps to ensure the continuity of existing Logan Express services and enhance customer satisfaction. In June, construction began on a multilevel, 1,100 space parking garage and bus terminal at the Framingham Logan Express site. In January, the Authority acquired the property in Braintree, the busiest of the Logan Express locations. During the first quarter of fiscal year 2014, the Authority opened a \$300 million Rental Car Center ("RCC") centralizing rental car companies at the airport and creating a consolidated shuttle bus system. The new bus system reduces shuttle bus vehicle miles traveled by 70% with an accompanying 35% decline in airport-related emissions, lessens curbside congestion and improves customer service.

### ***Boston Harbor Dredging***

During fiscal year 2014, the Federal Water Resources Reform and Development Act authorized \$170 million in federal funds to support the \$300 million project to deepen Boston Harbor. Dredging is viewed as critical to maintaining the competitiveness of the Port of Boston as larger container ships begin calling on East Coast ports when the expanded Panama Canal opens in 2016. The Army Corps of Engineers estimates that a deepened Boston Harbor will double the number of containers processed at Conley Terminal that will result in \$2.7 billion in economic activity for the region. In August 2014, Governor Patrick signed the Massachusetts Environmental Bond Bill providing a \$65 million match to the Authority's planned \$65 million investment in the dredging project.

### ***Good Neighbor Initiatives***

In July 2013, the Authority began construction of the \$7 million Greenway project which transformed a wooded area adjacent to Logan Airport and the MBTA Blue Line station into a mixed use bicycle/pedestrian pathway, creating useable open space for East Boston residents. In June 2014, the Authority broke ground on the construction of the Thomas J. Butler Freight Corridor and Memorial Park in South Boston, adjacent to Conley Terminal. The project is expected to improve neighborhood traffic flows by redirecting trucks away from neighborhood streets to a new haul road, while also improving shipping operations at Conley Terminal. The project also features a 4.2-acre public park that will serve as a noise and visual buffer, while creating a new open space amenity for the neighborhood.

### ***Capital Program***

On February 20, 2014, the Members of the Authority approved the capital program for fiscal years 2014 through 2018 (the "FY14-FY18 Capital Program") in the amount of \$1.2 billion. The FY14-FY18 Capital Program represents a comprehensive and coordinated capital improvement and financial master plan for all Authority facilities. The program was developed in order to continue to fund security initiatives and airfield operation enhancements through maximizing Federal Aviation Administration ("FAA") and Transportation Security Administration ("TSA") grant receipts and utilizing a \$4.50 Passenger Facility Charge ("PFC"). The FY14-FY18 Capital Program invests 77% in Logan Airport to fund important initiatives including existing security challenges facing the aviation industry, maintaining and enhancing the public airfield, upgrading Airport terminals and making improvements to the public parking facilities at the Airport. At the same time, the Authority continues to strive to avoid or minimize adverse local and regional impacts associated with operations at the Airport and the Authority's other facilities. Funding for these projects will be provided from Massport-generated funds, FAA, TSA and other grant funding, bond proceeds, PFCs, CFCs and third party or other non-recourse funding sources. The FY14-FY18 Capital Program invests 12% towards improving Maritime facilities including the



Conley Freight Corridor, Commonwealth Pier pilings and Apron, and improvements to the Black Falcon Cruise Terminal. The remaining 11% of the FY14-FY18 Capital Program is being invested in Hanscom Field, Worcester Regional Airport and other Massport-owned facilities. The Authority continues to place the highest priority on protecting its customers and making Logan Airport, Hanscom Field, Worcester Regional Airport and the Port, as safe and secure as possible.

### **Federal Funding**

The Authority participates in the FAA's Airport Improvement Program ("AIP"), which provides Airport and Airway Trust Fund money for airport development, airport planning and noise abatement programs. The FAA offers both entitlement and discretionary grants for eligible projects. AIP grant revenue in fiscal years 2014 and 2013 totaled \$16.8 million and \$16.2 million, respectively. AIP grant revenue represented approximately 29.9% and 80.2% of total capital grant revenue earned during fiscal year 2014 and 2013, respectively. In addition to the AIP Program, the Authority received Federal funding totaling \$39.3 million and \$4.0 million during fiscal years 2014 and 2013, respectively, for environmental and security enhancements.

In fiscal year 2011 through fiscal year 2014, the Authority entered into an agreement with the TSA for a total of \$121.1 million to construct the Consolidated Baggage Inspection System at Logan Airport. As of June 30, 2014, \$18.1 million had been collected from the TSA.

### **Financial Policies and Practices**

#### ***Internal Control Environment***

The Authority's financial statements are prepared on an accrual basis of accounting. The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the complete and accurate preparation of financial statements in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise funds. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Additionally, the Authority's Internal Audit function maintains oversight over the key areas of the Authority's business and financial processes and controls. The Authority's Internal Audit team evaluates the Authority's internal control structure. In addition, the Authority's Audit and Finance Committee plays a critical role in the oversight of the Authority's internal control structure. This committee meets with the senior staff of the Authority and has regular communication with the Authority's independent auditors, Ernst & Young LLP. Internal Audit reports directly to the Authority's Audit and Finance Committee.

#### ***Budgetary Controls***

Operating budgetary controls and evaluations are accomplished by comparing actual interim and annual results with the budget. The Authority prepares budget and non-GAAP actual financial statements on a monthly basis and prepares unaudited GAAP financial statements on a quarterly basis.

If significant changes occur in the amounts available from expected funding sources, or if the costs of certain projects increase significantly, the Authority will reduce the scope of proposed projects, the overall capital program or both. Many of the commitments within the Authority's capital plan have already been authorized by the Authority and extend over several years. Nevertheless, each project within its capital program is a separate "module" that the Authority approves individually along with a separate project budget. This permits the Authority to undertake the construction and financing of each of these additional projects independently of other capital projects. The Authority believes that the modular

design of the capital program significantly increases its ability to make adjustments in capital spending when necessary.

### ***Cash Management and Investments***

All investments must be made pursuant to the Investment Policy adopted in fiscal year 2000 and most recently amended in March 2014 by the Members of the Authority. The majority of the Authority's cash and investments are held by the Trustees (in the Authority's name) under the Trust Agreements and are invested at the direction of the Authority. An investment committee meets monthly to review projected cash flow needs and investments, and an investment oversight committee meets quarterly to review the Authority's existing portfolios for compliance with the Investment Policy and external benchmarks, and to revise the existing investment strategies for the Authority's various funds, if necessary.

Cash collections during fiscal year 2014 of approximately \$605.2 million were sufficient to meet the Authority's operating expenses, make required debt service payments and make the necessary investments in its existing infrastructure assets and new capital programs for the continued benefit of its transportation constituents. For additional information regarding the Authority's cash management and investment policy please read the MD&A section and supporting notes.

### ***Capital Financing and Debt Management***

All debt must be issued pursuant to the Debt Issuance and Debt Management Policy adopted in February 2010 and most recently amended in March 2014 by the Members of the Authority. As of June 30, 2014 outstanding debt obligations of the Authority issued pursuant to the Trust Agreements totaled approximately \$1.51 billion, including subordinated revenue bonds but excluding commercial paper. Special facilities revenue bonds issued on behalf of and payable by certain borrowers are excluded because they are not obligations of the Authority. In fiscal year 2014, the total amount applied to pay debt service on obligations issued pursuant to the 1978 Trust Agreement (not including subordinate obligations), the PFC Trust Agreement and the CFC Trust Agreement aggregated \$95.5 million, \$23.2 million and \$15.0 million, respectively.

The rating agencies have recognized the value of the Authority's prudent financial management, revenue diversity and underlying market strengths. As of June 30, 2014, the Authority's revenue bonds had ratings of AA by Fitch, Aa3 by Moody's and AA- by S&P. The Authority has met or exceeded its debt service requirements, coverage ratios and other compliance issues related to the Trust Agreements.

For additional information regarding the Authority's capital financing and debt management policy please read the MD&A section and supporting notes.

## **OTHER INFORMATION**

### ***Independent Audit***

An audit of the Authority's financial statements as of and for the fiscal year ended June 30, 2014 has been completed by the Authority's independent auditor, Ernst & Young LLP. Its report is included herein and includes an unmodified opinion on the Authority's financial statements.

### ***Awards***

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2013. This was the 13<sup>th</sup> consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period

of one year only. The Authority believes that its current CAFR continues to meet the Certificate of Achievement program's requirements, and it will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for fiscal year 2014.

***Acknowledgements***

We would like to take this opportunity to thank the Members of the Authority and our employees for their dedication and commitment to our mission - established more than 50 years ago - to own and operate an integrated world-class transportation network that promotes economic growth and opportunity, enhances the quality of life of New England residents, protect the freedom to travel safely, securely, efficiently and cost-effectively, while being mindful of the environmental impacts our facilities have on our surrounding communities. Our efforts each day to provide high levels of customer service, safe, sound and reliable infrastructure, a business climate that promotes and encourages investment in our properties, and our strong commitment to our communities, are the characteristics that set this Authority apart. Additionally, we would like to thank all the employees of the airlines, shipping and cruise lines, and our tenants and business partners who are also an integral part of Massport's success. Most importantly, we thank all of our loyal customers, whom we enjoy serving each and every day.

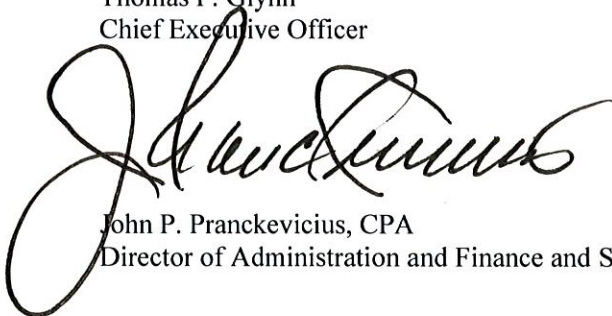
***Requests for Information***

For additional information concerning the Authority, please see the Authority's website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority's bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2014 are available at <http://www.emma.msrb.org> and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer of the Massachusetts Port Authority.

Very truly yours,



Thomas P. Glynn  
Chief Executive Officer



John P. Prankevicius, CPA  
Director of Administration and Finance and Secretary-Treasurer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Massachusetts Port Authority**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

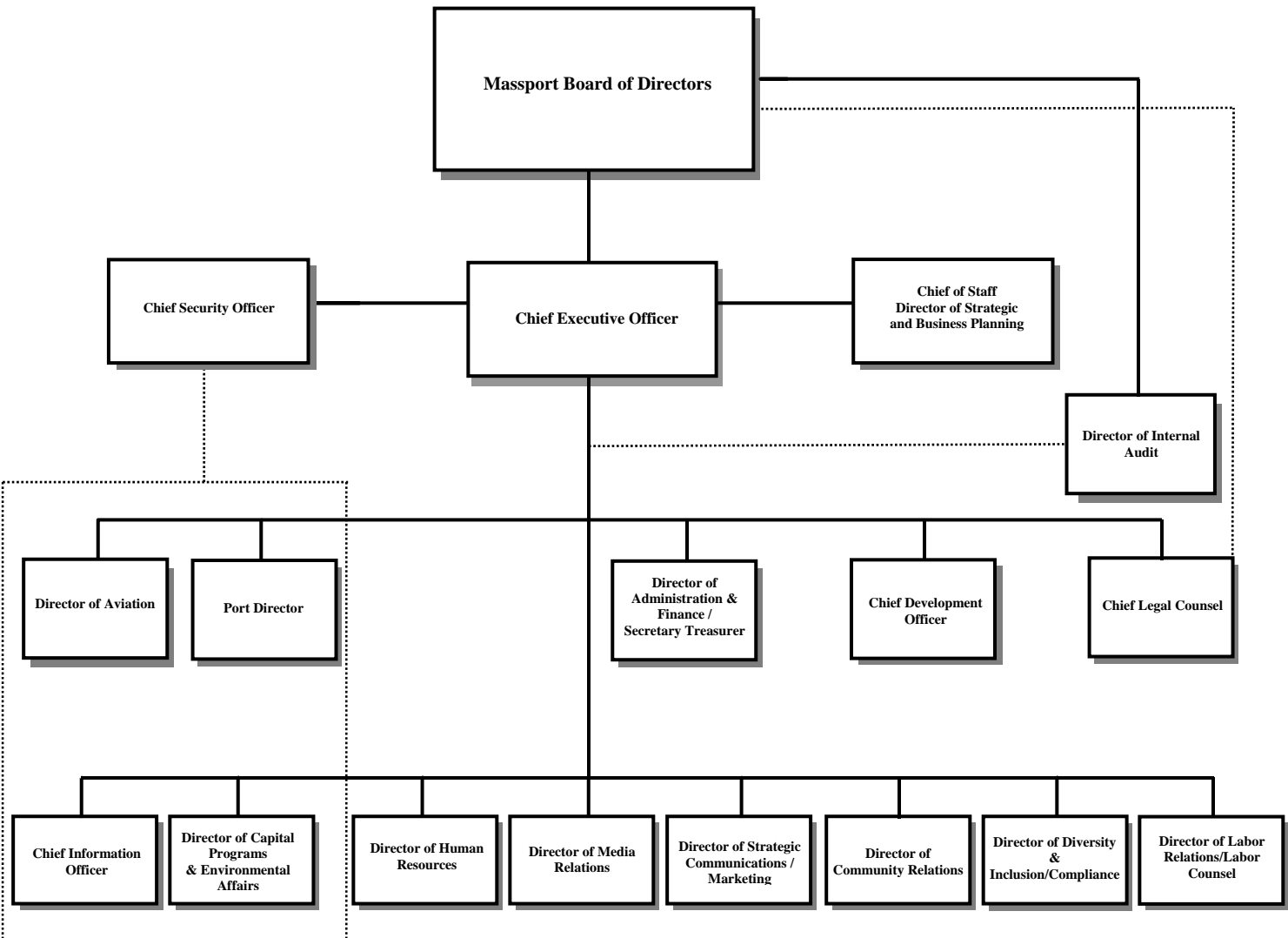


Executive Director/CEO

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# Massport Organization Chart



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## ***Authority Board Members***

(as of November 2014)

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The Authority consists of seven Members; five appointed by the Governor of Massachusetts and one appointed by the Massachusetts Port Authority Community Advisory Committee to staggered terms of seven years each, and the Secretary and Chief Executive Officer of MassDOT.

Members serve without compensation.

**Michael P. Angelini**, Chairman

**Douglas M. Husid**, Vice Chairman

**Frank DePaola**, Acting Secretary and Chief Executive Officer of MassDOT

**L. Duane Jackson**

**Elizabeth Morningstar**

**Sean M. O'Brien**

**Kurt N. Schwartz**

## ***Executive Staff***

.....

**Thomas P. Glynn**, CEO and Executive Director

**Betty J. Desrosiers**, Chief of Staff / Director of Strategic and Business Planning

**John P. Prankevicius**, Director of Administration and Finance/Secretary-Treasurer

**Francis X. Anglin**, Chief Information Officer

**Matthew Brelis**, Director of Media Relations

**James P. Doolin**, Chief Development Officer

**Edward C. Freni**, Director of Aviation

**David M. Gambone**, Director of Human Resources

**Deborah A. Hadden**, Port Director

**Joris M. Jabouin**, Director of Internal Audit

**Danny T. Levy**, Director of Strategic Communications and Marketing

**José C. Massó, III**, Director of Community Relations

**George N. Naccara**, Chief Security Officer

**Rachael S. Rollins**, Chief Legal Counsel

**Houssam H. Sleiman**, Director of Capital Programs & Environmental Affairs

**Kelly B. Strong**, Director of Labor Relations/Labor Counsel

**Kenneth L. Turner**, Director of Diversity and Inclusion/Compliance

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## ***worcester regional airport***

JetBlue's first flight received the traditional water canon salute signifying Worcester Airport was welcoming a new carrier. On November 7th, 2013, JetBlue Airways began offering commercial service at Worcester Regional Airport to serve daily nonstop service to Orlando, and Fort Lauderdale, Florida.







**MASSACHUSETTS PORT AUTHORITY**

Financial Statements, Required Supplementary Information, and  
Supplementary Schedules

Years Ended June 30, 2014 and 2013

(With Report of Independent Auditors)

## **Report of Independent Auditors**

To the Members of the Massachusetts Port Authority

We have audited the accompanying financial statements of the Massachusetts Port Authority (the Authority), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Massachusetts Port Authority at June 30, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted

accounting principles.

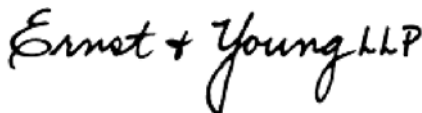
### **Required Supplementary Information**

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis, the Schedule of Pension Funding Progress and the Schedule of OPEB Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary and Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.



Boston, MA

September 24, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### ***Introduction***

The following discussion and analysis of the financial performance and activity of the Massachusetts Port Authority (the "Authority") is intended to provide an introduction and an overview of the financial statements of the Authority as of and for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. This discussion should be read in conjunction with the audited financial statements attached hereto. Management has established and maintains certain internal controls and procedures designed to ensure that the annual financial statements are free from material misstatement and that all required disclosures are made in its annual financial statements. Management has reviewed the Authority's current internal controls and procedures and believes that such controls and procedures are adequate in order to record, process, summarize and report to management material information required to be disclosed by the Authority in its annual financial statements.

The Authority owns Logan International Airport ("Logan Airport"), Hanscom Field, Worcester Regional Airport ("Worcester Airport"), Conley Terminal and various other maritime properties (the "Port"). The Authority has no taxing power and is not taxpayer funded. It uses revenues from landing fees, parking fees, fees from terminal and other rentals, revenues from concessions, tolls, ground rents, and other charges to fund operating expenses. The Authority's revenues also fund its capital expenditures and include other sources such as federal grants, passenger facility charges ("PFCs"), and customer facility charges ("CFCs"). The Authority issues revenue bonds which are secured solely by the Authority's Revenues, as defined by the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement, respectively. The Authority's bonds do not constitute a debt or a pledge of the full faith and credit of the Commonwealth of Massachusetts or of any other political subdivision thereof.

### **The Financial Statements**

The Authority's financial statements include three comparative statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board ("GASB").

The comparative Statements of Net Position depict the Authority's financial position as of a point in time, specifically June 30, 2014, and 2013, and include all assets, deferred outflows and liabilities of the Authority. The net position represents the residual interest in the Authority's assets and deferred outflows after liabilities are deducted. The Authority's net position is divided into three components: 1) invested in capital assets, 2) restricted, and 3) unrestricted. Please see Note 1 in the financial statements attached hereto for a discussion on the Authority's net position.

The Statements of Revenues, Expenses and Changes in Net Position report operating revenues, operating expenses, non-operating revenue and expenses, and other changes in net position for the fiscal years ending June 30, 2014 and 2013. Revenues and expenses are categorized as either operating or non-operating based upon management's policies as established in accordance with definitions set forth by the GASB. Certain sources of the Authority's revenues, including PFCs, CFCs, investment income and capital grants are reported as non-operating revenues and their uses are restricted and generally are not available for operating purposes.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts



and cash payments resulting from operating activities, capital and related financing activities, and investing activities.

### **Financial Highlights**

- Logan Airport serviced a record 30.9 million passengers in fiscal year 2014. This represents an increase of passenger use of 1.4 million passengers or 4.9% when compared to fiscal year 2013. New international service was added at Logan Airport with the arrival of COPA Airlines and the announcement and arrival of service to Turkey, China, and the United Arab Emirates.
- Maritime serviced 116,800 containers at Conley Terminal in fiscal year 2014, a 6.0% increase over fiscal year 2013. Cruiseport Boston finished the fiscal year having serviced 338,442 cruise passengers, and approximately 109 cruise ships having visited the Port of Boston.
- The \$300 million Rental Car Center (“RCC”) opened in the first quarter of fiscal year 2014 and began rental car and bus operations in the centralized facility thus reducing bus traffic at Logan by 60% and increasing curbside access.
- The \$125 million Terminal B renovation and improvement project was completed in the fourth quarter of fiscal year 2014 which includes the addition of jet bridges facilitating the use of larger aircraft, 24 new ticket counter positions, a relocated and modified passenger checkpoint, eight reconfigured departure lounges, and a secure passenger connection to Pier B that serves US Airways.
- Worcester Regional Airport welcomed 71,600 passengers in fiscal year 2014 with the start of jetBlue service to Orlando and Fort Lauderdale beginning in November 2013.
- The Authority’s operating revenues in fiscal year 2014 grew 8.9% to \$622.5 million, an increase of \$50.7 million over fiscal year 2013. Operating expenses (excluding depreciation and amortization) were \$404.5 million, an increase of 9.2% or \$34.1 million over last year as new facilities came on line, environmental remediation expenses were recognized, and added costs were incurred to accommodate business growth at Logan Airport, Worcester Regional Airport, and Conley Terminal. Depreciation and amortization expense increased \$18.8 million to \$217.8 million in fiscal year 2014 primarily the result of the RCC and the renovated Terminal B becoming operational in fiscal year 2014. These new facilities account for approximately \$17.0 million in additional annual depreciation.
- The Authority’s net position grew to \$1.92 billion, a \$91.8 million or 5.0% increase over the prior year. This 5.0% increase in net position was generated by operating revenues exceeding operating expenses by \$0.2 million, net non-operating revenues contributing \$35.5 million and recognizing capital grant revenues totaling \$56.1 million which are used for facility improvements.

### The Authority's Condensed Statements of Revenues, Expenses and Changes in Net Position

	(in millions)		2014 vs. 2013	
	2014	2013	\$ Change	% Change
Operating revenues	\$ 622.5	\$ 571.8	\$ 50.7	8.9%
Operating expenses	404.5	370.4	34.1	9.2%
Depreciation and amortization	217.8	199.0	18.8	9.4%
Operating income	0.2	2.4	(2.2)	-91.7%
Total nonoperating revenues (expenses), net	35.5	21.2	14.3	67.5%
Capital grant revenue	56.1	20.2	35.9	177.7%
Increase in net position	91.8	43.8	48.0	109.6%
Net position, beginning of year	1,828.5	1,784.7	43.8	2.5%
Net position, end of year	<u>\$ 1,920.3</u>	<u>\$ 1,828.5</u>	<u>\$ 91.8</u>	<u>5.0%</u>

The Authority's net position increased \$91.8 million or 5.0%, \$43.8 million or 2.5% and \$89.3 million or 5.3% during fiscal years 2014, 2013 and 2012, respectively. The increase in net position is the result of operating revenues exceeding operating expenses by \$0.2 million, \$2.4 million and \$17.3 million in fiscal years 2014, 2013 and 2012, respectively. Net non-operating revenues of \$35.5 million, \$21.2 million and \$31.2 million generated during fiscal years 2014, 2013 and 2012, respectively, primarily the result of PFCs and CFCs collections which are offset by interest expense. The Authority also recognized \$56.1 million, \$20.2 million and \$40.8 million in capital grants in fiscal years 2014, 2013 and 2012, respectively, which were used primarily to finance various airport airfield and security projects.

### The Authority's Condensed Statements of Revenues, Expenses and Changes in Net Position

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Operating revenues	\$ 571.8	\$ 558.4	\$ 13.4	2.4%
Operating expenses	370.4	359.9	10.5	2.9%
Depreciation and amortization	199.0	181.2	17.8	9.8%
Operating income	2.4	17.3	(14.9)	-86.1%
Total nonoperating revenues (expenses), net	21.2	31.2	(10.0)	-32.1%
Capital grant revenue	20.2	40.8	(20.6)	-50.5%
Increase in net position	43.8	89.3	(45.5)	-51.0%
Net position, beginning of year	1,784.7	1,695.4	89.3	5.3%
Net position, end of year	<u>\$ 1,828.5</u>	<u>\$ 1,784.7</u>	<u>\$ 43.8</u>	<u>2.5%</u>

## Operating Revenues

Operating revenues of the Authority consist primarily of fees, rentals, concessions and operating grants. Fees and other services (“Fee Revenue”) are comprised essentially of parking fees, landing fees, and container handling fees. Rental revenues are earned through lease agreements for building and ground rents across the Authority’s asset base, including Logan Airport, Hanscom Field, Worcester Airport and Port properties. Concession revenues consist primarily of fees earned from ground services for airport passengers, including car rentals, taxis, bus services, limousine services, and retail operations. The following table is a discussion of the Authority’s major operating revenues as shown on the Authority’s Condensed Statements of Revenues, Expenses and Changes in Net Position.

### The Authority’s Operating Revenues

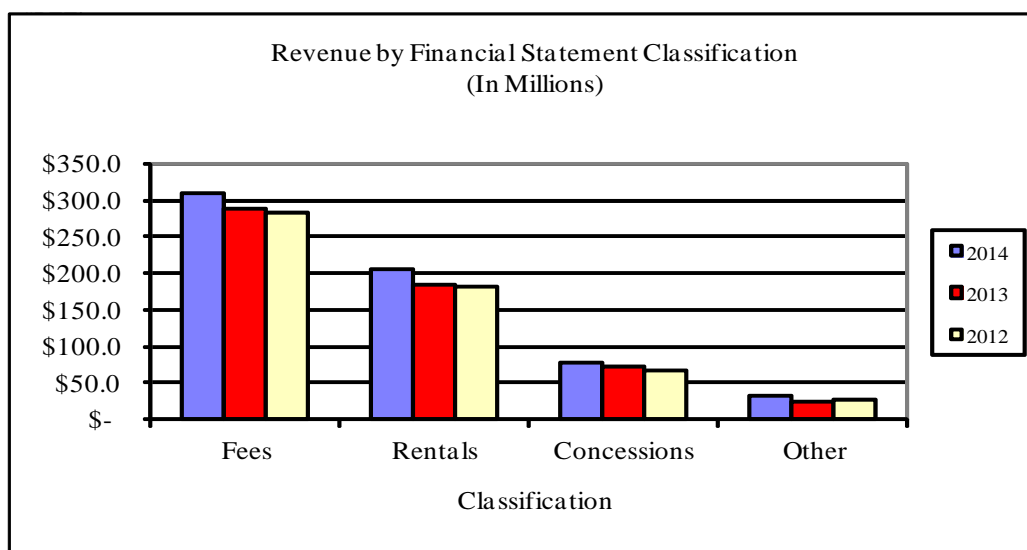
	(in millions)		2014 vs. 2013	
	2014	2013	\$ Change	% Change
Operating revenues:				
Fees and other services	\$ 308.5	\$ 289.4	\$ 19.1	6.6%
Rentals	204.4	184.7	19.7	10.7%
Concessions	77.9	72.5	5.4	7.4%
Other, including operating grants	31.7	25.2	6.5	25.8%
Total operating revenues	<u>\$ 622.5</u>	<u>\$ 571.8</u>	<u>\$ 50.7</u>	<u>8.9%</u>

The Authority’s operating revenues for fiscal year 2014 were \$622.5 million, an increase of \$50.7 million or 8.9% from fiscal year 2013. The increase in operating revenue is mainly attributable to the record 30.9 million total passengers serviced at Logan Airport in fiscal year 2014. Revenues from fees and other services increased by \$19.1 million, or 6.6% in fiscal year 2014 due to higher parking revenues generated from the 4.9% increase in passenger volumes at Logan Airport, 4.1% growth in landed weights at Logan Airport related to the increase in international and domestic carriers and an average 3.4% increase in the rate per thousand pound. Also, the 6.0% growth in container volume at Conley Terminal contributed to higher fee revenues. Rental revenue increased \$19.7 million, or 10.7% over fiscal year 2013. This increase is due to higher Logan Airport terminal rents assessed the airlines for the recovery of operating expenses and capital improvements, increased terminal space usage, and higher commercial real estate rental revenues generated on South Boston properties and other Maritime facilities. Concession revenues increased \$5.4 million, or 7.4% in fiscal year 2014 due to increased rental car concession revenues, terminal advertising, and terminal concession sales within Logan Airport. Other income increased by \$6.5 million, or 25.8% in fiscal year 2014, as a result of opening the RCC and consolidating the Rental Car Shuttle Bus services. In addition, the Authority instituted a new shuttle bus service from Logan Airport to Boston’s Back Bay train station and increased revenues from overnight aircraft parking fees resulting from increased international flights.

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Operating revenues:				
Fees and other services	\$ 289.4	\$ 283.4	\$ 6.0	2.1%
Rentals	184.7	180.6	4.1	2.3%
Concessions	72.5	68.2	4.3	6.3%
Other, including operating grants	25.2	26.2	(1.0)	-3.8%
Total operating revenues	<u>\$ 571.8</u>	<u>\$ 558.4</u>	<u>\$ 13.4</u>	<u>2.4%</u>

The Authority's operating revenues for fiscal year 2013 were \$571.8 million, an increase of \$13.4 million or 2.4% from fiscal year 2012. The increase in operating revenue is mainly attributable to the record 29.4 million total passengers serviced at Logan Airport in fiscal year 2013. Revenues from fees and other services increased by \$6.0 million, or 2.1% in fiscal year 2013 due mainly to higher parking revenues generated from increased parking activity and an increase in commercial parking rates at Logan Airport that took effect in March 2012. Rental revenue increased \$4.1 million, or 2.3% over fiscal year 2012. This increase is due to higher Logan Airport terminal rents, and an increase in commercial real estate rental revenues generated on South Boston properties and other Maritime facilities. Concession revenues increased \$4.3 million, or 6.3% in fiscal year 2013 due to increased rental car concession revenues, terminal advertising, and terminal concession sales within Logan Airport's terminals. Other income decreased by \$1.0 million, or 3.8% in fiscal year 2013, from Logan instituting free outbound Silver Line bus service and reduced overnight aircraft parking fees.

The Authority's operating revenues for fiscal year 2012 were \$558.4 million, an increase of \$20.8 million or 3.9% from fiscal year 2011. The increase in operating revenue is mainly attributable to the record 29.3 million total passengers serviced at Logan Airport in fiscal year 2012. Revenues from fees and other services totaled \$283.4 million during fiscal year 2012, an increase of \$8.9 million or 3.2% when compared to \$274.5 million generated during fiscal year 2011. Parking revenues increased \$9.7 million or 8.3% due to increased passengers and a 12.5% increase in the daily commercial parking rate that took effect in March 2012 at Logan Airport. Landing fees were 3.5% lower than the previous year as an increase in landed weights was offset by a lower landing fee charged the airlines. Revenues from container activity were slightly higher as the Port serviced 107,477 containers in fiscal year 2012 as compared to 106,857 containers serviced in fiscal year 2011. Overall utility revenues were lower by about 4.5% as low natural gas prices and the warm winter season helped keep utility costs low. These savings were in part passed onto Airline tenants.



### ***Fees and Other Services***

**Parking Fees:** During fiscal year 2014, the Authority collected \$136.3 million in parking revenue at Logan Airport, an increase of \$4.4 million or 3.4% compared to fiscal year 2013. This increase in parking revenues is attributable to a 4.9% increase in passenger volume at Logan Airport. Parking exits

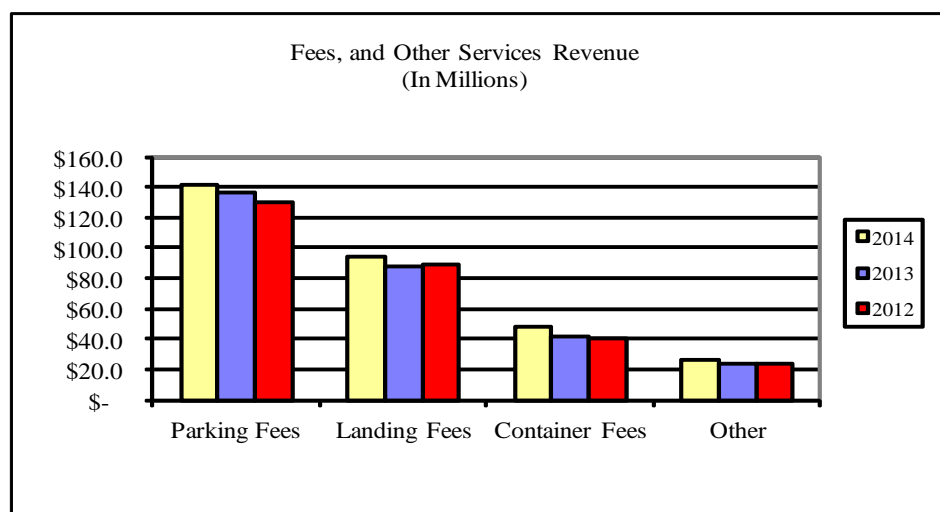
at Logan Airport for fiscal year 2014 were 2.61 million, a 1.3% increase from the prior fiscal year and revenue per exit was \$48.62, a 1.7% increase over the prior fiscal year.

During fiscal year 2014, the Maritime collected \$4.7 million in parking revenues, an increase of \$0.9 million or 23.7% compared to fiscal year 2013. This increase in parking revenues is attributable to increased activities in the waterfront area of the City and continued adjustments to daily and monthly rates to reflect market conditions in the area.

During fiscal year 2013, the Authority collected \$131.9 million in parking revenue at Logan Airport, an increase of \$6.1 million or 4.9% compared to fiscal year 2012. This increase in parking revenues is attributable to a full year effect of the 12.5% increase in the daily commercial parking rate that took effect in March 2012 and a 0.4% increase in passenger volume at Logan Airport. Parking exits at Logan Airport for fiscal year 2013 were 2.57 million, a 2.5% decrease from the prior fiscal year, although revenue per exit was \$47.80, a 7.9% increase over the prior fiscal year.

During fiscal year 2012, the Authority collected \$125.8 million in parking revenue, an increase of \$9.7 million or 8.3% compared to fiscal year 2011. This increase in parking revenues is attributable to a 12.5% increase in the daily commercial parking rate that took effect in March 2012 and a 3.1% increase in passenger volume at Logan Airport. Parking exits at Logan Airport for fiscal year 2012 were 2.64 million, a 0.05% increase over fiscal year 2011 and revenue per exit was \$44.31, an 8.3% increase from fiscal year 2011.

The following table is a presentation of the revenue components included in Fee Revenue by the Authority's primary business operations:

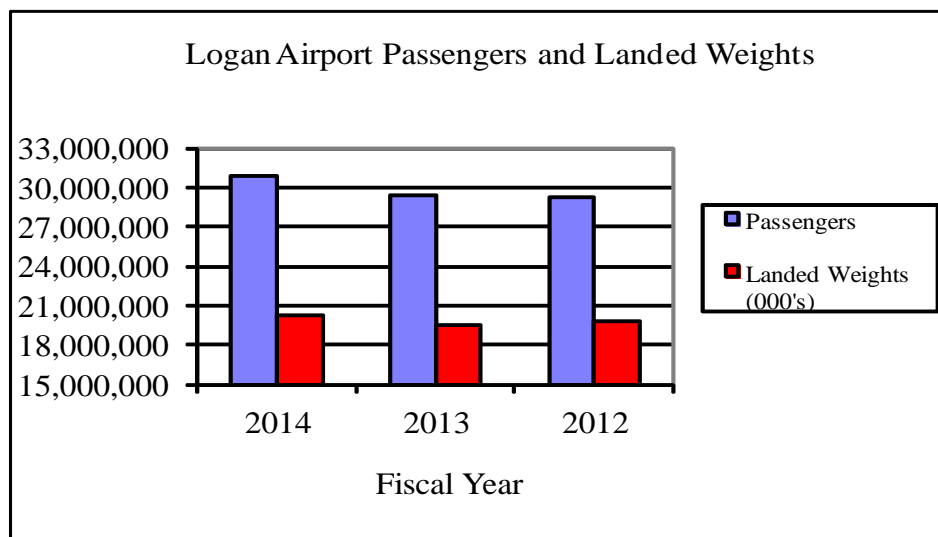


**Landing Fees:** Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft at Logan Airport. The Logan Airport landing fee is determined annually based on full cost recovery to maintain the landing field. Landing fees earned from airline activity were \$92.9 million during fiscal year 2014, an increase of \$6.4 million or 7.4% compared to the \$86.5 million earned during fiscal year 2013. Logan Airport handled 20.29 billion pounds of landed weights during fiscal year 2014, which was a 4.1% increase from the 19.49 billion pounds handled in fiscal year 2013. Logan Airport serviced 363,900 aircraft operations at its runways (takeoffs and landings). This was an increase of 3.5% from the 351,500 aircraft operations serviced in fiscal year 2013. The increase in landed weight and operations are primarily attributable to the increase in domestic airline flights and new long haul international services at Logan Airport.

Hanscom Field and Worcester Airport landing fees totaled \$1.0 million in fiscal year 2014 and \$0.9 million in fiscal year 2013.

In fiscal year 2013, landing fees earned from airline activity was \$86.5 million, a 2.0% decrease compared to \$88.3 million earned during fiscal year 2012. Logan Airport handled 19.49 billion pounds of landed weights during fiscal year 2013, which was a 1.8% decrease from the 19.85 billion pounds handled in fiscal year 2012. Logan Airport serviced 351,500 aircraft operations at its runways (takeoffs and landings). This was a decrease of 3.8% from the 365,000 aircraft operations serviced in fiscal year 2012. The decrease in landed weight and operations is partly attributable to the consolidation of certain airline routes. Hanscom Field and Worcester Airport landing fees totaled \$0.9 million in fiscal year 2013 and \$1.0 million in fiscal year 2012

In fiscal year 2012, Logan Airport landing fee revenue was \$88.3 million, a 3.5% decrease over fiscal year 2011 landing fee revenue of \$91.5 million. The reduction in revenues can be attributed to lower capital financing costs and reduced operating expenses from favorable winter conditions. During fiscal year 2012, Logan Airport handled 19.85 billion pounds, an increase from the 19.71 billion pounds of landed weights handled in fiscal year 2011. Logan Airport runways serviced 365,000 aircraft operations in fiscal year 2012, an increase of 3,000 aircraft operations over the 362,000 aircraft operations serviced in fiscal year 2011. The increase is mainly attributable to the growth of low cost carrier service at Logan Airport. Hanscom Field and Worcester Airport landing fees totaled \$1.0 million in fiscal year 2012 and \$0.9 million in fiscal year 2011.



**Container Fees:** Container fees generated at Conley Terminal are fees charged to the shipping lines for the loading and unloading of containers from their vessels. During fiscal year 2014 container fees generated \$47.4 million in revenues. This is an increase of \$5.4 million or 12.9% over the \$42.0 million generated in fiscal year 2013. Conley Terminal handled 116,800 containers in fiscal year 2014, an increase of approximately 6,600 containers over the 110,200 containers handled in fiscal year 2013. This increase in container volume coupled with carrier rate adjustments contributed to this increase in container fees for Conley Terminal.

During fiscal year 2013 container fees generated \$42.0 million in revenues. This is an increase of \$1.6 million over the \$40.4 million generated in fiscal year 2012. Conley Terminal handled 110,200 containers in fiscal year 2013, an increase of approximately 2,700 containers over the 107,500 containers handled in fiscal year 2012. This increase in container volume contributed to an increase in container fees for Conley Terminal.

During fiscal year 2012 container fees generated \$40.4 million in revenue from shipping lines. This was an increase of \$0.3 million over the \$40.1 million in container fees generated in fiscal year 2011. Conley Terminal handled 107,500 containers at the Port in fiscal year 2012. This was a 0.6% increase over the 106,900 containers serviced in fiscal year 2011.

### ***Rentals***

The Authority's rental revenues for fiscal year 2014 totaled \$204.4 million, a \$19.7 million or 10.7% increase over fiscal year 2013. Logan Airport accounts for \$175.7 million or 85.9% of the \$204.4 million in total rental revenue recorded in the Authority's financial statements. Maritime accounts for \$23.4 million and Hanscom for \$5.1 million. Airport rental revenue is earned from airlines and other tenants for the terminal buildings, cargo, and hangar space they occupy on airport property.

Rental revenues at Logan Airport were \$175.7 million, an increase of \$15.7 million or 9.8% in fiscal year 2014, when compared to the \$160.0 million in fiscal year 2013. The largest revenue component is related to terminal rents which generated \$129.5 million during fiscal year 2014, an increase of \$11.6 million or 9.8% from fiscal year 2013. This increase is the result of increased international passengers, jetBlue's expansion into Terminal C, and the expansion and renovation to Terminal B. Nonterminal rents were \$26.9 million for fiscal year 2014, an increase of \$3.0 million or 12.5% from the prior year. This increase is the result of the new RCC being placed into service in the first quarter of fiscal year 2014. The increase in rental revenues generated at Logan Airport reflects the recovery of operating and capital costs on various terminal improvements made throughout Logan Airport and the new RCC service area and garage which began operating in September 2013. In addition, the Authority collects rental revenue on Port properties and other land that it owns. During fiscal year 2014, the Authority earned approximately \$19.6 million in rental revenue on Port properties, an increase of approximately \$3.1 million or 18.8% over fiscal year 2013. This increase is primarily attributed to the receipt of transaction rent revenue on property ground leased in South Boston. Other rental revenues from Maritime properties, Hanscom Field and Worcester Airport total \$9.1 million, an increase of \$0.8 million or 9.6% over the amount collected in fiscal year 2013.

The Authority's rental revenues for fiscal year 2013 totaled \$184.7 million, a \$4.1 million or 2.3% increase over fiscal year 2012. Rental revenues at Logan Airport were \$160.0 million, an increase of \$4.4 million or 2.8% in fiscal year 2013, when compared to the \$155.6 million in fiscal year 2012. The \$4.4 million increase in rental revenues generated at Logan Airport reflects the recovery of operating costs and capital on various terminal improvements made throughout Logan Airport's terminals and the new hanger agreement with jetBlue airlines. In addition, the Authority collects rental revenue on Port properties and other land that it owns. During fiscal year 2013, the Authority earned approximately \$16.5 million in rental revenue on Port properties, an increase of approximately \$0.4 million or 2.5% over fiscal year 2012. Other rental revenues from Maritime properties, Hanscom Field and Worcester Airport total \$8.3 million, a decrease of \$0.6 million or 6.7% from the amount collected in fiscal year 2012. This decrease is due mainly to a new lease agreement at the Autoport where the lessor assumed additional operating and capital cost commitments.

The Authority's rental revenues for fiscal year 2012 totaled \$180.6 million, a \$6.2 million or 3.6% increase over fiscal year 2011. During fiscal year 2012, Logan Airport rental revenues were \$155.6



million, an increase of \$5.7 million or 3.8% when compared to fiscal year 2011. The Port properties rental revenues of \$16.1 million were \$1.3 million or 8.8% higher when compared to fiscal year 2011. Other rental revenues from Maritime properties, Hanscom Field and Worcester Airport total \$8.9 million, a decrease of \$0.8 million or 8.7% from the amount collected in fiscal year 2011.

### ***Concessions***

During fiscal year 2014, the Authority earned \$77.9 million in concessions revenue compared to \$72.5 million in fiscal year 2013, an increase of \$5.4 million or 7.4%. Concessions revenue consists of fees earned from ground services for airport passengers such as car rentals, taxis, bus and limousine services, as well as retail operations within the Airport's terminals. During fiscal year 2014, the Authority earned approximately \$40.8 million in ground service fees, an increase of \$2.4 million or 6.3% primarily from an increase in rental car activity at Logan Airport. During fiscal year 2014, other concession revenues generated from food and beverage, news and gifts, foreign exchange, duty free shops, specialty shops and other concessions totaled \$37.1 million, an 8.8% increase over fiscal year 2013. The increase can be attributed to the 4.9% growth in Logan Airport passengers and the increase in product offerings at the expanded Terminal B.

During fiscal year 2013, the Authority earned \$72.5 million in concessions revenue compared to \$68.2 million in fiscal year 2012, an increase of \$4.3 million or 6.3%. Concessions revenue consists of fees earned from ground services for airport passengers such as car rentals, taxis, bus and limousine services, as well as retail operations within the Airport's terminals. During fiscal year 2013, the Authority earned approximately \$38.4 million in ground service fees compared to \$36.3 million in fiscal year 2012. This represented an increase of \$2.1 million or 5.8% in ground service fees, primarily from an increase in rental car activity at Logan Airport. During fiscal year 2013, other concession revenues generated from food and beverage, news and gifts, foreign exchange, duty free shops, specialty shops and other concessions totaled \$34.1 million or 6.9% more than the \$31.9 million generated in fiscal year 2012. Higher passenger volumes at Logan Airport increased terminal sales and a new contract from a duty free vendor generated more revenue for the Authority.

During fiscal year 2012, the Authority's concessions revenue totaled \$68.2 million, an increase of \$4.2 million or 6.6% when compared to fiscal year 2011. During fiscal year 2012, the Authority's ground service fees increased \$1.3 million or 3.7% over fiscal year 2011. In fiscal year 2012, other concession revenues also increased by \$2.9 million or 10.0% over fiscal year 2011. The concessions revenue increase during fiscal year 2012 was primarily the result of higher passenger volumes at Logan Airport which increased terminal sales, and a new foreign currency exchange service contract.

### ***Operating Expenses (including depreciation and amortization)***

Fiscal year 2014 total operating expenses were \$622.3 million and are comprised of \$296.3 million in operations and maintenance expenses, \$54.2 million in general and administrative expenses, \$54.0 million in other operating expenses, and \$217.8 million in depreciation and amortization expenses. This is a \$52.9 million increase or 9.3% over fiscal year 2013. Total operating expenses exclusive of depreciation and amortization were \$404.5 million, a 9.2% or \$34.1 million increase over the \$370.4 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2013.

### **The Authority's Condensed Operating Expenses**

	<b>(in millions)</b>		<b>2014 vs. 2013</b>	
	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Operating expenses:				
Operations and maintenance	\$ 296.3	\$ 272.6	\$ 23.7	8.7%
General and administrative	54.2	49.0	5.2	10.6%
Other operating expenses	54.0	48.8	5.2	10.7%
Depreciation and amortization	217.8	199.0	18.8	9.4%
Total operating expenses	<u>\$ 622.3</u>	<u>\$ 569.4</u>	<u>\$ 52.9</u>	<u>9.3%</u>

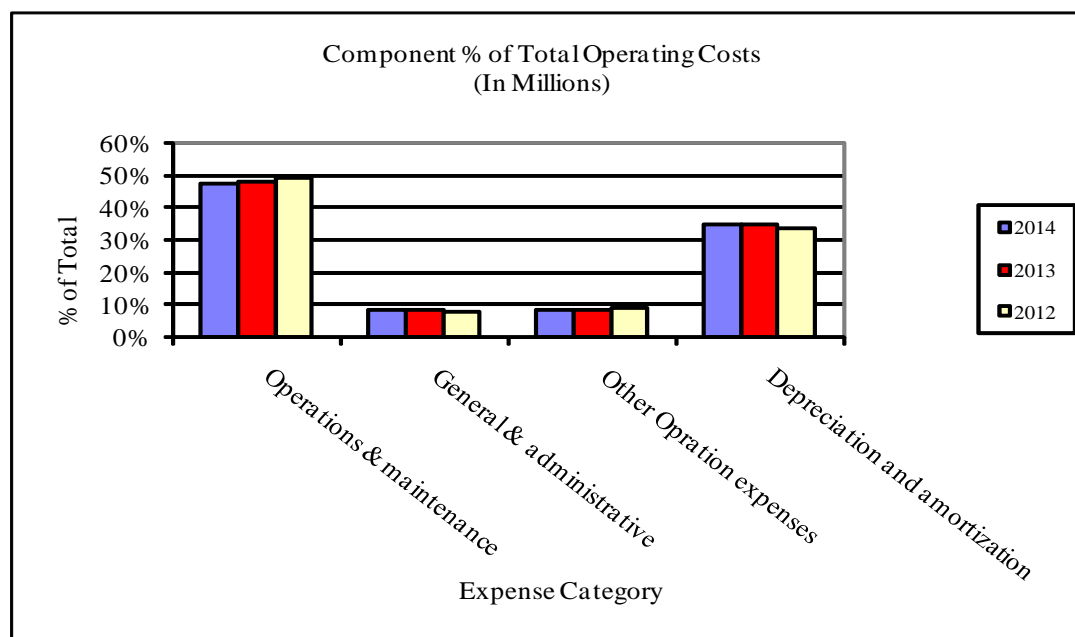
  

	<b>(in millions)</b>		<b>2013 vs. 2012</b>	
	<b>2013</b>	<b>2012</b>	<b>\$ Change</b>	<b>% Change</b>
Operating expenses:				
Operations and maintenance	\$ 272.6	\$ 265.6	\$ 7.0	2.6%
General and administrative	49.0	44.0	5.0	11.4%
Other operating expenses	48.8	50.3	(1.5)	-3.0%
Depreciation and amortization	199.0	181.2	17.8	9.8%
Total operating expenses	<u>\$ 569.4</u>	<u>\$ 541.1</u>	<u>\$ 28.3</u>	<u>5.2%</u>

Fiscal year 2013 total operating expenses were \$569.4 million and are comprised of \$272.6 million in operations and maintenance expenses, \$49.0 million in general and administrative expenses, \$48.8 million in other operating expenses, and \$199.0 million in depreciation and amortization expenses. This is a \$28.3 million increase or 5.2% over fiscal year 2012. Total operating expenses exclusive of depreciation and amortization were \$370.4 million, a 2.9% or \$10.5 million increase over the \$359.9 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2012.

Fiscal year 2012 total operating expenses were \$541.1 million and are comprised of \$265.6 million in operations and maintenance expenses, \$44.0 million in general and administrative expenses, \$50.3 million in other operating expenses, and \$181.2 million in depreciation and amortization expenses. This is a \$16.9 million increase or 3.2% over fiscal year 2011. Total operating expenses exclusive of depreciation and amortization were \$359.9 million, a 1.4% or \$5.1 million increase over the \$354.8 million in total operating expenses (excluding depreciation and amortization) incurred in fiscal year 2011.

The following depicts the Authority's significant operating cost components by Condensed Operating Expenses:



### Operations and Maintenance

During fiscal year 2014, the Authority incurred \$296.3 million in operations and maintenance costs, an increase of \$23.7 million or 8.7% from fiscal year 2013. Approximately \$10.0 million of the increase is associated with business expansion related to the opening of the Rental Car Center and new shuttle bus system at Logan Airport, the expansion and rehabilitation of terminal B, the 6% increase in container volume at Conley terminal, jetBlue's new service out of Worcester Regional Airport, and increased overtime to accommodate higher parking demand, snow removal operations, added public safety overtime attributed to the BosFuel jet fuel fire at Logan Airport. The Authority also recognized \$5.0 million in non-capitalized environmental cleanup expenses on the demolition of hanger building 16 and the Conley Freight Road contracts as required by GASB Statement No. 49. Employee collectively bargained wage adjustments and health care premium increases account for an additional \$5.0 million in added expense. Utility expenses increased \$2.7 million over last year due to increased usage and higher transmission costs. The balance of \$1.0 million is comprised of various miscellaneous departmental operational and maintenance expenses. Operations and maintenance expenses represent 47.6% of the Authority's total operating expenses. These expenses relate to the operations and maintenance of each of the Authority's facilities which includes Logan Airport, Hanscom Field, Worcester Airport, and the Port of Boston.

During fiscal year 2013, the Authority incurred \$272.6 million in operations and maintenance costs, which represents an increase of \$7.0 million or 2.6% from fiscal year 2012. Employee wages and fringe benefits costs increased \$4.3 million during fiscal year 2013. This increase is primarily attributable to the hiring of additional State Police and Fire Rescue personnel to fill vacancies, and annual collective bargaining wage increases for represented employees and merit increases for non-represented personnel. The Authority also made a onetime lease termination of tenancy payment in the amount of \$1.4 million. Increased container volumes added stevedoring expenses of \$0.4 million and snow removal costs were \$2.7 million higher than last year due to severe winter weather in the Northeast. Lastly, utility costs increased \$1.7 million from increased tenant usage and slightly higher per unit costs. The Authority

generated \$2.8 million in cost reductions by restructuring Logan's new low emission airport shuttle bus program, and other miscellaneous savings from lower structural and runway repairs. Operations and maintenance expenses represent 47.9% of the Authority's total operating expenses

During fiscal year 2012, the Authority incurred \$265.6 million in operations and maintenance costs, which represent an increase of \$3.2 million or 1.2% from fiscal year 2011. The increase is primarily the result of an increase in service costs for busing, maintenance, terminal cleaning, and repairs to runways and facilities due to an increase in use mainly attributable to the 3.1% increase in passenger activity at Logan Airport. Operations and maintenance expenses represent 49.1% of the Authority's total operating expenses.

### **General and Administrative**

During fiscal year 2014, the Authority incurred \$54.2 million in general and administrative expenses, an increase of \$5.2 million or 10.6% compared to fiscal year 2013. The Authority invested \$1.2 million in strategic planning consulting work that will be used to help guide the Authority's future Aviation, Maritime, and Real Estate business needs, community outreach focus, and workforce preparedness in the coming decade and beyond. The Authority's investment in technology added \$1.2 million in one-time costs for badge credentialing, network connectivity, uninterrupted power source upgrade, as well as new software programming for life cycle management systems and new website development. Marketing expenses increased by \$0.5 million to support new international service at Logan Airport and the addition of jetBlue service out of Worcester Regional Airport. Employee wages and benefits for general and administrative employees increased \$2.3 million due to merit increases for non-represented personnel, and an increase in healthcare insurance premium rates. General and administrative expenses represent 8.7% of the Authority's operating expenses.

During fiscal year 2013, the Authority incurred \$49.0 million in general and administrative expenses, an increase of \$5.0 million or 11.4% compared to fiscal year 2012. Employee wages and benefits for general and administrative employees increased \$1.6 million due to merit increases for non-represented personnel, and an increase in healthcare insurance premium rates. Professional services increased \$1.7 million for engineering, financial, and strategic planning consultants. The Authority's International Incentive Program added \$0.5 million in new expenses to account for the addition of Japan Airlines to Logan Airport. Other miscellaneous services such as fire boat dock repairs and maintenance contracts increased \$1.2 million. General and administrative expenses represent 8.6% of the Authority's operating expenses.

During fiscal year 2012, the Authority incurred \$44.0 million in general and administrative expenses, a decrease of \$2.0 million or 4.3% compared to fiscal year 2011. The decrease in expenses is primarily attributable to lower employee wages, and benefits for general and administrative employees due to vacancies, and the reductions in payments to professional consultants. These expense reductions were offset by higher maintenance and support service agreements. General and administrative expenses as a percent of the Authority's total expense declined slightly to 8.1% of total expenses in fiscal year 2012, as compared to 8.8% in fiscal year 2011.

### **Other Operating Expenses**

Other operating expenses consist of insurance, pension and other post employment benefit payments, payment in lieu of taxes (PILOT), and recoveries or provisions for uncollectible accounts. For fiscal year 2014 other operating expenses totaled \$54.0 million, a \$5.2 million or 10.7% increase over the \$48.8 million in total other operating expenses incurred by the Authority in fiscal year 2013. Insurance expense totaled \$9.0 million in fiscal year 2014 which was a \$1.0 million or 12.5% increase from the \$8.0 million

paid in insurance premiums in fiscal year 2013 as a result of higher property insurance premiums. Pension and OPEB payments were \$26.1 million, a \$3.1 million or a 13.3% increase over the \$23.1 million paid in fiscal year 2012 as a result of increases in the actuarial determined contributions of both Plans. The Authority's PILOT payments were \$18.4 million in fiscal year 2014. This is an increase of 2.0% or \$0.4 million over the amount paid in fiscal year 2013, and reflects the CPI adjustment incorporated in the agreements with the surrounding communities. The provision for uncollectible accounts was \$0.5 million; a \$0.8 million increase over the \$0.4 million recovery recognized in fiscal year 2013 and is consistent with prior year's activity.

For fiscal year 2013, other operating expenses totaled \$48.8 million, a \$1.5 million or 3.0% decrease from the \$50.3 million in total other operating expenses incurred by the Authority in fiscal year 2012. Insurance expense totaled \$8.0 million in fiscal year 2013 which was equal to the \$8.0 million paid in insurance premiums in fiscal year 2012. Pension and OPEB payments were \$23.1 million, a \$0.5 million or a 2.1% decrease over the \$23.6 million paid in fiscal year 2012. The Authority's PILOT payments were \$18.1 million in fiscal year 2013. This is an increase of 2.8% or \$0.5 million over the amounts paid in fiscal year 2012, and reflects the CPI adjustment incorporated in the agreements with the surrounding communities. The Authority also recognized a recovery of previously determined uncollectible accounts of \$0.4 million in fiscal year 2013. This recovery reflects management's expected receipt of payments from customer's accounts that had been previously been determined uncollectible in fiscal year 2012.

During fiscal year 2012, the Authority incurred \$50.3 million in other operating expenses. This was an increase of \$3.9 million or 8.4% over the \$46.4 million incurred in total other operating expenses in fiscal year 2011. Insurance premiums paid in fiscal year 2012 were \$8.0 million, an increase of \$0.7 million or 9.6% over the \$7.3 million in insurance premiums paid in fiscal year 2011. The increase reflects a higher cost of premiums for property insurance coverage. Pension and OPEB payments of \$23.6 million were \$2.2 million or 10.3% higher than the \$21.4 million paid in fiscal year 2011. The increase reflects the higher pension assessments resulting from the investment losses from the 2008 market decline. The Authority made PILOT payments totaling \$17.6 million in fiscal year 2012, a \$0.3 million or 1.7% increase over the \$17.3 million paid to surrounding communities in fiscal year 2011. This increase reflects the CPI contractual increase in the contract. The provision for uncollectible accounts was \$1.1 million, a \$0.7 million increase over the \$0.4 million recognized in fiscal year 2011. This increase is related to higher reserves required for pending bankruptcies.

### **Depreciation and Amortization**

The Authority recognized \$217.8 million in depreciation and amortization expense in fiscal year 2014, an increase of \$18.8 million or 9.4% compared to fiscal year 2013. This increase is the result of \$536.1 million in new assets being placed into service during fiscal year 2014, which generated in excess of \$25.4 million in current year depreciation expense which was offset by approximately \$6.6 million of depreciation expenses related to assets that became fully depreciated at the beginning of fiscal year 2014. Major projects placed into service in fiscal year 2014 include the Rental Car Center which costs \$273.4 million to date, the renovation and improvement of Terminal B to serve United Airlines which costs \$125.6 million, the rehabilitation of the Taxiway North Alpha and Bravo at a cost of \$7.9 million, and \$5.6 million in Logan terminal Curb Enhancements to better serve High Occupancy Vehicles and the MBTA Silver Line service.

In comparison, during fiscal year 2013 and 2012, the Authority placed into service new assets totaling \$232.4 million and \$131.0 million, and recognized depreciation and amortization expenses of \$199.0 million and \$189.2 million, respectively. Additionally, during fiscal year 2013, the Authority changed the estimated useful life of runway repaving which added approximately \$14.3 million to the current year expense during that fiscal year.

## Non-operating Revenues (Expenses) and Capital Grant Revenue

The Authority recognized a net \$35.5 million in non-operating revenues in fiscal year 2014, an increase of \$14.3 million or 67.5% over the \$21.2 million recognized in fiscal year 2013. Non-operating revenues in fiscal year 2013 were \$21.2 million, a decrease of \$10.0 million or 32.1% from the \$31.2 million recognized in fiscal year 2012. The following provides a brief explanation of the account changes by category for the last three fiscal years.

	(in millions)		2014 vs. 2013	
	2014	2013	\$ Change	% Change
Passenger facility charges	\$ 62.7	\$ 60.1	\$ 2.6	4.3%
Customer facility charges	30.0	29.4	0.6	2.0%
Investment income	6.6	8.3	(1.7)	-20.5%
Other income (expense), net	13.0	(3.4)	16.4	-482.4%
Termial A debt service contributions	(11.8)	(12.1)	0.3	-2.5%
Interest expense	(65.0)	(61.1)	(3.9)	6.4%
Total nonoperating revenues (expenses)	\$ 35.5	\$ 21.2	\$ 14.3	67.5%
Capital grant revenue	\$ 56.1	\$ 20.2	\$ 35.9	177.7%

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Passenger facility charges	\$ 60.1	\$ 59.2	\$ 0.9	1.5%
Customer facility charges	29.4	28.7	0.7	2.4%
Investment income	8.3	10.2	(1.9)	-18.6%
Other income (expense), net	(3.4)	1.5	(4.9)	-326.7%
Termial A debt service contributions	(12.1)	(9.1)	(3.0)	33.0%
Interest expense	(61.1)	(59.3)	(1.8)	3.0%
Total nonoperating revenues (expenses)	\$ 21.2	\$ 31.2	\$ (10.0)	-32.1%
Capital grant revenue	\$ 20.2	\$ 40.8	\$ (20.6)	-50.5%

For fiscal year 2014, non-operating revenues (expenses) is comprised of PFC and CFC revenue which represented \$92.6 million, a \$3.1 million or 3.5% increase from fiscal year 2013 revenues of \$89.5 million. Investment income of \$6.6 million declined by \$1.7 million from fiscal year 2013 due to low interest rates and a reduction in the Authority's cash and investment balances that were used for increased capital investment during the year. Other income (expense), net consists of settlement of claims, gains or losses on short term investments, and any gains or losses on the sale of equipment. During fiscal year 2014, the Authority recognized \$13.0 million in other income, net, an increase of \$16.4 million from the \$3.4 million in other expense, net generated in fiscal year 2013. The Authority finalized an arbitrage agreement with the Internal Revenue Service on income the Authority received on certain terminated guaranteed investment contracts previously held by the Authority. The settlement substantially lowered the amount owed to the IRS and resulted in a \$10.4 million gain from the reversal of an accrued liability previously recorded by the Authority. Additionally, the Authority recorded an unrealized holding gain of \$1.5 million at June 30, 2014 related to the fair value of its investments compared to a \$2.8 million holding loss at June 30, 2013. Also, during fiscal year 2014, the Authority continued to make a voluntary contribution of \$11.8 million in PFCs to the Terminal A debt service fund. Interest expense on long term debt was \$65.0 million, an increase of \$3.9 million or 6.4% from fiscal year 2013. The increase in interest expense is attributed to the issuance of \$116.8 million new revenue bonds in July 2012.

For fiscal year 2013, non-operating revenues (expenses) is comprised of PFC and CFC revenue which represented \$89.5 million, a \$1.6 million or 1.8% increase from fiscal year 2012 revenues of \$87.9 million. Investment income of \$8.3 million was down \$1.9 million from fiscal year 2012 as interest rates remained low and the Authority's investment balances were lower than the prior year. Other income/expense, net consists of settlement of claims, gains or losses on short term investments, and any gains or losses on the sale of equipment. During fiscal year 2013, the Authority incurred \$3.4 million in other expense, a decrease of \$4.9 million from the \$1.5 million in other income generated in fiscal year 2012. The increase in other non-operating expense is primarily the results of realizing a \$3.1 million loss in the fair value of investments held by the Authority and a \$0.8 million RCC mitigation payment. Also, during fiscal year 2013, the Authority made a voluntary contribution of \$12.1 million in PFCs to the Terminal A debt service fund. This \$12.1 million voluntary contribution was \$3.0 million higher than the amount contributed in fiscal year 2012 which reflects a full year of principal payments on Terminal A debt service. Interest expense on long term debt was \$61.1 million, an increase of \$1.8 million or 3.0% from fiscal year 2012. The increase is attributed to the issuance of new bonds in July 2012.

For fiscal year 2012, non-operating revenues (expenses) is comprised of PFC and CFC revenue which represented \$87.9 million, a \$3.2 million or 3.8% increase from fiscal year 2011 revenues of \$84.7 million. Investment income of \$10.2 million was down \$1.5 million from fiscal year 2011 as interest rates remained low. Other non-operating income (expense), net consists of settlement of claims, gains or losses on the fair value of investments, and any gains or losses on the sale of equipment. During fiscal year 2012, the Authority realized other non-operating income, net of \$1.5 million, an increase of \$3.2 million primarily from the gain on the fair value of investments held by the Authority. Also, during fiscal year 2012, the Authority made a voluntary contribution of \$9.1 million in PFCs to the Terminal A debt service fund. This \$9.1 million voluntary contribution was \$3.0 million higher than the amount contributed in fiscal year 2011. Interest expense on long term debt was \$59.3 million, a decrease of \$1.4 million or 2.3% from fiscal year 2011. The decline in interest expense for this period is attributable to declining interest rates on the \$126.5 million in variable rate bonds outstanding and a reduction in the principal amount of debt outstanding.



### ***Capital Grant Revenue***

The majority of the Authority's capital grants are awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects, and other capital related projects, primarily at Logan Airport. The Authority also receives grant funds from the Department of Homeland Security, the Federal Emergency Management Administration, the Environmental Protection Agency and the Massachusetts Executive Office of Public Safety and Security related to the Port Security Grant Program which safeguards the Port of Boston.

Capital grant revenue recognized in fiscal year 2014 was \$56.1 million, an increase of \$35.9 million from the amount received in fiscal year 2013. The increase in capital grant revenue was the result of \$37.1 million in Transportation Security Administration ("TSA") reimbursements for the construction of the new checked baggage inspection system at Logan Airport. The remainders of projects eligible to be reimbursed by capital grant revenues are ongoing and are expected to be reimbursed in future years.

Capital grant revenue received in fiscal year 2013 was \$20.2 million, a decrease of \$20.6 million or 50.5% from the amount received in fiscal year 2012. The reduction in capital grant revenue was a result of construction costs for the Runway Safety End on Runway 33L that was completed in fiscal year 2012 and the corresponding grant revenue being received in fiscal year 2012. The remainder of projects eligible to be reimbursed by capital grant revenues is ongoing and is expected to be reimbursed in future years.

Capital grant revenue received in fiscal year 2012 totaled \$40.8 million, an increase of \$18.3 million or 81.3% from the \$22.5 million received in fiscal year 2011. The majority of the Authority's capital grants were awarded by the FAA for the Airport Improvement Program to construct runways, taxiways, apron lighting, residential sound proofing projects and other capital related projects primarily at Logan Airport.

### **The Authority's Statements of Net Position**

The Statements of Net Position present the financial position of the Authority at the end of the fiscal years. The Statements include all assets and liabilities of the Authority. Net Position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net position at June 30, 2014, 2013 and 2012 is as follows:

## The Authority's Condensed Statements of Net Position

	(in millions)		2014 vs. 2013	
	2014	2013	\$ Change	% Change
<u>Assets</u>				
Current assets	\$ 522.9	\$ 503.6	\$ 19.3	3.8%
Capital assets, net	2,900.6	2,769.6	131.0	4.7%
Other non-current assets	418.1	499.5	(81.4)	-16.3%
Total Assets	3,841.6	3,772.7	68.9	1.8%
<u>Deferred outflows of resources</u>				
Deferred loss on refunding of bonds	20.0	21.8	(1.8)	-8.3%
Total deferred outflows of resources	20.0	21.8	(1.8)	-8.3%
<u>Liabilities</u>				
Current liabilities	\$ 307.2	\$ 255.0	\$ 52.2	20.5%
Bonds and notes payable, including current portion	1,586.5	1,656.6	(70.1)	-4.2%
Other non-current liabilities	47.6	54.4	(6.8)	-12.5%
Total Liabilities	\$ 1,941.3	\$ 1,966.0	\$ (24.7)	-1.3%
Total Net Position	\$ 1,920.3	\$ 1,828.5	\$ 91.8	5.0%

The Authority ended fiscal year 2014 with total assets and deferred outflows of resources of \$3.86 billion, total liabilities of \$1.94 billion and total net position of \$1.92 billion. This is an increase of 5.0% or \$91.8 million and is comprised of net operating income of \$0.2 million, net non-operating income of \$35.5 million and capital grant revenue of \$56.1 million. The Authority's assets consist primarily of capital assets, which represent approximately \$2.90 billion or 75.1% of the Authority's total assets and deferred outflows of resources as of June 30, 2014.

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<u>Assets</u>				
Current assets	\$ 503.6	\$ 603.2	\$ (99.6)	-16.5%
Capital assets, net	2,769.6	2,653.3	116.3	4.4%
Other non-current assets	499.5	439.2	60.3	13.7%
Total Assets	3,772.7	3,695.7	77.0	2.1%
<u>Deferred outflows of resources</u>				
Deferred loss on refunding of bonds	21.8	22.1	(0.3)	-1.4%
Total deferred outflows of resources	21.8	22.1	(0.3)	-1.4%
<u>Liabilities</u>				
Current liabilities	\$ 255.0	\$ 257.8	\$ (2.8)	-1.1%
Bonds and notes payable, including current portion	1,656.6	1,612.8	43.8	2.7%
Other non-current liabilities	54.4	62.5	(8.1)	-13.0%
Total Liabilities	\$ 1,966.0	\$ 1,933.1	\$ 32.9	1.7%
Total Net Position	\$ 1,828.5	\$ 1,784.7	\$ 43.8	2.5%

The Authority ended fiscal year 2013 with total assets and deferred outflows of resources of \$3.79 billion, total liabilities of \$1.97 billion and total net position of \$1.83 billion. This is an increase of 2.5% or \$43.8 million and is comprised of net operating income of \$2.4 million, net non-operating income of \$21.2 million and capital grant revenue of \$20.2 million. The Authority's assets consist primarily of capital

assets, which represent approximately \$2.77 billion or 73.0% of the Authority's total assets and deferred outflows of resources as of June 30, 2013.

The Authority ended fiscal year 2012 with total assets and deferred outflows of resources of \$3.72 billion, total liabilities of \$1.93 billion, and total net position of \$1.78 billion. This is an increase of 5.3% or \$89.3 million and is comprised of net operating income of \$17.3 million, net non-operating income of \$31.2 million and capital grant revenue of \$40.8 million. The Authority's assets consist primarily of capital assets, which represent approximately \$2.65 billion or 71.4% of the Authority's total assets and deferred outflows of resources as of June 30, 2012.

The Authority's liabilities consists primarily of bonds payable (including current portion), which account for 81.7%, 84.3% and 83.4% of total liabilities at June 30, 2014, 2013 and 2012, respectively. Notes payable and accrued interest payable are included in current liabilities and represented approximately 9.5%, 6.9% and 7.0% of total liabilities at June 30, 2014, 2013 and 2012, respectively.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

As of June 30, 2014 and 2013, the Authority had approximately \$2.90 billion and \$2.77 billion of capital assets (net of depreciation), respectively. These include land, construction in process, buildings, runways, roadways, machinery and equipment, air rights and parking rights. The Authority's net capital assets increased approximately \$131.0 million, or 4.7% in fiscal year 2014.

The Authority placed into service over \$536.1 million in completed capital projects during fiscal year 2014. Major construction projects completed at Logan Airport included the Rental Car Center which opened in September 2013, the renovation and improvement of Terminal B to serve United Airlines, the acquisition of the Braintree Logan Express facility, the rehabilitation of the Taxiway North Alpha and Bravo, and Curb Enhancement upgrades to better serve High Occupancy Vehicle and the Silver Line. These projects were placed into service and contributed to the increase in the Authority's capital assets. Projects under construction during fiscal year were the optimization of the Checked Baggage Inspection System, Conley Haul Road to reduce truck traffic on neighborhood streets, construction of the Logan Express Framingham Garage and electrical substation upgrades.

Capital assets comprised approximately 75.1% of the Authority's total assets and deferred outflows of resources at June 30, 2014 and 73.0% and 71.4% of the Authority's total assets and deferred outflows of resources at June 30, 2013 and 2012, respectively. During fiscal years 2014, 2013 and, 2012, the Authority spent approximately \$329.3 million, \$308.7 million, and \$225.7 million, respectively, constructing new assets and improving existing assets already in service, inclusive of construction in process.

Major construction projects completed during fiscal year 2013 at Logan Airport included Runway 33L, safety end improvements that installed a larger safety area and utilizes a larger Emergency Material Arrest Systems ("EMAS"), the rehabilitation of Runway 15R/33L, and the Chelsea Airport By-pass Road, a dedicated truck and bus traffic route to and from the Airport to Chelsea. These projects were placed into service and contributed to the increase in the Authority's capital assets. Projects under construction during fiscal year 2013 were the RCC, the renovation and improvement of Terminal B to serve United Airlines and the optimization of the Checked Baggage Inspection System.

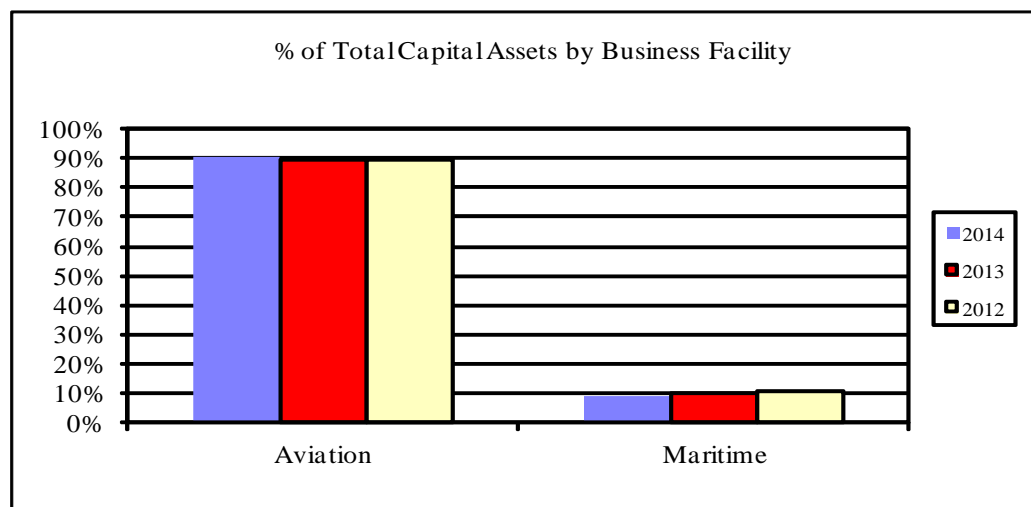
Major construction projects completed or in process during fiscal year 2012 at Logan Airport included the Rental Car Center, the Green Bus Depot which will be the onsite maintenance facility for all Authority

owned buses, runway safety end improvements that will reinstall the use of EMAS for Runway 33L, the Terminal C Central Checkpoint reconfiguration and rehabilitation, the Terminal B garage renovation project and roadway improvement program, and the Chelsea Airport By-pass Road. During fiscal year 2012, construction began on Rehabilitation of Run/Way 15R/33L.

The Authority's capital assets are principally funded by the proceeds of revenue bonds, Authority generated revenues, PFCs, CFCs, and from federal and state grant revenues.

Following is a breakdown of capital assets at June 30:

		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>Percentage Change 2014-2013</b>	<b>Percentage Change 2013-2012</b>
Land	\$	202,699	\$ 174,754	\$ 173,036	15.99%	0.99%
Construction in progress		155,071	341,977	257,828	-54.65%	32.64%
Buildings		1,517,800	1,240,570	1,271,832	22.35%	-2.46%
Runway and other paving		393,339	426,889	375,997	-7.86%	13.54%
Roadway		386,666	362,085	362,968	6.79%	-0.24%
Machinery and equipment		143,249	113,078	94,745	26.68%	19.35%
Air rights		75,605	82,555	87,578	-8.42%	-5.74%
Parking rights		26,215	27,757	29,299	-5.56%	-5.26%
Capital assets, net	\$	<u>2,900,644</u>	<u>\$ 2,769,665</u>	<u>\$ 2,653,283</u>	<u>4.73%</u>	<u>4.39%</u>



## ***Debt Administration***

The Authority's bond sales must be approved by its Members and must comply with the rules and regulations of the United States Treasury Department. The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a debt service coverage ratio higher than its Trust Agreement requirement to maintain its investment grade bond ratings. As of June 30, 2014, 2013, and 2012, the Authority's debt service coverage under the 1978 Trust Agreement was 2.65, 2.47, and 2.21, respectively.

The 1999 PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2014, 2013, and 2012, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 4.75, 4.37, and 3.73, respectively.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. As of June 30, 2014, 2013 and 2012, the CFC debt service coverage was 2.69, 2.87, and 2.78, respectively.

The Authority had net bonds payable outstanding as of June 30, 2014 in the amount of approximately \$1.51 billion, a net decrease of approximately \$64.4 million compared to fiscal year 2013. The decrease was the result of principal paid during fiscal year 2014.

The Authority had net bonds payable outstanding as of June 30, 2013 in the amount of approximately \$1.58 billion, a net increase of approximately \$19.8 million compared to fiscal year 2012. During fiscal year 2013, the Authority issued \$275.6 million of the Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued to finance capital improvements to Terminals B and C, hangar upgrades, and replace substations from Terminals B and E. Due to the "private activity" nature of the construction projects, they were sold as AMT bonds. The Series 2012 B Bonds were refunding bonds issued in the amount of \$158.8 million and were used to refund a portion of the 2003 A and 2003 C Bonds. Additionally, during fiscal year 2013, the Authority made principal payments of \$75.7 million.

The Authority had net bonds payable outstanding as of June 30, 2012 in the amount of approximately \$1.56 billion, a net decrease of approximately \$69.8 million compared to fiscal year 2011. The decrease was the result of principal paid during fiscal year 2012.

On July 17, 2014, the Authority issued \$249.8 million of Massachusetts Port Authority Revenue Bonds in three series. The Series 2014 A Revenue Bonds were issued in the principal amount of \$45.5 million with an original issue premium of approximately \$5.6 million and coupon rates ranging from 2.0% to 5.0%. The projects financed with Series A bond proceeds include a structured garage at the Framingham Logan Express site and roadways that provide access from the terminals to the Airport MBTA Station and the Rental Car Facility. The Series 2014 B Revenue Bonds were issued in the principal amount of \$48.2 million with an original issue premium of approximately \$4.8 million and coupon rates ranging from 4.0% to 5.0%. The projects financed with Series B bond proceeds include electrical substation replacement for Terminals B and E, a post-security corridor between Terminals C and E, and the demolition of an obsolete hangar to create remain overnight aircraft parking spaces. The Authority also issued Revenue Refunding Bonds, Series 2014 C, in the principal amount of \$156.1 million with an original issue premium of approximately \$32.2 million and coupons ranging from 2.0% to 5.0%. The aggregate difference in debt services between the refunded 2003 A, 2003 C and the 2005 A bonds and the refunding bonds was \$23.6 million. This refunding had an economic gain and achieved a net present value savings of \$17.1 million or 10.04%. The average annual savings for fiscal year 2015 through fiscal year 2035 was approximately \$1.126 million.

The Official Statements relating to the Authority's Bond issuances are available from the Authority or by accessing the Authority's website.

### **Net Position**

The Authority's net position, which represents the residual interest in the Authority's assets after liabilities are deducted, is \$1.92 billion as of June 30, 2014, an increase of \$91.8 million, or 5.0% from fiscal year 2013. Of this amount, \$1.23 billion is invested in capital assets net of debt, an increase of \$95.8 million compared to fiscal year 2013 amount of \$1.13 billion. The Authority's restricted net position of \$509.5 million as of June 30, 2014 is subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement or custodial agreements in the Authority's name. The Authority's restricted net position decreased \$5.9 million as of June 30, 2014. The decrease is primarily attributable to the use of PFCs to reimburse the Authority for projects previously funded by the Authority, CFC cash balances used to complete the construction of the Authority's new Rental Car Center that opened in the fall of 2013, offset by a settlement with the Internal Revenue Service related to arbitrage that generated \$10.4 million in non-operating revenue. The Authority's unrestricted net position for fiscal year ending June 30, 2014 was \$183.5 million, an increase of \$2.0 million when compared to the \$181.5 million of unrestricted net position reported in fiscal year ending June 30, 2013.

Net position at June 30, 2013 was \$1.83 billion, an increase of \$43.8 million as compared to the \$1.78 billion reported in fiscal year 2012. The net position invested in capital assets, net of related debt was \$1.13 billion for the fiscal year ending June 30, 2013, an increase of \$72.5 million compared to the fiscal year 2012 amount of \$1.06 million. The Authority's restricted net position totaled \$515.5 million as of June 30, 2013 and was subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement or custodial agreements in the Authority's name. Restricted net position as of June 30, 2013 decreased by \$67.8 million compared to the \$583.2 million reported in fiscal year 2012. The decrease is primarily attributable to use of CFC cash balances for the construction of the Authority's new Rental Car Facility to be opened in the fall of 2013. The Authority's unrestricted net position of \$181.5 million in fiscal year 2013 increased by \$39.1 million or 27.5% when compared to the \$142.4 million of unrestricted net position reported in fiscal year ending June 30, 2012. This increase is attributable to net operating revenues exceeding expenses for the year, lower debt service costs and the use of bond proceeds to fund certain capital projects resulting in an increase in a higher cash balance retained in the Authority's unrestricted fund account.

## The Authority's Condensed Cash Flows

The following summary shows the major sources and uses of cash during the following fiscal years:

	(in millions)		2013 vs. 2012	
	2014	2013	\$ Change	% Change
Net cash provided by operating activities	\$ 205.1	\$ 189.4	\$ 15.7	8.3%
Net cash used in capital and related financing activities	(301.0)	(238.0)	(63.0)	26.5%
Net cash (used in) provided by investing activities	74.3	101.4	(27.1)	-26.7%
Net (decrease) increase in cash and cash equivalents	(21.6)	52.8	(74.4)	-140.9%
Cash and cash equivalents, beginning of year	243.3	190.5	52.8	27.7%
Cash and cash equivalents, end of year	<u>\$ 221.7</u>	<u>\$ 243.3</u>	<u>\$ (21.6)</u>	<u>-8.9%</u>

	(in millions)		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Net cash provided by operating activities	\$ 189.4	\$ 210.7	\$ (21.3)	-10.1%
Net cash (used in) provided by capital and related financing activities	(238.0)	(235.5)	(2.5)	1.1%
Net cash used in investing activities	101.4	(15.6)	117.0	-750.0%
Net (decrease) increase in cash and cash equivalents	52.8	(40.4)	93.2	-230.7%
Cash and cash equivalents, beginning of year	190.5	230.9	(40.4)	-17.5%
Cash and cash equivalents, end of year	<u>\$ 243.3</u>	<u>\$ 190.5</u>	<u>\$ 52.8</u>	<u>27.7%</u>

The Authority's cash and cash equivalents at June 30, 2014 was \$221.7 million. This is a decrease of \$21.6 million, or 8.9% from the \$243.3 million in cash and cash equivalents reported in fiscal year 2013. The Authority generated \$205.1 million in cash from operations during fiscal year 2014. This was \$15.7 million or 8.3% higher than the previous fiscal year's cash provided by operating activities totaling \$189.4 million. The Authority used \$301.0 million in cash for capital and related financing activities to finance the Authority's capital program and to pay debt service expenses during the year. This is a \$63.0 million increase in the use of cash over the \$238.0 million in cash used for capital and related financing activities in fiscal year 2013. The Authority utilized \$74.3 million in cash from investments towards its capital and operating needs, an increase of \$27.1 million over the amount of cash used for investing activities in fiscal year 2013.

The Authority's cash and cash equivalents at June 30, 2013 was \$243.3 million. This was an increase of \$52.8 million, or 27.7% from the \$190.5 million in cash and cash equivalents reported in fiscal year 2012. The Authority generated \$189.4 million in cash from operations during fiscal year 2013. This was \$21.3 million or 10.1% lower than the previous fiscal year's cash provided by operating activities totaling \$210.7 million. This decrease in cash from operating activities was the result of an increase in payments to vendors, the Authority contributing an additional \$7.0 million to the OPEB Trust in fiscal year 2013, and payments made to employees. The Authority used \$238.0 million in cash for capital and related financing activities to finance the Authority's capital program and to pay debt service expenses during the year. This is a \$2.5 million increase in the use of cash over the \$235.5 million in cash generated for capital and related financing activities in fiscal year 2012. The Authority provided \$101.4 million in cash



from investing purposes to be used for future capital and operating needs, a decrease of \$117.0 million over the amount of cash provided for investing activities in fiscal year 2012.

### **Contacting the Authority's Financial Management**

For additional information concerning the Authority, please see the Authority's website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the website by clicking on "About Massport", and then clicking on "Investor Relations". The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer for the Massachusetts Port Authority.

**MASSACHUSETTS PORT AUTHORITY**

Statements of Net Position

June 30, 2014 and 2013

(In thousands)

	<b>2014</b>	<b>2013</b>
<b>Assets and Deferred Outflows</b>		
Current assets:		
Cash and cash equivalents	\$ 41,696	\$ 45,651
Investments	35,020	27,976
Restricted cash and cash equivalents	180,043	197,649
Restricted investments	169,594	160,783
Accounts receivable		
Trade, net	59,836	54,320
Grants receivable	29,573	7,114
Total receivables (net)	89,409	61,434
Prepaid expenses and other assets	7,150	10,078
Total current assets	522,912	503,571
Noncurrent assets:		
Investments	66,587	91,827
Restricted investments	286,489	342,856
Prepaid expenses and other assets	7,318	9,464
Investment in joint venture	2,263	2,137
Net OPEB asset	55,418	53,188
Capital assets, net	2,900,644	2,769,665
Total noncurrent assets	3,318,719	3,269,137
Total assets	3,841,631	3,772,708
Deferred outflows of resources		
Deferred loss on refunding of bonds	20,017	21,847
Total deferred outflows of resources	20,017	21,847
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	102,714	102,743
Compensated absences	1,483	1,550
Contract retainage	12,561	8,092
Current portion of long term debt	84,665	81,770
Commercial notes payable	150,000	100,000
Accrued interest on bonds payable	35,304	36,587
Unearned revenues	5,219	6,054
Total current liabilities	391,946	336,796
Noncurrent liabilities:		
Accrued expenses	19,604	18,143
Compensated absences	18,974	19,873
Contract retainage	—	5,485
Long-term debt, net	1,501,803	1,574,869
Unearned revenues	8,982	10,828
Total noncurrent liabilities	1,549,363	1,629,198
Total liabilities	1,941,309	1,965,994
<b>Net Position</b>		
Invested in capital assets	1,227,358	1,131,577
Restricted		
Bond funds	201,754	185,018
Project funds	214,772	208,948
Passenger facility charges	65,951	72,501
Customer facility charges	1,571	23,849
Other purposes	25,472	25,142
Total restricted	509,520	515,458
Unrestricted	183,461	181,526
Total net position	\$ 1,920,339	\$ 1,828,561

The accompanying notes are an integral part of these financial statements.

**MASSACHUSETTS PORT AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

(In thousands)

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Fees, tolls and other services	\$ 308,468	\$ 289,384
Rentals	204,380	184,744
Concessions	77,873	72,542
Other	27,874	22,515
Operating grants	3,876	2,638
Total operating revenues	<u>622,471</u>	<u>571,823</u>
Operating expenses:		
Operations and maintenance	296,344	272,611
Administration	54,151	48,950
Insurance	9,001	8,020
Pension	11,990	9,614
Other post-employment benefits	14,140	13,450
Payments in lieu of taxes	18,444	18,090
Provision for uncollectible accounts	453	(353)
Depreciation and amortization	217,767	199,046
Total operating expenses	<u>622,290</u>	<u>569,428</u>
Operating income	<u>181</u>	<u>2,395</u>
Nonoperating revenues and (expenses):		
Passenger facility charges	62,682	60,105
Customer facility charges	29,963	29,354
Investment income	6,642	8,336
Net increase (decrease) in the fair value of investments	1,976	(2,821)
Other revenues	10,547	187
Settlement of claims	1,792	567
Terminal A debt service contribution	(11,839)	(12,114)
Other expenses	(1,407)	(1,279)
Gain (loss) on sale of equipment	90	(64)
Interest expense	(64,973)	(61,071)
Total nonoperating revenues (expenses), net	<u>35,473</u>	<u>21,200</u>
Increase in net position before capital grant revenue	35,654	23,595
Capital grant revenue	<u>56,124</u>	<u>20,234</u>
Increase in net position	91,778	43,829
Net position, beginning of year	<u>1,828,561</u>	<u>1,784,732</u>
Net position, end of year	<u>\$ 1,920,339</u>	<u>\$ 1,828,561</u>

The accompanying notes are an integral part of these financial statements.

**MASSACHUSETTS PORT AUTHORITY**  
**Statements of Cash Flows**  
**Years ended June 30, 2014 and 2013**  
(In thousands)

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Cash received from customers and operating grants	\$ 605,183	\$ 571,716
Payments to vendors	(234,742)	(218,147)
Payments to employees	(132,927)	(125,256)
Payments in lieu of taxes	(18,444)	(18,090)
Other post-employment benefits	(14,000)	(20,851)
Net cash provided by operating activities	<u>205,070</u>	<u>189,372</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(329,305)	(308,693)
Proceeds from the issuance of bonds, net	—	313,408
Principal payments on refunded debt	—	(180,100)
Interest paid on bonds and notes	(73,647)	(84,102)
Principal payments on long-term debt	(64,435)	(75,745)
Proceeds from commercial paper financing	76,000	15,000
Principal payments on commercial paper	(26,000)	(15,000)
Terminal A debt service contribution	(11,839)	(12,114)
Proceeds from passenger facility charges	62,464	60,270
Proceeds from customer facility charges	29,156	27,650
Proceeds from capital grants	34,699	20,768
Settlement of claims	1,792	567
Proceeds from sale of equipment	90	93
Net cash (used in) capital and related financing activities	<u>(301,025)</u>	<u>(237,998)</u>
Cash flows from investing activities:		
Purchases of investments, net	(488,950)	(689,234)
Sales of investments, net	555,930	781,139
Realized gain on sale of investments	428	—
Interest received on investments	6,987	9,471
Net cash provided by investing activities	<u>74,395</u>	<u>101,376</u>
Net (decrease) increase in cash and cash equivalents	<u>(21,560)</u>	<u>52,750</u>
Cash and cash equivalents, beginning of year	243,300	190,550
Cash and cash equivalents, end of year	<u>\$ 221,740</u>	<u>\$ 243,300</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities:		
Operating income	\$ 181	\$ 2,395
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	217,767	199,045
Provision (recovery) for uncollectible accounts	453	(353)
Changes in operating assets and liabilities:		
Trade receivables	(6,297)	(2,539)
Prepaid expenses and other assets	2,398	1,019
Prepaid expenses and other assets – long-term	(1,339)	(10,546)
Accounts payable and accrued expenses	(4,445)	3,256
Compensated absences	(965)	(778)
Deferred revenue	(2,683)	(2,127)
Net cash provided by operating activities	<u>\$ 205,070</u>	<u>\$ 189,372</u>
Noncash investing activities:		
Net increase in the fair value of investments	<u>\$ 720</u>	<u>\$ (828)</u>

The accompanying notes are an integral part of these financial statements.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 1. Summary of Significant Accounting Policies and Practices

#### Reporting Entity

The Massachusetts Port Authority (the “Authority”) is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created and existing pursuant to Chapter 465 of the Acts of 1956, as amended, (the “Enabling Act”). The Authority controls, operates and manages Boston-Logan International Airport (“Logan Airport”), Laurence G. Hanscom Field, Worcester Regional Airport, the Port of Boston and other facilities in the Port of Boston.

The Authority has no stockholders or equity holders, and the Authority’s financial statements are not a component unit of the Commonwealth’s financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended and supplemented (the “1978 Trust Agreement”), between the Authority and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee (the “Trustee”), the Passenger Facility Charges (“PFC”) Revenue Bond Trust Agreement dated May 6, 1999, as amended and supplemented (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”) and the Customer Facility Charges (“CFC”) Revenue Bond Trust Agreement dated May 18, 2011, as amended and supplemented (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association as trustee (the “CFC Trustee”), govern all funds, with limited exceptions, received by the Authority pursuant to the Enabling Act.

In April 1981, the Authority adopted a retiree benefit plan whereby the Authority assumed the full cost of group health insurance including basic life insurance, dental insurance and catastrophic illness coverage to those retirees and surviving spouses (and qualifying dependents) who have retired under the Authority’s retirement system (collectively referred to as the “OPEB Plan”). In June 2009, the Board made changes to the plan benefits to be paid by the Authority for certain existing and future retirees. For additional details see Note 7.

In June 2008, the Authority created the Retiree Benefits Trust (the “RBT” or the “Trust”) to fund its OPEB Plan obligations. It was established as an irrevocable governmental trust under Section 115 of the Internal Revenue Code. The Trust is legally separate from the Authority and is reported as a Fiduciary Trust Fund of the Authority under accounting principles promulgated by the Governmental Accounting Standards Board (“GASB”). In no event shall any part of the principal or income of the RBT be paid or revert back to the Authority or be used for any purpose whatsoever other than for the exclusive benefit of retirees and their beneficiaries.

#### Basis of Accounting

The Authority’s activities are accounted in a manner similar to that often utilized in the private sector. The Authority’s financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus in accordance with U.S. generally accepted accounting principles (“GAAP”).

Revenues from airlines, rentals, parking fees, tolls and concessions are reported as operating revenues. Capital grants, financing or investing related transactions are reported as non-operating revenues and expenses. All expenses related to operating the Authority’s facilities are reported as operating expenses.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### Accounting per Applicable Trust Agreements

Under the 1978 Trust Agreement, cash of the Authority is deposited daily into the Revenue Fund established pursuant to the 1978 Trust Agreement and is transferred to the cash concentration account. All such revenues are then transferred to the various funds established pursuant to the 1978 Trust Agreement. After providing for operating expenses, including pension expense and transfers to the self insurance account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund, the Capital Budget Fund, if applicable, and finally, the Improvement and Extension Fund.

PFC revenue is deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Revenue Bond Trust Agreement and is utilized to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement. Any remaining funds are transferred to the PFC Capital Fund.

CFC revenue is deposited in the CFC Revenue Fund established pursuant to the CFC Trust Agreement and are utilized to pay debt service on CFC Special Facilities Bonds as required in the CFC Trust Agreement. Any remaining funds are transferred to the CFC Stabilization Fund.

See Note 2 for a reconciliation between the increase in net position as calculated per GAAP and net revenues as calculated per accounting practices prescribed by the 1978 Trust Agreement.

### Net Position

The Authority follows the “business type” activity requirements of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, which requires that resources be classified for accounting and reporting purposes into the following three net position components:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt and the deferred outflows / inflows attributable to the acquisition, construction or improvement of those assets.
- Restricted: Net position of assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include the construction funds held pursuant to the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the self insurance fund.
- Unrestricted: Net position of assets that are not subject to externally imposed stipulations. Net amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources not included in the determination of net invested in capital assets or restricted components of net position. Unrestricted net position may be designated for specific purposes by action of management or the Members of the Authority (the “Board”) or may otherwise be limited by contractual agreements with outside parties.
- When both restricted and unrestricted resources are available for a particular restricted use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as needed.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority only has one item that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources for the years ended June 30, 2014 and 2013.

### ***Net position flow assumption***

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which resources are considered to be applied.

### ***(a) Cash and Cash Equivalents***

For purposes of the statements of cash flows, the Authority considers all highly liquid investments, including restricted assets, with an original maturity date of thirty days or less to be cash equivalents.

### ***(b) Investments***

Investments with a maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with a maturity date of less than one year are carried at amortized cost, which approximates fair value. Fair value equals quoted market prices. The Authority recorded an unrealized holding gain of \$1.5 million and a realized gain of \$0.4 million at June 30, 2014 and an unrealized holding loss of \$2.8 million at June 30, 2013.

### ***(c) Restricted Cash and Investments***

Certain cash, cash equivalents and investments are restricted for use by the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement, and other external requirements. These amounts have been designated primarily for expenditures related to future construction or asset acquisitions, debt service and debt service reserves.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### *(d) Capital Assets*

Capital assets are recorded at historical cost. Such costs include, where appropriate, capitalized interest and related legal costs. The costs of normal upkeep, maintenance, and repairs are not capitalized.

The capitalization threshold is noted below:

<b>Asset Category</b>	<b>Dollar Threshold</b>
Buildings	\$ 10,000
Machinery & Equipment	5,000
Equipment Repair/Overhaul (Major)	25,000
Runway, Roadways & Other Paving	50,000
Land	NA
Land Improvements	50,000

The Authority capitalizes certain interest costs associated with taxable and tax exempt borrowing, less any interest earned on the proceeds of those borrowings, during the period of construction. Interest expense of \$4.1 million and \$12.0 million, reduced by interest income of \$13.0 thousand and \$17.0 thousand resulted in capitalized interest of \$4.1 million and \$12.0 million for the years ended June 30, 2014 and 2013, respectively.

### *(e) Depreciation*

The Authority provides for depreciation using the straight-line method. During fiscal year 2013 the Authority changed the estimated useful life of runway repaving which added approximately \$14.3 million to the current year expense. Depreciation is intended to distribute the cost of depreciable properties over the following estimated useful lives:

<b>Asset Category</b>	<b>Years</b>
Buildings	25
Runways (original construction)	25
Other airfield paving	12
Roadway	25
Machinery and equipment	5 to 10
Land use rights	30

### *(f) Other Assets and Prepaid Items*

Other assets consist of certain payments to vendors reflecting costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### **(g) Amortization**

Revenue bond discounts and premiums are deferred and amortized on a straight line basis over the term of the bonds, as this approximates the effective interest method. Unamortized amounts are presented as a (reduction) addition of the face amount of bonds payable.

The difference between the reacquisition price and net carrying amount of defeased bonds is amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt and is recorded as deferred outflows of resources on the statement of net position.

### **(h) Revenue Recognition**

Fees and other services consist of parking fees, landing fees, and container handling fees. Revenues from parking fees and container handling fees are recognized at the time the service is provided. Landing fees are recognized as part of operating revenue when airline related facilities are utilized and are principally based on the landed weight of the aircraft. The scheduled airline fee structure is determined and approved annually by the Board and is based on full cost recovery pursuant to an arrangement between the Authority and the respective airlines.

Rental and concession fees are generated from airlines, rental car companies, and other commercial tenants. Rental revenue on leases is recognized over the term of the associated lease. Concession revenue is recognized partially based on self reported concession revenue by the tenants and partially based on minimum rental. Unearned revenue consists primarily of amounts received in advance for future rents or other services. These amounts are recognized as revenue as they are earned over the applicable period.

Rates and charges are set annually based on the budgeted operating costs and actual capital costs. A true-up calculation is performed for landing fees, terminal rents, and baggage fees at year-end based on the actual results. In the event the actual costs are more than the budgeted amounts for the year, the Authority will recover additional rates and charges. In the event the actual costs are less than the budgeted amounts, the Authority will issue credits to the respective airlines.

The Authority presents its accounts receivable at the expected net realizable value. Accordingly, the Authority recorded an allowance for doubtful accounts against its accounts receivable of \$1.1 million and \$1.5 million at June 30, 2014 and 2013, respectively.

Revenue related to grants is recognized when the grant agreement is approved and eligible expenditures are incurred.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### *(i) Passenger Facility Charges*

In 1993, the Authority received initial approval from the Federal Aviation Administration (“FAA”) to impose a \$3.00 PFC at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. Effective October 1, 2005, the Authority received approval from the FAA to increase the PFC collection to \$4.50. All PFC’s collected by the Authority are presently pledged under the PFC Trust Agreement with the Bank of New York Mellon.

Through June 30, 2014, the Authority had cumulative cash collections of \$911.9 million in PFCs, including interest thereon.

As part of the Final Agency Decision issued by the FAA in 2011, the Authority was authorized, but not required, to use up to \$14.4 million per year in PFCs to pay approximately one-third of the debt service on the Terminal A Special Facility bonds. The Authority chose to make this use of PFC revenue in order to offset the increase in Terminal A rates and charges that would have resulted from the scheduled increase in Terminal A debt service associated with the beginning of principal payments on January 1, 2012 for the Terminal A bonds. This use of PFCs will maintain the rate consistency across all terminals and facilitate the Authority’s ability to assign carriers to Terminal A.

At June 30, 2014, the Authority’s collection authorization and total use approval is \$1.35 billion.

As of June 30, 2014 and 2013, \$110.4 million and \$127.4 million of PFC bonds were outstanding, respectively.

Revenues derived from the collection of PFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the airlines. Due to their restricted use, PFCs are categorized as non-operating revenues. The Authority recognized \$62.7 million and \$60.1 million in PFC revenue for the fiscal years ended June 30, 2014 and 2013, respectively.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### **(j) Customer Facility Charges**

Effective December 1, 2008, the Board established a CFC of \$4.00 per day for rental cars which originated out of Logan Airport. Effective December 1, 2009, this charge was increased to \$6.00 per day. The proceeds of the CFC are being used to finance the Rental Car Center (the “RCC”) and associated bus purchases. Revenues derived from the collection of CFCs are recognized on the accrual basis, based on the month the charges were levied and collected by the rental car companies. Due to their restricted use, CFCs are categorized as non-operating revenues. Pursuant to the CFC Trust Agreement dated May 18, 2011 between the Authority and U.S. Bank National Association, as trustee, the Authority issued two series of Special Facilities Revenue Bonds (the “Series 2011 Bonds”). The Series 2011 Bonds were issued for the purpose of providing funds sufficient, together with other available funds of the Authority, to finance the development and construction of a RCC and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Authority recognized \$30.0 million and \$29.4 million in CFC revenue for the fiscal years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, \$208.3 million and \$211.5 million of CFC bonds were outstanding, respectively.

### **(k) Compensated Absences**

The Authority accrues for vacation and sick pay liabilities when they are earned by the employee. The liability for vested vacation and sick pay is reflected in the accompanying statements of net position as compensated absences. The table below presents the Authority’s compensated absences activity at June 30, 2014 and 2013 and for the years then ended (in thousands):

	<b>2014</b>	<b>2013</b>
Liability balance, beginning of year	\$ 21,423	\$ 22,201
Vacation and sick pay earned during the year	12,290	12,066
Vacation and sick pay used during the year	(13,256)	(12,844)
Liability balance, end of year	\$ <u>20,457</u>	\$ <u>21,423</u>

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### **(l) Use of Estimates**

The preparation of financial statements in conformity with GAAP 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 expenditures during the reporting period. Actual results could differ from those estimates.

### **(m) Interfund Transactions**

During fiscal year 2014, the Authority loaned the CFC Trust \$10.0 million at 6.167% interest to complete the construction of the RCC. This transaction generated \$0.5 million in interest income and expense that has been eliminated in the combining schedules. Additionally, all interfund amounts have been eliminated in the combining statements.

### **(n) Financial Statement Reclassification**

Certain amounts in the fiscal year 2013 financial statements have been reclassified to conform to fiscal year 2014 presentation.

### **(o) New Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB No. 68"). The objective of this Statement is to improve the information provided in government financial reports about pension related financial support provided benefits to the employees of other entities. The provisions of this Statement are effective for financial periods beginning after June 15, 2014.

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 68.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB No. 69"). This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based on their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2014 and 2013

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

The Authority is currently evaluating the impact of the implementation of GASB No. 69 on its financial statements.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB No. 70"). Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements.

Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

The Authority adopted this Statement and there was no impact on its financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. ("GASB No. 71") which resolves transition issues in *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. The objective of this Statement is to eliminate a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB No. 68 which is effective for financial periods beginning after June 15, 2014.

**MASSACHUSETTS PORT AUTHORITY**

Notes to Financial Statements

June 30, 2014 and 2013

The Authority is currently evaluating the impact the adoption of this Statement will have on its financial statements as a result of the implementation of GASB No. 71.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 2. Reconciliation between increase in net position as calculated under GAAP and net revenues as calculated under accounting practices prescribed by the 1978 Trust Agreement

Presented below are the calculations of the net revenues of the Authority under the 1978 Trust Agreement. Net revenue calculated based on the 1978 Trust Agreement is used in determining the Authority's compliance with the debt service coverage ratio.

	<u>2014</u>	<u>2013</u>
<b>Increase in Net Position per GAAP</b>	\$ 91,778	43,829
Additions (1):		
Depreciation and amortization	217,767	199,046
Interest expense	64,973	61,071
Payments in lieu of taxes	18,444	18,090
Other operating expenses	4,201	3,129
Terminal A bonds - debt service contribution by PFC fund	11,839	12,114
OPEB expenses, net	140	450
Less (2):		
Passenger facility charges	(62,682)	(60,105)
Customer facility charges	(29,963)	(29,354)
Self insurance expenses	95	(678)
Capital grant revenue	(56,124)	(20,234)
Net decrease (increase) in the fair value of investments	(1,976)	2,821
Loss (gain) on sale of equipment	(90)	64
Other (revenues) expenses	(3,928)	(4,156)
Other non-operating revenues	(9,140)	1,092
Settlement of claims	(1,792)	(567)
Investment income	(3,434)	(4,168)
<b>Net Revenue per the 1978 Trust Agreement</b>	\$ <u>240,108</u>	<u>222,444</u>

1. Expenses recognized under GAAP which are excluded under the 1978 Trust Agreement
2. Revenues recognized under GAAP which are excluded under the 1978 Trust Agreement

Total net revenues, as defined by the 1978 Trust Agreement, pledged for the repayment of bonds issued under the 1978 Trust Agreement were \$240.1 million and \$222.4 million for the years ended June 30, 2014 and 2013, respectively.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 3. Deposits and Investments

The Authority has adopted GASB No. 40, *Deposit and Investment Risk Disclosure*. The standard requires that entities disclose essential risk information about deposits and investments.

The Authority's investments are made in accordance with the provisions of the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement along with the investment policy adopted by the Board (the "Investment Policy"). The goals of the Investment Policy are, in order of importance, to preserve capital, to provide liquidity and to generate interest income.

As of June 30, 2014 and 2013, all investments were held on behalf of the Authority by the Trustee, the PFC Trustee, the CFC Trustee or custodians in the Authority's name. The 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement require that securities collateralizing repurchase agreements must continuously have a fair value at least equal to the cost of the agreement plus accrued interest.

The Authority's investments in forward delivery agreements are in the form of a guaranteed investment contract ("GIC") which provides for, among other things, the sequential delivery of securities to be sold to the Trustee, PFC Trustee, or CFC Trustee, as applicable, periodically at a discount from maturity value such that the aggregate discount equals the interest rate previously agreed to between the Authority and the provider of the guaranteed investment contract.

The total accumulated unrealized gain (loss) due to the changes in fair value of investments related to investments with maturities in excess of one year was a gain of approximately \$0.7 million as of June 30, 2014 and a loss of approximately \$0.8 million as of June 30, 2013.



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2014 and 2013 (in thousands):

<b>2014</b>	<b>Credit Rating (1)</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Effective Duration</b>
MMDT	Unrated	\$ 175,064	\$ 175,064	0.003
Federal Home Loan Bank	AA+/Aaa	47,701	47,787	1.866
Federally Insured Cash Account	Unrated (2)	15,003	15,003	0.003
Forward Delivery Agreements	AA+ / Aaa	17,278	17,278	2.742
Federal Home Loan Mortgage Corp.	AA+ / Aaa	57,959	58,017	1.719
Federal National Mortgage Association	AA+ / Aaa	86,799	86,555	2.380
Federal Farm Credit	AA+ / Aaa	13,036	13,113	1.780
Guaranteed Investment Contracts (ParkEx)	AA+ / Aa3 (4)	38,159	38,159	11.847
Cash Deposit	Unrated	17,599	17,599	0.003
Certificates of Deposit	AAA / Aaa (3)	13,037	13,037	0.350
Commercial Paper	A-1/ P-1 (5)	164,628	164,628	0.312
Morgan Stanley Government Fund	AAA / Aaa (5)	1,072	1,072	0.003
Municipal Bond	AA+ / Aa1	115,793	116,585	2.399
Money Market Funds	Unrated	3,001	3,001	0.003
Insured Cash Sweep	Unrated (2)	10,001	10,001	0.003
Treasury Note	AAA / Aaa	2,579	2,530	4.988
		<u>\$ 778,709</u>	<u>\$ 779,429</u>	
<b>2013</b>	<b>Credit Rating (1)</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Effective Duration</b>
MMDT	Unrated	\$ 152,182	\$ 152,182	0.003
Federal Home Loan Bank	AA+/Aaa	67,025	67,200	1.683
Federally Insured Cash Account	Unrated (2)	15,003	15,003	0.003
Forward Delivery Agreements	AA+ / Aaa	19,500	19,500	3.121
Federal Home Loan Mortgage Corp.	AA+ / Aaa	91,052	91,097	1.163
Federal National Mortgage Association	AA+ / Aaa	143,283	142,460	1.362
Federal Farm Credit	AA+ / Aaa	22,752	22,838	1.815
Guaranteed Investment Contracts (ParkEx)	AA+ / Aa3 (4)	36,661	36,661	12.195
Cash Deposit	Unrated	18,965	18,965	0.003
Certificates of Deposit	AAA / Aaa (3)	10,050	10,050	0.250
Commercial Paper	A-1/ P-1 (5)	199,345	199,480	0.303
Morgan Stanley Government Fund	AAA / Aaa (5)	1,072	1,072	0.003
Municipal Bond	AA+ / Aa1	88,107	87,732	2.185
Treasury Note	AAA / Aaa	2,573	2,502	5.918
		<u>\$ 867,570</u>	<u>\$ 866,742</u>	

1. The ratings shown are from S&P or Moody's as of the fiscal year shown.

2. FDIC Insured Deposits Accounts

3. Collateralized by Federal Agency Notes or Letter of Credit backed by each reserve.

4. Underlying rating of security held.

5. Credit quality of fund holdings.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

The table below presents the Authority's cash and cash equivalents and investments based on maturity date (in thousands):

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Securities maturing in 1 year or more	\$ 352,566	\$ 353,076	\$ 435,650	\$ 434,683
Securities maturing in less than 1 year	204,404	204,614	188,620	188,759
Cash and cash equivalents	221,739	221,739	243,300	243,300
	<u>\$ 778,709</u>	<u>\$ 779,429</u>	<u>\$ 867,570</u>	<u>\$ 866,742</u>

### Credit Risk

Credit risk is the risk that the Authority will be negatively impacted due to the default of the security issuer or investment counterparty.

The Authority's 1978 Trust Agreement, PFC Trust Agreement and CFC Trust Agreement each stipulate that, in addition to U.S. Treasury and government agency obligations, only certain highly rated securities are eligible investments, including bonds or obligations of any state or political subdivision thereof, rated in the two highest rating categories without regard to gradations within rating categories, by both Moody's (AAA, Aa1, Aa2 and Aa3) and S&P (AAA, AA+, AA, and AA-); commercial paper of a U.S. corporation, finance company or money market funds rated in the highest rating category, without regard to gradations within categories, by both Moody's and S&P; and investment contracts with banks whose long-term unsecured debt rating is in one of the two highest rating categories by both Moody's and S&P.

#### (a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized.

The Authority maintains depository accounts with Bank of America, N.A., Wells Fargo Bank, N.A., TD Bank and the Bank of New York Mellon, the PFC Trustee. The Authority maintains a payroll disbursement, lockbox and collection accounts (for other than PFCs) with the Bank of America, N.A. None of these accounts are collateralized.

The Authority's cash on deposits in the banks noted above at June 30, 2014 and 2013 were \$22.4 million and \$19.9 million, respectively. Of these amounts, \$1.0 million was insured, and no amount was collateralized at June 30, 2014 or 2013.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### **(b) Custodial Credit Risk – Investments**

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority would not be able to recover the value of its investments or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Authority and are held by either the counterparty or, the counterparty's trust department or agent, but not in the Authority's name.

The Authority is authorized by the 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the Investment Policy to invest in obligations of the U.S. Treasury, including obligations of its agencies and instrumentalities, bonds and notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and commercial paper of a U.S. corporation or finance company. All investments are held by a third party in the Authority's name. These investments are recorded at fair value.

Additionally, the Authority is authorized to invest in the Massachusetts Municipal Depository Trust (MMDT), a pooled money market like investment fund managed by the Commonwealth of Massachusetts, established under the General Laws, Chapter 29, Section 38A. MMDT investments are carried at amortized cost, which approximates fair value which is the same as the value of the pool.

The following guaranteed investment contracts were in force as of June 30, 2014 and 2013, respectively; they are uncollateralized and recorded at cost:

<b>Investment Agreement</b>				
<b>Provider</b>	<b>Rate</b>	<b>Maturity</b>	<b>2014</b>	<b>2013</b>
Trinity Plus Funding Company	4.360%	January 2, 2031	\$ 16,691	\$ 15,987
GE Funding Capital Markets	3.808%	December 31, 2030	21,468	20,673
Total			<u>\$ 38,159</u>	<u>\$ 36,660</u>

### **(c) Concentration of Credit Risk – Investments**

Concentration of credit risk is assumed to arise when the amount of investments that the Authority has with any one issuer exceeds 5% of the total value of the Authority's investments. The Authority consults with its Investment Advisor to select Commercial Paper Issuers with strong credit ratings. The book values of portions of the Authority-wide portfolio, excluding investments issued by MMDT, the FDIC, or U.S. Government guaranteed obligations and the underlying securities held under forward delivery agreements at cost, that exceed 5% of the portfolio are as follows:

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

<b>Commercial Paper Issuer</b>	<b>2014</b>	<b>2013</b>
Bank of Tokyo Mitsu	\$ 14,986	\$ 39,971
BNP Paribas Finance	23,747	24,921
Deutsche Bank	11,993	-
HSBC	-	27,492
JP Morgan Chase	23,988	-
Societe Generale	36,957	-
Credit Agricole	36,971	-
Rabobank	-	19,046
Toyota Motor Corporation	15,986	43,962
UBS	-	43,953
<b>Total</b>	<b>\$ 164,628</b>	<b>\$ 199,345</b>
<b>% of Portfolio</b>	<b>21.12%</b>	<b>22.98%</b>

### (d) *Credit Ratings*

As a result of the S&P's credit rating downgrade of several U.S. Treasury supported federal agencies in August 2011, certain investments owned and purchased by the Authority since that date were lowered and their ratings are reflected herein. Prior to the August 2011 downgrade it was management's practice to purchase debt securities that had an implied credit rating of AAA, or that were collateralized to AAA. Investments in bank certificates of deposits were fully collateralized. Also, the Authority invested in the Massachusetts Municipal Depository Trust (MMDT), managed by the State Treasury, which is not rated.

The 1978 Trust Agreement, the PFC Trust Agreement, the CFC Trust Agreement and the Board approved Investment Policy limit the Authority in the types of investments it can purchase to the two highest rating categories without regard to gradations within the rating categories by both S&P (AAA, AA+, AA, and AA-) and Moody's (Aaa, Aa1, Aa2, and Aa3).

### (e) *Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority has set targets for the preferred maturity structure of the investments held in each fund and account, and also sets targets each quarter for the effective duration for each fund that reflect the need for liquidity and the expected tradeoffs between yield and term for each different fund and account. It is the Authority's practice to hold investments until maturity in order to insulate the Authority's investment earnings from interest rate risk. The Authority mitigates interest rate risk by managing the weighted average maturity of each portfolio type to best meet its liquidity needs.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### (f) Cash, Cash Equivalents and Investments by Fund

The following summarizes cash and investments, at cost and fair value, as of June 30, by the various funds and accounts established by the Authority for debt covenant requirements and other purposes (in thousands):

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
<b>1978 Trust</b>				
Improvement and Extension Fund	\$ 93,482	\$ 93,730	\$ 117,670	\$ 117,717
Capital Budget Account	140,511	140,511	153,130	153,356
Debt Service Reserve Funds	102,664	102,573	102,659	101,547
Debt Service Funds	71,417	71,417	69,351	69,351
Maintenance Reserve Fund	104,434	104,608	88,280	88,259
Operating/Revenue Fund	49,573	49,573	47,733	47,736
Subordinated Debt Funds	40,556	40,556	39,056	39,056
Self-Insurance Account	28,314	28,583	27,352	27,396
2010 A Construction Fund	-	-	226	226
2012 A Project Fund	5,366	5,366	53,936	53,902
Other Funds	23,123	23,079	15,817	15,817
<b>1999 PFC Trust</b>				
Debt Service Reserve Funds	27,866	27,993	28,147	28,342
Debt Service Funds	20,457	20,457	19,558	19,558
Other PFC Funds	11,587	11,587	19,169	19,176
<b>2011 CFC Trust</b>				
2011-A & B CFC Project Funds	12,753	12,753	24,699	24,714
Debt Service Reserve Funds	27,994	28,021	28,040	27,828
Debt Service Funds	9,191	9,191	7,613	7,613
Other CFC Funds	9,421	9,431	25,134	25,148
<b>Total</b>	<b>\$ 778,709</b>	<b>\$ 779,429</b>	<b>\$ 867,570</b>	<b>\$ 866,742</b>

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 4. Capital Assets

Capital assets consisted of the following at June 30, 2014 and 2013 (in thousands):

	<u>June 30, 2013</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>June 30, 2014</u>
Capital assets not being depreciated				
Land	\$ 174,754	\$ 27,945	\$ —	\$ 202,699
Construction in progress	<u>341,977</u>	<u>349,186</u>	<u>536,092</u>	<u>155,071</u>
Total capital assets not being depreciated	<u>516,731</u>	<u>377,131</u>	<u>536,092</u>	<u>357,770</u>
Capital assets being depreciated				
Buildings	2,527,365	382,731	—	2,910,096
Runway and other paving	773,180	10,534	—	783,714
Roadway	639,332	52,272	—	691,604
Machinery and equipment	336,392	61,474	(50)	397,916
Air rights	179,851	1,136	50	180,937
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets being depreciated	<u>4,502,381</u>	<u>508,147</u>	<u>—</u>	<u>5,010,528</u>
Less accumulated depreciation:				
Buildings	1,286,795	105,501	—	1,392,296
Runway and other paving	346,291	44,084	—	390,375
Roadway	277,247	27,691	—	304,938
Machinery and equipment	223,314	31,348	(5)	254,667
Air rights	97,296	8,041	5	105,332
Parking rights	<u>18,504</u>	<u>1,542</u>	<u>—</u>	<u>20,046</u>
Total accumulated depreciation	<u>2,249,447</u>	<u>218,207</u>	<u>—</u>	<u>2,467,654</u>
Total capital assets being depreciated, net	<u>2,252,934</u>	<u>289,940</u>	<u>—</u>	<u>2,542,874</u>
Capital assets, net	<u>\$ 2,769,665</u>	<u>\$ 667,071</u>	<u>\$ 536,092</u>	<u>\$ 2,900,644</u>

Depreciation and amortization for fiscal year 2014 and 2013 was \$217.8 million and \$199.0 million, respectively.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

	<u>June 30, 2012</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>June 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 173,036	\$ 1,718	\$ —	\$ 174,754
Construction in progress	<u>257,828</u>	<u>318,288</u>	<u>234,139</u>	<u>341,977</u>
Total capital assets not being depreciated	<u>430,864</u>	<u>320,006</u>	<u>234,139</u>	<u>516,731</u>
Capital assets being depreciated				
Buildings	2,485,423	42,005	63	2,527,365
Runway and other paving	677,138	99,654	3,612	773,180
Roadway	615,045	24,287	—	639,332
Machinery and equipment	273,509	63,426	543	336,392
Air rights	176,802	3,049	—	179,851
Parking rights	<u>46,261</u>	<u>—</u>	<u>—</u>	<u>46,261</u>
Total capital assets being depreciated	<u>4,274,178</u>	<u>232,421</u>	<u>4,218</u>	<u>4,502,381</u>
Less accumulated depreciation for:				
Buildings	1,213,591	73,267	63	1,286,795
Runway and other paving	301,141	46,477	1,327	346,291
Roadway	252,077	25,170	—	277,247
Machinery and equipment	178,764	44,935	385	223,314
Air rights	89,224	8,072	—	97,296
Parking rights	<u>16,962</u>	<u>1,542</u>	<u>—</u>	<u>18,504</u>
Total accumulated depreciation	<u>2,051,759</u>	<u>199,463</u>	<u>1,775</u>	<u>2,249,447</u>
Total capital assets being depreciated, net	<u>2,222,419</u>	<u>32,958</u>	<u>2,443</u>	<u>2,252,934</u>
Capital assets, net	<u>\$ 2,653,283</u>	<u>\$ 352,964</u>	<u>\$ 236,582</u>	<u>\$ 2,769,665</u>

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

Capital assets (excluding construction in progress) at June 30 comprised of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Facilities completed by operation:		
Airports	\$ 4,721,894	\$ 4,193,108
Port	<u>491,333</u>	<u>484,027</u>
Capital assets (excluding construction in progress)	\$ <u>5,213,227</u>	\$ <u>4,677,135</u>



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 5. Bonds and Notes Payable

Long-term debt at June 30, 2014 consisted of the following and represents maturities on the Authority's fiscal year basis (in thousands):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Revenue Bonds:					
Senior Debt-1978 Trust Agreement:					
2003, Series A, 3.00% to 5.00%, issued May 22, 2003 due 2013 to 2034	\$ 7,845	\$ —	\$ 5,190	\$ 2,655	\$ 1,465
2003, Series C, 5.00%, issued May 22, 2003 due 2013 to 2019	26,710	—	7,885	18,825	5,620
2005, Series A, 3.50% to 5.00%, issued May 5, 2005 due 2015 to 2036	168,690	—	4,090	164,600	4,285
2005, Series C, 3.50% to 5.00%, issued May 5, 2005 due 2014 to 2030	202,265	—	10,105	192,160	10,570
2007, Series A, 3.75% to 4.50%, issued May 31, 2007 due 2014 to 2038	46,710	—	1,090	45,620	1,135
2007, Series C, 4.00% to 5.00%, issued May 31, 2007 due 2014 to 2028	29,515	—	1,370	28,145	1,435
2008, Series A Multi-Modal, variable, issued June 19, 2008 due 2014 to 2039	22,700	—	330	22,370	2,649
2008, Series C, 4.00% to 5.00%, issued July 9, 2008 due 2014 to 2021	33,860	—	3,545	30,315	6,250
2010, Series A, 3.25% to 5.00%, issued August 5, 2010 due 2014 to 2041	97,905	—	1,825	96,080	1,895
2010, Series B, 3.00% to 5.00%, issued August 5, 2010 due 2014 to 2040	135,060	—	1,625	133,435	1,690
2010, Series C, 5.00%, issued August 5, 2010 due 2014 to 2019	19,100	—	2,630	16,470	2,815
2010, Series D, Multi-Modal variable, issued August 5, 2010 due 2014 to 2030	98,890	—	4,640	94,250	13,840
2012, Series A, 3.00% to 5.00%, issued July 11, 2012 due 2014 to 2041	116,785	—	—	116,785	4,300
2012, Series B, 3.00% to 5.00%, issued July 11, 2012 due 2017 to 2032	158,830	—	—	158,830	—
Subtotal Senior Debt	1,164,865	—	44,325	1,120,540	57,949

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Subordinated debt- 1978 Trust Agreement:					
2000, Series A,B & C, 6.45%, issued December 29, 2000 due 2031	\$ 40,000	—	—	40,000	—
2001, Series A,B & C, 6.45%, issued January 2, 2001 due 2032	34,000	—	—	34,000	—
Subtotal Subordinate Debt	74,000	—	—	74,000	—
	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Senior Debt - PFC Trust Agreement:					
2007, Series B, 4.00% to 5.00%, issued May 31, 2007 due 2014 to 2018	\$ 28,765	\$ —	\$ 4,460	\$ 24,305	\$ 4,635
2007, Series D, 3.80% to 5.50%, issued May 31, 2007 due 2014 to 2018	64,730	—	100	64,630	100
2010, Series E, 5.00%, issued August 5, 2010 due 2014 to 2018	33,860	—	12,365	21,495	12,985
Subtotal PFC Senior Debt	127,355	—	16,925	110,430	17,720
Senior Debt - CFC Trust Agreement:					
2011, Series A, 5.125%, issued June 8, 2011 due 2038 to 2042	58,030	—	—	58,030	—
2011, Series B, 0.900% to 6.352%, issued June 8, 2011 due 2014 to 2038	153,455	—	3,185	150,270	3,260
Subtotal CFC Senior Debt	211,485	—	3,185	208,300	3,260
Total Bonds Payable	1,577,705	—	64,435	1,513,270	78,929
Less unamortized amounts:					
Bond premium (discount), net	78,935	—	5,737	73,198	5,736
Total Bonds Payable, net	<u>\$ 1,656,640</u>	<u>\$ —</u>	<u>\$ 70,172</u>	<u>\$ 1,586,468</u>	<u>\$ 84,665</u>

Included in the Authority's bonds payable are \$116.6 million and \$121.6 million of variable rate demand bonds ("VRDB") as of June 30, 2014 and 2013, respectively. The VRDBs have remarketing features which allow bondholders the right to return, or put, the bonds to the Authority. The Authority had previously entered into a three year irrevocable letter of credit agreement with Bank of America that expired on August 12, 2013. On August 7, 2013, the Authority entered into a five year irrevocable letter of credit agreement with State Street Bank, in support of the Authority's variable rate demand bonds, Series 2008 A and Series 2010 D. This agreement requires repayment of the tendered, unremarketed VRDBs and any associated obligations on the bonds tendered. Should the VRDBs be tendered and the letter of credit exercised, the tendered bonds would be converted to bank bonds, possibly requiring one tenth of the tendered bonds to become due within 270 days. As such, the Authority would look to identify an alternative financing arrangement in advance of the bank bonds debt service payment becoming due to satisfy this obligation.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

The subject debt was issued as multi-modal bonds, thus allowing the Authority to reissue and refund through one of several modes. As a result, the Authority has classified \$11.1 million and \$11.7 million to its current portion of long term debt, in addition to the amounts identified in the schedules of the Authority's bonds payable at June 30<sup>th</sup> due within one year, for the fiscal years ending June 30, 2014 and 2013, respectively.

The following summarizes the Authority's revenue bonds activity at June 30 (in thousands):

	<b>2013 Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>2014 Ending balance</b>	<b>Due within one year</b>
Senior Debt-1978 Trust Agreement:	\$ 1,164,865	\$ —	\$ 44,325	\$ 1,120,540	\$ 57,949
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	127,355	—	16,925	110,430	17,720
Senior Debt - CFC Trust Agreement:	<u>211,485</u>	<u>—</u>	<u>3,185</u>	<u>208,300</u>	<u>3,260</u>
	<u>\$ 1,577,705</u>	<u>\$ —</u>	<u>\$ 64,435</u>	<u>\$ 1,513,270</u>	<u>\$ 78,929</u>
	<b>2012 Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>2013 Ending balance</b>	<b>Due within one year</b>
Senior Debt-1978 Trust Agreement:	\$ 1,126,360	\$ 275,615	\$ 237,110	\$ 1,164,865	\$ 55,987
Subordinated Debt- 1978 Trust Agreement	74,000	—	—	74,000	—
Senior Debt - PFC Trust Agreement:	143,515	—	16,160	127,355	16,925
Senior Debt - CFC Trust Agreement:	<u>214,060</u>	<u>—</u>	<u>2,575</u>	<u>211,485</u>	<u>3,185</u>
	<u>\$ 1,557,935</u>	<u>\$ 275,615</u>	<u>\$ 255,845</u>	<u>\$ 1,577,705</u>	<u>\$ 76,097</u>

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

Debt service requirements on revenue bonds (1978 Trust, PFC Trust and CFC Trust) outstanding at June 30, 2014 are as follows (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2015	\$ 67,790	\$ 70,666	\$ 138,456
2016	72,070	67,839	139,909
2017	73,200	64,683	137,883
2018	106,440	61,414	167,854
2019	56,060	56,699	112,759
2020 – 2024	270,620	250,614	521,234
2025 – 2029	296,900	189,297	486,197
2030 – 2034	305,465	114,209	419,674
2035 – 2039	173,495	47,972	221,467
2040 – 2043	91,230	9,492	100,722
Total	<u>\$ 1,513,270</u>	<u>\$ 932,885</u>	<u>\$ 2,446,155</u>

### a) Senior Debt - 1978 Trust Agreement

On July 11, 2012, the Authority issued \$275.6 million of Massachusetts Port Authority Revenue Bonds in two series. The Series 2012 A Revenue Bonds, in the principal amount of \$116.8 million were issued with an original issue premium of approximately \$11.5 million and interest rates ranging from 3.0% to 5.0%. The projects financed with Series A bond proceeds include capital improvements to Terminals B and C, hanger upgrades, and replacement substations for Terminals B and E. Due to the “private activity” nature of the construction projects, these bonds were sold as AMT bonds.

The Authority also issued \$158.8 million in Revenue Refunding Bonds, Series 2012 B. The Series 2012 B Bonds had an original issue premium of approximately \$27.4 million and refunded a portion of the 2003 A bonds and 2003 C bonds. The current refunding resulted in the recognition of an accounting gain of \$1.6 million, which will be amortized over the life of the defeased bonds. The aggregate difference in debt service between the refunded 2003 A and 2003 C bonds and the refunding debt service was \$19.0 million. This refunding had an economic gain and achieved a net present value savings of \$14.7 million or 8.2%. The annual savings for fiscal year 2013 through fiscal year 2033 are approximately \$0.817 million.

The Authority, through its 1978 Trust Agreement, has covenanted to maintain a debt service coverage ratio of not less than 1.25. Debt service coverage is calculated based on a formula set forth in the 1978 Trust Agreement. Historically, the Authority has maintained a debt service coverage ratio higher than its Trust Agreement requirement to maintain its investment grade bond ratings. As of June 30, 2014 and 2013, the Authority’s debt service coverage under the 1978 Trust Agreement was 2.65 and 2.47, respectively.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

***b) Subordinate Debt - 1978 Trust Agreement***

Subordinate debt is payable solely from funds on deposit in the Improvement and Extension Fund and is not subject to the pledge of the 1978 Trust Agreement, the PFC Trust Agreement or the CFC Trust Agreement. The Authority invested \$12.0 million in January 2001 which at maturity will provide for the \$74.0 million principal payments of the subordinate debt at their respective maturities on December 31, 2030 and January 1, 2031. As of June 30, 2014, the value of the two GICs was approximately \$38.2 million as compared to \$36.7 million as of June 30, 2013.

***c) Senior Debt - PFC Trust Agreement***

The Authority's outstanding PFC debt continues to be backed by a pledge of the \$4.50 PFC collections. The Authority earned PFC Revenues, as defined by the PFC Trust Agreement, of approximately \$62.8 million and \$60.2 million during fiscal years 2014 and 2013, respectively. These amounts include approximately \$0.1 million of investment income on PFC receipts during each of the fiscal years 2014 and 2013, respectively.

The PFC Trust Agreement requires a First Lien Sufficiency covenant ratio in excess of 1.05. As of June 30, 2014 and 2013, the Authority's PFC First Lien Sufficiency covenant under the PFC Trust Agreement was 4.75 and 4.37, respectively.

***d) Senior Debt - CFC Trust Agreement***

On June 8, 2011, the Authority issued its Special Facilities Revenue Bonds (RCC Project), Series 2011 A in the amount of \$58.0 million with an original issue discount of approximately \$1.5 million, and its Special Facilities Revenue Bonds (RCC Project), Series 2011 B (Federally Taxable) in the amount of \$156.0 million at par, pursuant to the CFC Trust Agreement (collectively, the "Series 2011 Bonds"). The Series 2011 Bonds were issued for the purpose of providing funds sufficient, together with other available funds, to finance the development and construction of a new RCC facility and related improvements at Logan Airport, fund certain deposits to the Debt Service Reserve Fund and the Supplemental Reserve Fund, and pay certain costs of issuance of the Series 2011 Bonds. The Series 2011 Bonds and any additional bonds that may be issued under the CFC Trust Agreement on parity with the Series 2011 Bonds are secured by CFC Pledged Revenues and by Contingent Rent from the rental car companies, if any, and other funds. The Series 2011 Bonds are not secured by any other revenues of the Authority. The Series 2011 Bonds are payable solely from the CFC Pledged Receipts pledged under the CFC Trust Agreement and from certain funds and accounts held by the Trustee.

All of the Authority's outstanding RCC debt is backed by a pledge of the \$6.00 CFC collections. The Authority earned CFC Revenues, as defined by the CFC Trust Agreement, of approximately \$30.4 million and \$30.1 million during fiscal years 2014 and 2013, respectively. These amounts include approximately \$0.4 million and \$0.8 million of investment income on CFC receipts during each of the fiscal years 2014 and 2013, respectively.

The CFC Trust Agreement requires that the Authority maintain debt service coverage of at least 1.3. As of June 30, 2014 and 2013, the CFC debt service coverage was 2.69 and 2.87, respectively.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### *e) Special Facility Bonds*

To provide for the construction and improvement of various facilities at Logan Airport, the Authority has issued eight series of special facilities revenue bonds. The Authority's special facilities revenue bonds are all special limited obligations of the Authority, and are payable and secured solely from and by certain revenues of a separate trustee. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the full faith and credit of the Authority, or the Commonwealth of Massachusetts or any subdivision thereof and, accordingly, have not been reflected in the accompanying financial statements. As of June 30, 2014 and 2013, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding was approximately \$640.0 million and \$662.2 million, respectively. The Authority has no obligation for \$188.2 million of Special Facility Bonds and only limited obligation for the \$451.9 million of special facility bonds related to Terminal A described below. In July 2014, American Airlines defeased the remaining balance of approximately \$50.0 million in outstanding US Airways bonds.

Approximately \$451.9 million of the Authority's special facility bonds relate to the Delta Airlines Series 2001 A, B, and C bonds issued in connection with Delta Airlines construction of Terminal A. During September 2005, Delta Airlines entered into bankruptcy and as of April 2007 re-emerged out of bankruptcy. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than an obligation to remit to the trustee of the Terminal A bonds a portion of the Terminal A airline revenue, to service the debt. The Authority and Delta Airlines negotiated a restated and amended lease (the "Amended Lease") for Terminal A pursuant to which Delta Airlines reduced the number of gates that it occupied in Terminal A. The Amended Lease was approved by the bankruptcy court and was effective as of July 1, 2006.

### *f) Commercial Notes Payable*

The Authority's commercial notes payable as of June 30, 2014 and 2013 were as follows (in thousands):

	<b>2014</b>	<b>2013</b>
Commercial paper notes	\$ 100,000	\$ 100,000
Commercial paper notes issued	76,000	15,000
Principal paid on commercial paper notes	(26,000)	(15,000)
Commercial paper notes	<u>\$ 150,000</u>	<u>\$ 100,000</u>

In March 2014, the Authority expanded its commercial paper program to \$150 million. Commercial notes payable have been issued under the terms of the 1978 Trust Agreement and are backed by the proceeds of the Improvement and Extension Fund or anticipated bond funds. The allowable maximum principal amount outstanding at any time, in the aggregate principal amount, cannot exceed the lesser of 10% of the Authority's outstanding long-term debt or \$150.0 million, and is backed by a Letter of Credit Agreement with the TD Bank expiring in June 2017.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

The \$100 million of the commercial notes payable have been used to fund PFC eligible projects; therefore the Authority anticipates that PFC revenues will be the source to pay such redemptions. The \$50.0 million of the commercial paper notes payable represent general airline revenue bond anticipation notes. The blended interest rate on Series 2012 A Notes was 0.685% and 0.731% during fiscal years 2014 and 2013, respectively. The blended interest rate on the Series 2012 B Notes was 0.690% and 0.736% during fiscal years 2014 and 2013, respectively.

During fiscal year 2014 and fiscal year 2013, the Authority did not participate in any interest rate swaps.

### ***g) Arbitrage – Rebate Liability***

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage liability and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage liability arises when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Authority has an estimated liability on June 30, 2014 and 2013 of \$429 thousand and \$12.1 million, respectively. The liability at June 30, 2013 in the amount of \$11.3 million was associated with the Authority's Subordinate Bond Series 2000 A & B, and Series 2001A, B & E. During fiscal year 2014, the Authority executed an agreement with the Internal Revenue Service in the amount of \$895.5 thousand as payment in full on this liability and recognized \$10.4 million as other non-operating income.

## **6. Employee Benefit Plans**

### ***a) Plan Description – Pension Plan***

The Massachusetts Port Authority Employees' Retirement System plan (the "Plan") is a single employer contributory defined benefit pension plan administered by the Massachusetts Port Authority Employees' Retirement System (the "System"). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Massachusetts General Laws ("MGL"), principally Chapter 32, establishes and amends benefit provisions. The System issues publicly available audited financial statements for the Plan. The report may be obtained by writing to the Massachusetts Port Authority Employees' Retirement System, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions. Member contributions are recognized by the Plan as compensation is earned by the Authority's employees. Retirement benefits and refunds are recorded when due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on a national securities exchange for which no sale was reported on that date and investments in common and preferred stocks traded in over-the-counter markets are valued at the mean of the last reported bid and asked prices, or the last reported bid price. The Plan has no investments, at fair value, that exceed 5% of the Plan's total investments as of December 31, 2013 and 2012 other than investments in mutual funds, external investment pools and other pooled

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

investments. No long term contracts for contributions to the Plan existed at December 31, 2013 and 2012.

### *b) Funding Policy*

The contribution requirements of plan members and the Authority are defined by MGL Chapter 32 and may be amended through the legislative process. Depending upon their employment date, active plan members are required to contribute 5% to 9% of their annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30.0 thousand. The Authority is required to contribute amounts pursuant to Section 22(6A) of MGL Chapter 32.

### *c) Annual Pension Cost*

The annual required contribution ("ARC") for the year ended June 30, 2014 was determined as part of the January 1, 2013 actuarial valuation. The actuarial cost method required by the Plan under its charter is the Frozen-Entry-Age Actuarial Cost Method which uses a closed amortization period in level amounts over a twenty year period. The Asset Valuation Method is the market value of assets adjusted to phase in investment gains or losses above or below the expected rate of return using a five year rolling period.

The actuarial assumptions included a 7.625% investment rate of return, and projected salary increases of 4.50%. Both include an inflation component of 3.0%. Liabilities for cost of living increases have been approximated, assuming an annual cost of 3.0% on the first \$13.0 thousand annual pension. The ARC equaled the annual pension cost ("APC") and the employer contributions for the last three years. Those amounts are as follows (in thousands):

<b>Year ended December 31,</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>
2013	\$ 11,960	100%
2012	9,594	100
2011	5,710	100

The Authority funds 100% of the ARC each year and therefore the Net Pension Obligation is zero.



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### ***d) Funded Status and Funding Progress***

The funded status of the plan, based on an actuarial valuation as of January 1, 2013, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$	457,937
Actuarial value of plan assets		<u>433,408</u>
Unfunded actuarial accrued liability ("UAAL")	\$	<u><u>24,529</u></u>
Funded ratio (actuarial value of plan assets/AAL)		94.6%
Covered payroll (active plan members)	\$	86,730
UAAL as a percentage of covered payroll		28.3%

## **7. Other Postemployment Benefits**

During the year ended June 30, 2008, the Authority established the Retiree Benefits Trust (the "Trust") and implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statements of revenues, expenses, and changes in net position when future retirees earn their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the statements of net position over time.

### ***a) Plan Description***

In addition to providing the pension benefits described in Note 6, the Authority provides post-employment health care and life insurance benefits ("OPEB") for retired employees. The benefit levels, employer contributions and future employee contributions are governed by the Authority and can be amended by the Authority. As of June 30, 2013, approximately 781 retirees and 1,200 active and inactive employees meet the eligibility requirements.

In June 2009, the Board made changes to the plan benefits to be paid by the Authority for certain existing and future retirees. All current retired members of the Authority and all existing Authority employees who were vested as of October 1, 2009 would be eligible to have 100% of their premium cost subsidized. Employees not yet vested but employed by the Authority on October 1, 2009 would, upon retirement be eligible to receive 85% of the premium cost for benefits with the balance paid for by the retiree. For employees hired on or after October 1, 2009, the Board voted to implement a sliding scale subsidy for retiree health care premiums (ranging from 0%-85%) based on creditable service at retirement age (retirees must be age 60 or older to receive the subsidy), and whether or not the employee retired within sixty days after leaving the Authority. The Board also

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

voted to eliminate retiree dental and life insurance coverage, as well as Medicare Part B premium subsidy for this group of employees.

The OPEB Plan is a single-employer plan and offers retirees a choice of medical plans, as well as two dental plans, and basic life insurance. The medical plans are either HMOs, PPOs or indemnity plans, and some are designed to work with Medicare benefits, such a Medicare supplement or Medicare HMO plans. The basic life insurance provides a \$5,000 death benefit to the retiree. Spouses and dependents are not eligible for this death benefit upon their death. To comply with the requirements of GASB 45, the Authority performed an actuarial valuation at January 1, 2013. The Authority issues publicly available audited financial statements for the Trust. The report may be obtained by writing to the Massachusetts Port Authority, Attn: John P. Prankevicius, CPA, Director of Administration and Finance and Secretary-Treasurer, One Harborside Drive, Suite 200S, East Boston, MA 02128-2909. These statements are prepared on the accrual basis of accounting. Employer contributions are recognized when the employer has made formal commitments to provide the contributions and benefits are recorded when due and payable in accordance with the terms of the Trust. Investments are reported at fair value. Mutual funds and commingled funds are valued based on net asset or unit value at year-end. No long term contracts for contributions to the Trust existed at June 30, 2014 or 2013.

### *b) Annual OPEB Costs and Net OPEB Obligation*

The Authority's 2014 and 2013 OPEB expense is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Authority's annual OPEB cost for the years ending June 30, 2014, 2013 and 2012, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation based on an actuarial valuation as of January 1, 2013 (in thousands).

	2014	2013	2012
Annual Required Contribution (ARC)	\$ 14,738	\$ 14,006	\$ 18,444
Interest on net OPEB obligation	(3,989)	(3,265)	(3,032)
Adjustment to ARC	3,391	2,709	2,438
Annual OPEB cost	14,140	13,450	17,850
Current premiums on a pay-as-you-go basis	—	—	—
Subsidy	2,370	2,254	2,335
Contributions made	14,000	20,851	13,807
Change in net OPEB obligation	2,230	9,655	(1,708)
Net OPEB Asset – beginning of year	53,188	43,533	45,241
Net OPEB Asset – end of year	\$ 55,418	\$ 53,188	\$ 43,533
% of Annual OPEB cost contributed	99.0%	155.0%	77.4%

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### *c) Funded Status and Funding Progress*

The funded status of the plan, based on an actuarial valuation as of January 1, 2013, was as follows (in thousands):

Actuarially accrued liability ("AAL")	\$	224,488
Actuarial value of plan assets		<u>105,622</u>
Unfunded actuarial accrued liability ("UAAL")	\$	<u><u>118,866</u></u>
Funded ratio (actuarial value of plan assets/AAL)		47.1%
Covered payroll (active plan members)	\$	95,400
UAAL as a percentage of covered payroll		124.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### *d) Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and Plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The January 1, 2013 actuarial valuation used the projected unit credit cost method. The actuarial value of plan assets was \$105.6 million. The actuarial assumptions included a 7.50% investment rate of return and an initial annual healthcare cost trend rate range of 9.0% which decreases to a 5.0% long-term trend rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payrolls for a period of 30 years, on a closed basis. At June 30, 2013, 25 years are remaining to be amortized. This has been calculated assuming an inflation rate of 3.25%.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 8. Leases

#### *a) Commitments*

The Authority has commitments under various operating leases, which contain escalation clauses, as lessee. The following is a schedule by years of minimum rental payments under noncancelable operating leases as of June 30, 2014 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2015	\$ 26,353	2035 – 2039	\$ 4,436
2016	25,511	2040 – 2044	4,436
2017	25,511	2045 – 2049	4,436
2018	14,670	2050 – 2054	4,436
2019	8,385	2055 – 2059	4,436
2020 – 2024	7,013	2060 – 2064	4,436
2025 – 2029	4,436	2065 – 2069	4,436
2030 – 2034	4,436	2070	567
		Total	\$ <u>147,934</u>

Rent expense and other operating lease related payments were \$30.3 million and \$28.0 million for fiscal years 2014 and 2013, respectively.

#### *b) Rental Income*

The Authority leases a major portion of its Aviation and Port properties to various tenants. Many of these operating leases provide for periodic adjustments to rental rates, including certain provisions for contingent payments based on specified percentages of the tenant's gross revenue.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

The following is a schedule by years of minimum future rental income on noncancelable operating leases as of June 30, 2014 (in thousands):

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
2015	\$ 95,420	2050 – 2054	\$ 46,960
2016	59,478	2055 – 2059	47,140
2017	53,428	2060 – 2064	49,007
2018	49,143	2065 – 2069	49,521
2019	46,126	2070 – 2074	51,618
2020 – 2024	194,587	2075 – 2079	52,231
2025 – 2029	135,108	2080 – 2084	52,217
2030 – 2034	96,148	2085 – 2089	41,038
2035 – 2039	86,987	2090 – 2094	39,303
2040 – 2044	90,647	2095 – 2099	25,792
2045 – 2049	69,291	2100 – 2104	3,217
		2105 – 2107	1,052
		Total	\$ <u>1,435,459</u>

Rental income and concession income, including contingent payments received under these provisions, were approximately \$282.3 million and \$257.3 million for the fiscal years 2014 and 2013, respectively.

## 9. Risk Management

The Authority, as mandated by the 1978 Trust Agreement, maintains a self insurance account for general liability and workers compensation within the Operating Fund. The self insurance accruals are determined based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The accrued liability was approximately \$8.0 million and \$7.3 million as of June 30, 2014 and 2013, respectively, and is included as a component of accrued expenses in the accompanying financial statements. This liability is fully funded as of June 30, 2014 and 2013.

Changes in the accrued liability accounts, related to self insurance, in fiscal year 2014 and 2013 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Liability balance, beginning of year	\$ 7,253	\$ 6,843
Provision to record estimated losses	3,552	1,279
Payments	<u>(2,790)</u>	<u>(869)</u>
Liability balance, end of year	\$ <u>8,015</u>	\$ <u>7,253</u>

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

As part of its normal operations, the Authority encounters the risk of accidental losses stemming from third party liability claims, property loss or damage, and job related injuries and illnesses. In managing these loss exposures, a combination of risk management measures is applied, including safety and loss prevention programs, emergency planning, contractual risk transfer, self insurance, and insurance.

In connection with the self insurance and insurance programs, the Authority retains part of the losses incurred and internally manages the self insured claims. The self insured retention currently includes: \$1.0 million for worker's compensation per job related accident for Massport employees and ILA Members \$1,000 per occurrence for automobile liability; aviation general liability and airport terrorism insurance, \$0.25 million for airside incidents and for non-airside auto losses; \$25 thousand for Comprehensive Marine Liability, Terminal Operator's Liability, Stevedore's liability and \$0.25 million for property losses per occurrence. Insurance is purchased above the self-insured amounts, subject to availability and the reasonableness of cost. Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported at year-end and are based on the historical cost of settling similar claims. The Authority records such liabilities as accrued expenses. The Authority from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. The Authority does not expect that these matters will require any amounts to be paid which in the aggregate would materially affect the financial statements.

Settled claims resulting from the risks discussed above have not exceeded the amount of insurance coverage in force in any of the past three fiscal periods. Further, insurance maintained in fiscal years 2014 and 2013 has not changed significantly from prior periods.

### **10. Payments in Lieu of Taxes**

The Authority's Enabling Act, the 1978 Trust Agreement and the PILOT Agreements authorize and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual payments in lieu of taxes to the City of Boston and the Town of Winthrop.

The PILOT Agreements provide that annual payments may not exceed the balance of revenues remaining after deposits to pay operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

Pursuant to the terms of the amended Boston PILOT Agreement (the "Amended Boston PILOT Agreement"), the term of the Amended Boston PILOT Agreement terminates on June 30, 2020 subject to (1) mutual rights annually to terminate the Amended PILOT Agreement and (2) automatic one year extensions of the term each July 1. The Amended Boston PILOT Agreement provides for the Authority to pay (i) an annual base amount (the "Base Amount") of \$14 million, which, commencing in fiscal year 2007, increases annually by the annual percentage change in the consumer price index, provided that such increase shall be no less than 2%, nor greater than 8%, per year, and (ii) for ten years, an amount of \$700,000, which shall not be increased or adjusted.

# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

In fiscal year 2006, the Authority and the Town of Winthrop entered into an Amended and Restated Payment-In-Lieu-Of-Taxes Agreement (the “Amended Winthrop PILOT Agreement”), which extended the base in-lieu-of-tax payments through fiscal year 2025. The Amended Winthrop PILOT Agreement provides for the Authority to make an annual payment of \$900,000, which will be adjusted in fiscal years 2016 through 2025 if the average annual percentage change in the consumer price index in fiscal year 2006 through 2015 is less than 2% or more than 8%.

PILOT payments to the City of Boston for fiscal year 2014 and 2013 were \$17.5 million and \$17.2 million, respectively. PILOT payments to the Town of Winthrop for fiscal year 2014 and 2013 were \$0.9 million for each year.

### 11. Commitments

#### *a) Contractual Obligations for Construction*

The Authority enters into construction contracts with various construction and engineering companies. Construction contracts outstanding were approximately \$265.2 million and \$296.9 million as of June 30, 2014 and 2013, respectively.

#### *b) Seaport Bond Bill*

The Seaport Bond Bill was enacted in 1996 and among other things, provides for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston Yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provides up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston Yard in Boston permitting double stack shipments. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads. The Authority believes that the likelihood that any such Master Agreement will be executed and Authority funds committed for double stack improvements within the next fiscal year is remote.

### 12. Litigation

#### *a) Events of September 11, 2001*

The Authority has been engaged in routine litigation as well as litigation involving the terrorist attacks of September 11, 2001.

On September 11, 2001, terrorists hijacked American Airlines flight 11 and United Airlines flight 175 and flew them into the World Trade Center in New York, N.Y. The terrorist acts caused the deaths of approximately 3,000 persons, unknown numbers of personal injuries, and massive property damage. Both flights originated at Logan Airport.

In September 2001, Congress passed the Air Transportation Safety and System Stabilization Act of 2001 (“ATSSSA”), which provides, among other things, a limitation on liability of various entities, including airport sponsors such as the Authority, for the events of 9/11. Specifically, the liability of an airport sponsor for those events “shall not be in an amount greater than the limits of liability insurance coverage maintained by that . . . airport sponsor”. The Authority has insurance in effect to

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2014 and 2013

cover these incidents in the amount of \$500.0 million per occurrence and consequently, under ATSA the Authority's liability, if any, would be limited to such amounts. To the Authority's knowledge, the Authority's insurer has received copies of all complaints and Notices of Claim and/or any other form of notification to the Authority by an individual or entity claiming to have suffered a loss.

Furthermore, to the Authority's knowledge, its insurer has agreed to defend any such claims and has not reserved its rights to deny coverage with respect to any of those claims although the insurer has reserved its rights with respect to (i) the number of occurrences, (ii) indemnification of the Authority against any award of punitive damages, and (iii) the Authority's rights as a named additional insured under other policies of insurance, including policies of the Authority's tenants and licensees.

On July 18, 2013, the Authority was dismissed from the remaining property damage lawsuits, both brought by the World Trade Center Properties, LLC, ("WTC Properties"). WTC Properties has appealed this ruling. All other wrongful death and property damage lawsuits against the Authority and other defendants have been settled or dismissed. These settlements have been achieved without any financial contribution from the Authority or its insurer, even though the settling plaintiffs have provided the Authority with a release of all claims related to the events of 9/11.

#### ***b) Environmental Contamination***

The Authority is currently involved in six separate pollution remediation obligations that meet the requirements for accounting treatment under GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB No. 49"). These obligations are generally related to the removal and/or treatment of contaminated soil, groundwater and petroleum products associated with fuel storage and conveyance. GASB 49 dictates that for each obligating event, an estimate of the expected pollution remediation outlays is required to be accrued as a liability and expensed in the current period. Re-measurement of the liability is required when new information indicates increases or decreases in estimated outlays.

The estimated liability as of June 30, 2014 and 2013 is \$7.2 million and \$3.9 million, respectively, which represents the approximate amounts the Authority expects to pay for future remediation activities. The Authority paid approximately \$0.3 million and \$0.7 million in fiscal years 2014 and 2013, respectively. This estimate was generated using input and guidance from internal management and professional consultants, and represents a wide array of remediation activities ranging from onetime events to longer-term sustained monitoring activity. The Authority will continue to closely monitor each of these obligations, working toward regulatory closure, and will make any necessary adjustments to the potential liability as new information becomes available.

#### ***c) Other Litigation***

The Authority also is engaged in numerous matters of routine litigation. These matters include personal injury and property damage claims for which the Authority's liability is covered in whole or in part by insurance. Others include such matters as disputes with contractors, subcontractors, engineers and others arising out of construction and maintenance of the Authority's properties; disputes over leases and concessions; property, theft and damage claims arising from the Authority's operations, employment matters and workers compensation, as to which the Authority is self-insured. The Authority does not expect that these matters will require any amounts to be paid which, in the aggregate, will be material to the results of operations.



# MASSACHUSETTS PORT AUTHORITY

## Notes to Financial Statements

June 30, 2014 and 2013

### 13. Interagency Agreements

#### *a) Investment in Joint Venture*

In May 1996, the Authority entered into an interagency agreement with the Massachusetts Highway Department (“MHD”) and Massachusetts Bay Transportation Authority (“MBTA”) for the construction of a Regional Transportation Center (“RTC”) in Woburn, Massachusetts (“Interagency Agreement”). Under the terms of the Interagency Agreement, the Authority has paid one third of the costs of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC. During fiscal years 2014 and 2013, the Authority recognized income of approximately \$0.1 million in each year, representing its share of the earnings of the RTC.

#### *b) Logan Airport Silver Line Transportation Agreement*

The Authority entered into an agreement with the MBTA to provide public transportation between South Station in Boston, Massachusetts and Logan Airport along a route called the Silver Line.

Pursuant to this agreement the Authority has purchased and accepted delivery of eight buses for a cost of \$13.3 million.

In addition, the MBTA and the Authority have entered into a ten year agreement ending on December 30, 2015. Under this agreement, the MBTA will operate and maintain the Authority’s Silver Line buses for a cost of \$2.0 million per year, paid in equal monthly installments.

### 14. Subsequent Events

#### *a) Bond issue*

On July 17, 2014, the Authority issued \$249.8 million of Massachusetts Port Authority Revenue Bonds in three series. The Series 2014 A Revenue Bonds were issued in the principal amount of \$45.5 million with an original issue premium of approximately \$5.6 million and coupon rates ranging from 2.0% to 5.0%. The projects financed with Series A bond proceeds include a structured garage at the Framingham Logan Express site and roadways that provide access from the terminals to the Airport MBTA Station and the Rental Car Facility.

The Series 2014 B Revenue Bonds were issued in the principal amount of \$48.2 million with an original issue premium of approximately \$4.8 million and coupon rates ranging from 4.0% to 5.0%. The projects financed with Series B bond proceeds include electrical substation replacement for Terminals B and E, a post-security corridor between Terminals C and E, and the demolition of an obsolete hangar to create remain overnight aircraft parking spaces.

## MASSACHUSETTS PORT AUTHORITY

### Notes to Financial Statements

June 30, 2014 and 2013

The Authority also issued the Series 2014 C Revenue Refunding Bonds in the principal amount of \$156.1 million with an original issue premium of approximately \$32.2 million and coupons ranging from 2.0% to 5.0%. The aggregate difference in debt service between the refunded 2003 A, 2003 C and the 2005A bonds and the refunding bonds was \$23.6 million. This refunding had an economic gain and achieved a net present value savings of \$17.1 million or 10.04%. The average annual savings for fiscal year 2015 through fiscal year 2035 was approximately \$1.126 million.

#### ***b) Approval of the FY 2013 PFC Application***

On August 13, 2014, the FAA approved Logan's application for the collection and use of \$100.0 million in PFCs for improvements at Terminal B, the acquisition of land in a runway protection zone, and the Light Pier at the end of runway 33L. This Final Agency Decision brings the Authority's PFC collection authority to a total of \$1,452.0 million for Logan.

#### ***c) Litigation***

On July 2, 2014, the Authority was served with a lawsuit (the "Lawsuit") in which the Authority is the named defendant. The Lawsuit arises out of the Authority's taking by eminent domain on January 6, 2014 of the property commonly referred to as the Logan Express parking and shuttle facility in Braintree, MA (the "Property") for which the Authority paid what it determined was just compensation. The Lawsuit claims that the Authority failed to award just compensation to the former owner Tara Investment Holdings LLC f/k/a The Flatley 06 LLC for the Property.

**MASSACHUSETTS PORT AUTHORITY**  
Required Supplementary Information  
Schedule of Pension Funding Progress / OPEB Funding Progress  
June 30, 2014  
(In thousands)

**Schedule of Pension Funding Progress**

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
1/1/2013	\$ 433,408	457,937	24,529	94.6%	\$ 86,730	28.3%
1/1/2012	422,999	436,468	13,469	96.9	84,045	16.0
1/1/2011	420,801	419,272	(1,529)	100.4	82,541	(1.9)
1/1/2010	410,469	407,857	(2,612)	100.6	86,438	(3.0)
1/1/2009	342,953	327,829	(15,124)	104.6	85,944	(17.6)
1/1/2008	396,930	387,223	(9,707)	102.5	81,120	(12.0)
1/1/2007	368,346	357,507	(10,839)	103.0	76,835	(14.1)

**Schedule of OPEB Funding Progress**

(1) Actuarial valuation date	(2) Actuarial value of plan assets	(3) Actuarial accrued liability (AAL)	(4) (Overfunded) unfunded (UAAL) AAL(2) – (3)	(5) Actuarial value of assets as a percentage of AAL (funded ratio) (2)/(3)	(6) Annual covered payroll	(7) (UAAL) AAL as a percentage of covered payroll (4)/(6)
1/1/2013	\$ 105,622	224,488	118,866	47.1%	\$ 95,400	124.6%
1/1/2011	76,693	237,462	160,769	32.3	95,400	168.5
6/30/2009	48,931	219,619	170,688	22.3	95,749	178.3
7/01/2006	-	167,521	167,521	-	87,630	191.2

Analysis of the dollar amounts of net assets available for benefits, Actuarial Accrued Liability (AAL), and assets in excess of AAL in isolation can be misleading. Expressing the Actuarial Value of Assets available for benefits as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is AAL and annual covered payroll are both affected by inflation. Expressing the AAL in excess of assets as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the lower this percentage, the stronger the Plan.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, the size or composition of the population covered by the Plan, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the AAL as a factor.

See accompanying independent auditors' report.

## Schedule I

## MASSACHUSETTS PORT AUTHORITY

## Combining Schedule of Net Position

June 30, 2014

(In thousands)

	Authority Operations	PFC Program	CFC Program	Eliminations	Combined Totals
<b>Assets and Deferred Outflows</b>					
Current assets:					
Cash and cash equivalents	\$ 41,696	\$ —	\$ —	\$ —	\$ 41,696
Investments	35,020	—	—	—	35,020
Restricted cash and cash equivalents	122,206	32,426	25,411	—	180,043
Restricted investments	162,847	2,746	4,001	—	169,594
Accounts receivable					
Trade, net	48,058	8,678	3,100	—	59,836
Grants	28,602	—	971	—	29,573
Total receivables, net	76,660	8,678	4,071	—	89,409
Prepaid expenses and other assets	6,954	139	57	—	7,150
Interfund transfer Authority Loan	10,052	—	—	(10,052)	—
Total current assets	455,435	43,989	33,540	(10,052)	522,912
Noncurrent assets:					
Investments	66,587	—	—	—	66,587
Restricted investments	231,641	24,863	29,985	—	286,489
Prepaid expenses and other assets, long-term	5,855	205	1,258	—	7,318
Investment in joint venture	2,263	—	—	—	2,263
Net OPEB asset	55,418	—	—	—	55,418
Capital assets, net	2,180,246	430,154	290,244	—	2,900,644
Total noncurrent assets	2,542,010	455,222	321,487	—	3,318,719
Total assets	2,997,445	499,211	355,027	(10,052)	3,841,631
Deferred outflows of resources					
Deferred loss on refunding of bonds	19,108	909	—	—	20,017
Total deferred outflows of resources	19,108	909	—	—	20,017
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and accrued expenses	95,372	—	7,342	—	102,714
Compensated absences	1,483	—	—	—	1,483
Contract retainage	9,308	—	3,253	—	12,561
Current portion of long-term debt	62,219	19,237	3,209	—	84,665
Commercial notes payable	150,000	—	—	—	150,000
Interfund transfer Authority Loan	—	—	10,052	(10,052)	—
Accrued interest payable	26,708	2,718	5,878	—	35,304
Unearned revenues	5,217	—	2	—	5,219
Total current liabilities	350,307	21,955	29,736	(10,052)	391,946
Noncurrent liabilities					
Accrued expenses	18,542	388	674	—	19,604
Compensated absences	18,974	—	—	—	18,974
Long-term debt, net	1,204,187	93,891	203,725	—	1,501,803
Unearned revenues	8,982	—	—	—	8,982
Total noncurrent liabilities	1,250,685	94,279	204,399	—	1,549,363
Total liabilities	1,600,992	116,234	234,135	(10,052)	1,941,309
<b>Net Position</b>					
Invested in capital assets	790,102	317,935	119,321	—	1,227,358
Restricted for other purposes					
Bond funds	201,754	—	—	—	201,754
Project funds	214,772	—	—	—	214,772
Passenger facility charges	—	65,951	—	—	65,951
Customer facility charges	—	—	1,571	—	1,571
Other purposes	25,472	—	—	—	25,472
Total restricted	441,998	65,951	1,571	—	509,520
Unrestricted	183,461	—	—	—	183,461
Total net position	\$ 1,415,561	\$ 383,886	\$ 120,892	\$ —	\$ 1,920,339

See accompanying independent auditors' report.

## Schedule II

### MASSACHUSETTS PORT AUTHORITY

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2014

(In thousands)

	Authority Operations	PFC Program	CFC Program	Combined Totals
Operating revenues:				
Fees, tolls and other services	\$ 308,468	\$ —	\$ —	\$ 308,468
Rentals	204,380	—	—	204,380
Concessions	77,873	—	—	77,873
Other	27,874	—	—	27,874
Operating grants	3,876	—	—	3,876
Total operating revenues	<u>622,471</u>	<u>—</u>	<u>—</u>	<u>622,471</u>
Operating expenses:				
Operations and maintenance	296,344	—	—	296,344
Administration	54,151	—	—	54,151
Insurance	9,001	—	—	9,001
Pension	11,990	—	—	11,990
Other post-employment benefits	14,140	—	—	14,140
Payments in lieu of taxes	18,444	—	—	18,444
Provision for uncollectible accounts	453	—	—	453
Depreciation and amortization	164,067	40,956	12,744	217,767
Total operating expenses	<u>568,590</u>	<u>40,956</u>	<u>12,744</u>	<u>622,290</u>
Operating income (loss)	<u>53,881</u>	<u>(40,956)</u>	<u>(12,744)</u>	<u>181</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	—	62,682	—	62,682
Customer facility charges	—	—	29,963	29,963
Investment income	5,127	1,098	417	6,642
Net increase (decrease) in the fair value of investments	1,794	(74)	256	1,976
Other revenues	10,534	—	13	10,547
Settlement of claims	1,792	—	—	1,792
Terminal A debt service contribution	—	(11,839)	—	(11,839)
Other expenses	—	—	(1,407)	(1,407)
Gain on sale of equipment	90	—	—	90
Interest expense	(51,154)	(6,100)	(7,719)	(64,973)
Total nonoperating (expense) revenue, net	<u>(31,817)</u>	<u>45,767</u>	<u>21,523</u>	<u>35,473</u>
Increase in net position before capital grant revenue	22,064	4,811	8,779	35,654
Capital grant revenue	<u>53,579</u>	<u>—</u>	<u>2,545</u>	<u>56,124</u>
Increase in net position	75,643	4,811	11,324	91,778
Net position, beginning of year	<u>1,339,918</u>	<u>379,075</u>	<u>109,568</u>	<u>1,828,561</u>
Net position, end of year	<u>\$ 1,415,561</u>	<u>\$ 383,886</u>	<u>\$ 120,892</u>	<u>\$ 1,920,339</u>

See accompanying independent auditors' report.

**MASSACHUSETTS PORT AUTHORITY**

**Schedule III**

Combining Schedule of Net Position

June 30, 2013

(In thousands)

<b>Assets and Deferred Outflows</b>	<b>Authority Operations</b>	<b>PFC Program</b>	<b>CFC Program</b>	<b>Combined Totals</b>
Current assets:				
Cash and cash equivalents	\$ 45,651	\$ —	\$ —	\$ 45,651
Investments	27,976	—	—	27,976
Restricted cash and cash equivalents	131,592	30,137	35,920	197,649
Restricted investments	131,766	8,994	20,023	160,783
Accounts receivable				
Trade, net	42,215	8,459	3,646	54,320
Grants	6,536	—	578	7,114
Total receivables, net	48,751	8,459	4,224	61,434
Prepaid expenses and other assets	9,886	137	55	10,078
Total current assets	395,622	47,727	60,222	503,571
Noncurrent assets:				
Investments	91,827	—	—	91,827
Restricted investments	285,550	27,945	29,361	342,856
Prepaid expenses and other assets, long-term	7,800	347	1,317	9,464
Investment in joint venture	2,137	—	—	2,137
Net OPEB asset	53,188	—	—	53,188
Capital assets, net	2,085,648	436,961	247,056	2,769,665
Total noncurrent assets	2,526,150	465,253	277,734	3,269,137
Total assets	2,921,772	512,980	337,956	3,772,708
Deferred outflows of resources				
Deferred loss on refunding of bonds	20,664	1,183	—	21,847
Total deferred outflows of resources	20,664	1,183	—	21,847
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	95,519	12	7,212	102,743
Compensated absences	1,550	—	—	1,550
Contract retainage	8,092	—	—	8,092
Current portion of long-term debt	60,247	18,389	3,134	81,770
Commercial notes payable	100,000	—	—	100,000
Accrued interest payable	27,572	3,117	5,898	36,587
Unearned revenues	6,054	—	—	6,054
Total current liabilities	299,034	21,518	16,244	336,796
Noncurrent liabilities				
Accrued expenses	17,754	389	—	18,143
Compensated absences	19,873	—	—	19,873
Contract retainage	275	—	5,210	5,485
Long-term debt, net	1,254,754	113,181	206,934	1,574,869
Unearned revenues	10,828	—	—	10,828
Total current liabilities	1,303,484	113,570	212,144	1,629,198
Total liabilities	1,602,518	135,088	228,388	1,965,994
<b>Net Position</b>				
Invested in capital assets	739,284	306,574	85,719	1,131,577
Restricted for other purposes				
Bond funds	185,018	—	—	185,018
Project funds	208,948	—	—	208,948
Passenger facility charges	—	72,501	—	72,501
Customer facility charges	—	—	23,849	23,849
Other purposes	25,142	—	—	25,142
Total restricted	419,108	72,501	23,849	515,458
Unrestricted	181,526	—	—	181,526
Total net position	\$ 1,339,918	\$ 379,075	\$ 109,568	\$ 1,828,561

See accompanying independent auditors' report.

**Schedule IV**

**MASSACHUSETTS PORT AUTHORITY**

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2013

(In thousands)

	<b>Authority Operations</b>	<b>PFC Program</b>	<b>CFC Program</b>	<b>Combined Totals</b>
Operating revenues:				
Fees, tolls and other services	\$ 289,384	\$ —	\$ —	\$ 289,384
Rentals	184,744	—	—	184,744
Concessions	72,542	—	—	72,542
Other	22,515	—	—	22,515
Operating grants	2,638	—	—	2,638
Total operating revenues	<u>571,823</u>	<u>—</u>	<u>—</u>	<u>571,823</u>
Operating expenses:				
Operations and maintenance	272,611	—	—	272,611
Administration	48,950	—	—	48,950
Insurance	8,020	—	—	8,020
Pension	9,614	—	—	9,614
Other post-employment benefits	13,450	—	—	13,450
Payments in lieu of taxes	18,090	—	—	18,090
Provision for uncollectible accounts	(353)	—	—	(353)
Depreciation and amortization	159,980	38,704	362	199,046
Total operating expenses	<u>530,362</u>	<u>38,704</u>	<u>362</u>	<u>569,428</u>
Operating income (loss)	<u>41,461</u>	<u>(38,704)</u>	<u>(362)</u>	<u>2,395</u>
Nonoperating revenues and (expenses):				
Passenger facility charges	—	60,105	—	60,105
Customer facility charges	—	—	29,354	29,354
Investment income	6,447	1,118	771	8,336
Net (decrease) increase in the fair value of investments	(2,511)	189	(499)	(2,821)
Other revenues	187	—	—	187
Settlement of claims	567	—	—	567
Terminal A debt service contribution	—	(12,114)	—	(12,114)
Other expenses	(73)	(192)	(1,014)	(1,279)
Loss on sale of equipment	(64)	—	—	(64)
Interest expense	(54,657)	(6,167)	(247)	(61,071)
Total nonoperating (expense) revenue, net	<u>(50,104)</u>	<u>42,939</u>	<u>28,365</u>	<u>21,200</u>
(Decrease) increase in net position before capital grant revenue	(8,643)	4,235	28,003	23,595
Capital grant revenue	<u>19,656</u>	<u>—</u>	<u>578</u>	<u>20,234</u>
Increase in net position	11,013	4,235	28,581	43,829
Net position, beginning of year	<u>1,328,905</u>	<u>374,840</u>	<u>80,987</u>	<u>1,784,732</u>
Net position, end of year	<u>\$ 1,339,918</u>	<u>\$ 379,075</u>	<u>\$ 109,568</u>	<u>\$ 1,828,561</u>

See accompanying independent auditors' report.

## ***back bay logan express***

The new "Back Bay Logan Express" offers passengers a one-seat, 20-minute ride to and from Logan Airport on board one of Massport's familiar 40-foot, clean-fuel CNG shuttle buses. The service connects to all of Logan's terminals with two stops on Boylston Street in the Back Bay: the Hynes Convention Center and near the Copley Green Line T stop.







# Statistical Section

This part of the Massachusetts Port Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority's overall financial health and performance.

## Financial Trends:

These schedules present trend information on how the Authority's financial position changed over time.

S-1	Changes in Net Position, and Net Position by Component
S-4	Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses
S-5	Calculation of Net Revenues Pledged Under the 1978 Trust Agreement, Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement and Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement

## Revenue Capacity:

These schedules present trend information on the Authority's most significant revenue sources.

S-2	Most Significant Own-Source Revenues and Related Rates and Charges
S-3	Historical Principal Operating Revenue Payers

## Debt Capacity:

These schedules present information on the Authority's current levels of outstanding debt and its ability to support existing or issue additional debt.

S-6	Calculation of Debt Service Coverage and Debt Metrics Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement
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## Demographic and Economic Information:

These schedules provide demographic and economic indicators to help the reader understand the environment within the Authority's financial activities take place.

S-7	Largest Private Sector Employers
S-8	Demographics and Employment Data

## Operation and Others Information:

These schedules provide operating data to help the reader understand how the information in the Authority's financial report relates to the services it provides and the activities it performs.

S-9	Number of Employees by Facility
S-16	Insurance Coverage
S-17	Physical Asset Data

## Other Information:

S-10	Logan International Airport Traffic Metrics
S-11 & S-11a	Logan International Airport Market Share of Total Passenger Traffic
S-12	Logan International Airport Passenger Market
S-13	Port of Boston Cargo and Passenger Activity
S-14	Port of Boston Principal Customers
S-15	Tobin Memorial Bridge Activity

**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Revenues, Expenses and Changes in Net Position**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands)**  
.....

**S-1 Changes in Net Position**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 249,323	\$ 268,723	\$ 290,679	\$ 312,248	\$ 298,368
Rentals	139,731	154,991	158,848	166,424	166,016
Concessions	49,923	53,678	55,826	65,414	60,794
Other	16,147	16,752	18,500	18,509	14,533
Operating grants	5,454	3,490	2,976	2,896	3,055
Total operating revenues	<u>460,578</u>	<u>497,634</u>	<u>526,829</u>	<u>565,491</u>	<u>542,766</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 211,905	\$ 236,359	\$ 252,905	\$ 275,824	\$ 276,071
Administration	43,005	42,126	43,094	45,495	42,022
Insurance	11,221	6,632	10,689	8,548	7,402
Pension	2,141	3,715	3,140	1,006	408
Other post-employment benefits	4,018	4,527	5,139	15,850	16,731
Payments in lieu of taxes	12,028	15,771	16,732	17,108	18,460
Provision for uncollectible accounts	320	2,609	(2,256)	158	1,632
Depreciation and Amortization	136,007	142,071	157,550	162,388	156,745
Total operating expenses	<u>420,645</u>	<u>453,810</u>	<u>486,993</u>	<u>526,377</u>	<u>519,471</u>
<b>Operating income</b>	<u>39,933</u>	<u>43,824</u>	<u>39,836</u>	<u>39,114</u>	<u>23,295</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	35,316	48,324	57,504	53,740	50,102
Customer facility charges (2)	N/A	N/A	N/A	N/A	5,211
Investment income	13,456	20,648	26,845	29,920	22,613
Net gain in change in the fair value of investments	-	-	1,812	2,739	3,312
Other revenues	-	351	-	2,099	11,995
Gain on sales of assets	60	102	45	49	-
Settlement of claims	3,354	438	200	84	3,987
Total nonoperating revenues	<u>52,186</u>	<u>69,863</u>	<u>86,406</u>	<u>88,631</u>	<u>97,220</u>
<u>Nonoperating expenses</u>					
Interest expense	64,620	69,601	76,860	80,862	73,710
Loss from sale of equipment	-	-	-	-	1
Net loss in change in the fair value of investments	-	2,870	-	-	-
Terminal A Debt Service Payment (PFC)	-	-	-	-	-
Other expense / arbitrage	230	2,780	382	1,027	11,418
Total nonoperating expenses	<u>64,850</u>	<u>75,251</u>	<u>77,242</u>	<u>81,889</u>	<u>85,129</u>
Total nonoperating revenues (expenses)	<u>(12,664)</u>	<u>(5,388)</u>	<u>9,164</u>	<u>6,742</u>	<u>12,091</u>
<b>Income before capital grant revenue and Special item</b>	<u>27,269</u>	<u>38,436</u>	<u>49,000</u>	<u>45,856</u>	<u>35,386</u>
Capital grant revenue	<u>47,709</u>	<u>36,209</u>	<u>10,708</u>	<u>41,818</u>	<u>42,998</u>
Tobin Bridge transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>74,978</u>	<u>74,645</u>	<u>59,708</u>	<u>87,674</u>	<u>78,384</u>
<b>Net position, beginning of year</b>	<u>1,241,897</u>	<u>1,316,875</u>	<u>1,391,520</u>	<u>1,451,228</u>	<u>1,538,902</u>
<b>Net position, end of year</b>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>
<b>Total net position composed of:</b>					
Invested in capital assets, net of debt	772,931	814,180	901,516	903,001	988,026
Restricted	467,014	495,974	405,157	503,646	504,505
Unrestricted	76,930	81,366	144,555	132,255	124,755
<b>Total Net Position</b>	<u>\$ 1,316,875</u>	<u>\$ 1,391,520</u>	<u>\$ 1,451,228</u>	<u>\$ 1,538,902</u>	<u>\$ 1,617,286</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(4) The Authority revised the Net Position at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

(5) In accordance with the requirements of GASB No.65, the Authority's Net position was restated as for fiscal year 2011 and forward to reflect the required adjustments.

Source: Authority's audited financial statements.

**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Revenues, Expenses and Changes in Net Position**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands)**  
.....

**S-1 Changes in Net Position (Continued)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<u>Operating revenues</u>					
Fees, tolls and other services	\$ 277,825	\$ 274,545	\$ 283,364	\$ 289,384	\$ 308,468
Rentals	167,204	174,431	180,568	184,744	204,380
Concessions	62,321	64,014	68,239	72,542	77,873
Other	17,770	22,204	23,926	22,515	27,874
Operating grants	2,773	2,448	2,357	2,638	3,876
Total operating revenues	<u>527,893</u>	<u>537,642</u>	<u>558,454</u>	<u>571,823</u>	<u>622,471</u>
<u>Operating expenses</u>					
Operations and maintenance	\$ 249,633	\$ 262,411	\$ 265,607	\$ 272,611	\$ 296,344
Administration	41,646	45,988	43,987	48,950	54,151
Insurance	8,874	7,326	8,059	8,020	9,001
Pension	7,621	4,924	5,710	9,614	11,990
Other post-employment benefits	17,508	16,527	17,850	13,450	14,140
Payments in lieu of taxes	17,547	17,327	17,642	18,090	18,444
Provision for uncollectible accounts	473	412	1,085	(353)	453
Depreciation and Amortization	164,141	169,365	181,166	199,046	217,767
Total operating expenses	<u>507,443</u>	<u>524,280</u>	<u>541,106</u>	<u>569,428</u>	<u>622,290</u>
<b>Operating income</b>	<u>20,450</u>	<u>13,362</u>	<u>17,348</u>	<u>2,395</u>	<u>181</u>
<u>Nonoperating revenues</u>					
Passenger facility charges (1)	58,598	58,531	59,212	60,105	62,682
Customer facility charges (2)	20,668	26,203	28,749	29,354	29,963
Investment income	14,890	11,676	10,176	8,336	6,642
Net gain in change in the fair value of investments	248	-	255	-	1,976
Other revenues	2,659	1,557	618	187	10,547
Gain on sales of assets	-	88	354	-	90
Settlement of claims	8	1	640	567	1,792
Total nonoperating revenues	<u>97,071</u>	<u>98,056</u>	<u>100,004</u>	<u>98,549</u>	<u>113,692</u>
<u>Nonoperating expenses</u>					
Interest expense	66,870	60,649 (5)	59,307 (5)	61,071	64,973
Loss from sale of equipment	110	-	-	64	-
Net loss in change in the fair value of investments	-	3,503	-	2,821	-
Terminal A Debt Service Payment (PFC)	-	6,070	9,105	12,114	11,839
Other expense / arbitrage	312	(168)	398	1,279	1,407
Total nonoperating expenses	<u>67,292</u>	<u>70,054</u>	<u>68,810</u>	<u>77,349</u>	<u>78,219</u>
Total nonoperating revenues (expenses)	<u>29,779</u>	<u>28,002</u>	<u>31,194</u>	<u>21,200</u>	<u>35,473</u>
<b>Income before capital grant revenue and Special item</b>	<u>50,229</u>	<u>41,364</u>	<u>48,542</u>	<u>23,595</u>	<u>35,654</u>
Capital grant revenue	<u>34,340</u>	<u>22,484</u>	<u>40,750</u>	<u>20,234</u>	<u>56,124</u>
Tobin Bridge transfer	<u>(78,058) (3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>6,511</u>	<u>63,848</u>	<u>89,292</u>	<u>43,829</u>	<u>91,778</u>
<b>Net position, beginning of year</b>	<u>1,617,286</u>	<u>1,631,592 (4)</u>	<u>1,695,440</u>	<u>1,784,732</u>	<u>1,828,561</u>
<b>Net position, end of year</b>	<u>\$ 1,623,797</u>	<u>\$ 1,695,440</u>	<u>\$ 1,784,732</u>	<u>\$ 1,828,561</u>	<u>\$ 1,920,339</u>
<b>Total net position composed of:</b>					
Invested in capital assets, net of debt	999,312	1,055,161	1,059,110	1,131,577	1,227,358
Restricted	538,211	486,041 (5)	583,272 (5)	515,458	509,520
Unrestricted	86,274	154,238	142,350	181,526	183,461
<b>Total Net Position</b>	<u>\$ 1,623,797</u>	<u>\$ 1,695,440</u>	<u>\$ 1,784,732</u>	<u>\$ 1,828,561</u>	<u>\$ 1,920,339</u>

(1) PFC accrued revenue exclusive of PFC interest earnings.

(2) CFC accrued revenue exclusive of CFC interest earnings.

(3) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(4) The Authority revised the Net Position at July 1, 2010 in the amount of \$10.8 million to correct an understatement of certain revenue related to fiscal years 2007 through 2010.

(5) In accordance with the requirements of GASB No.65, the Authority's Net position was restated as for fiscal year 2011 and forward to reflect the required adjustments.

Source: Authority's audited financial statements.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

### Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2005 through June 30, 2014

#### S-2 Principal Revenues and Rates as of June 30

	2005	2006	2007	2008	2009
<b><u>Logan Airport Revenues (in thousands)</u></b>					
Landing Fees	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041
Terminal Rentals and Fees	85,843	102,967	103,193	107,260	106,021
Parking Fees	93,014	92,324	99,407	110,602	102,778
<b><u>Logan Airport Rates and Charges (1)</u></b>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 3.07	\$ 3.89	\$ 4.20	\$ 4.41	\$ 4.82
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (2)	\$ 75.20	\$ 57.45	\$ 80.51	\$ 87.43	\$ 84.04
Terminal B	\$ 80.58	\$ 83.76	\$ 87.91	\$ 95.91	\$ 91.47
Terminal C - Main Terminal	\$ 102.87	\$ 107.17	\$ 108.79	\$ 110.17	\$ 98.56
Terminal E - Type 3 Space	\$ 119.46	\$ 121.43	\$ 117.91	\$ 117.49	\$ 115.76
<u>Baggage Fee (per checked bag)</u>	\$ 1.08	\$ 0.92	\$ 0.99	\$ 1.15	\$ 1.38
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 7.41	\$ 8.42	\$ 11.63	\$ 13.31	\$ 12.32
Outbound	\$ 1.61	\$ 3.18	\$ 2.85	\$ 2.79	\$ 2.62
Inbound Domestic	\$ 0.37	\$ 1.09	\$ 1.08	\$ 1.07	\$ 1.07
Common Use Check-in Fee	\$ 7.56	\$ 8.41	\$ 8.51	\$ 9.06	\$ 8.39
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 22.00	\$ 22.00	\$ 24.00	\$ 24.00	\$ 24.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate.

Source: Authority reports.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

### Most Significant Own-Source Revenues and Related Rates and Charges

Fiscal Years Ended June 30, 2005 through June 30, 2014

#### S-2 Principal Revenues and Rates as of June 30 (Continued)

	2010	2011	2012	2013	2014
<b><u>Logan Airport Revenues (in thousands)</u></b>					
Landing Fees	\$ 89,718	\$ 91,515	\$ 88,287	\$ 86,533	\$ 92,896
Terminal Rentals and Fees	106,079	110,267	115,567	117,891	129,487
Parking Fees	106,918	116,059	125,771	131,873	136,307
<b><u>Logan Airport Rates and Charges (1)</u></b>					
<u>Landing Fee (per 1,000 lbs)</u>	\$ 4.82	\$ 4.61	\$ 4.36	\$ 4.34	\$ 4.57
<u>Terminal Rental Rates (per square foot - annual rate)</u>					
Terminal A (2)	\$ 83.34	\$ 84.62	\$ 89.90	\$ 93.68	\$ 93.94
Terminal B	\$ 95.31	\$ 95.89	\$ 98.14	\$ 106.23	\$ 106.55
Terminal C - Main Terminal	\$ 104.59	\$ 101.47	\$ 112.90	\$ 109.71	\$ 118.31
Terminal E - Type 3 Space	\$ 105.28	\$ 109.48	\$ 117.16	\$ 116.96	\$ 112.66
<u>Baggage Fee (per checked bag)</u>	\$ 1.49	\$ 1.23	\$ 1.27	\$ 1.45	\$ 1.34
<u>Terminal E Passenger Fees (per passenger)</u>					
Inbound International	\$ 14.06	\$ 12.17	\$ 11.40	\$ 10.92	\$ 10.17
Outbound	\$ 3.35	\$ 3.26	\$ 3.36	\$ 3.12	\$ 2.74
Inbound Domestic	\$ 8.37	\$ 10.84	\$ 11.40	\$ 10.92	\$ 10.17
Common Use Check-in Fee	\$ 8.33	\$ 8.06	\$ 8.31	\$ 7.93	\$ 7.00
<u>Central Parking Garage (maximum 24 hours)</u>	\$ 24.00	\$ 24.00	\$ 27.00	\$ 27.00	\$ 27.00

(1) Rates approved by the Members of the Authority each fiscal year.

(2) Excludes Terminal A facility rent rate.

Source: Authority reports.

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**Massachusetts Port Authority**  
Statistical Section

Historical Principal Operating Revenue Payers  
Current Year and Nine Years Ago  
(In Thousands)

**S-3 Principal Operating Revenue Payers**

Landing Fee Revenue		For the Fiscal Year Ended June 30, 2014			For the Fiscal Year Ended June 30, 2005		
Customer	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	Landing Fee Revenue	Rank	Ratio: Top Customers to Total Landing Fees	
JETBLUE AIRWAYS	\$ 21,058	1	22.67%	\$ 2,694	7	3.85%	
US AIRWAYS, INC.	10,112	2	10.89%	8,580	3	12.27%	
DELTA AIRLINES (1)	9,179	3	9.88%	10,739	1	15.36%	
UNITED AIRLINES, INC. (2)	8,945	4	9.63%	5,206	4	7.44%	
AMERICAN AIRLINES	8,155	5	8.78%	10,083	2	14.42%	
SOUTHWEST AIRLINES CO (3); (4)	4,808	6	5.18%	-	-	0.00%	
BRITISH AIRWAYS, PLC	3,281	7	3.53%	1,666	12	2.38%	
FEDERAL EXPRESS CORP.	2,693	8	2.90%	2,149	10	3.07%	
LUFTHANSA GERMAN AIRLINES	2,047	9	2.20%	1,070	16	1.53%	
SHUTTLE AMERICA CORPORATION	1,807	10	1.95%	-	-	0.00%	
NORTHWEST AIRLINES (1)	-	-	0.00%	3,429	5	4.90%	
AMERICAN EAGLE AIRLINES INC (5)	-	-	0.00%	2,953	6	4.22%	
CONTINENTAL AIRLINES (2)	-	-	0.00%	2,503	8	3.58%	
AIRTRAN AIRLINES (4)	1,455	12	1.57%	2,417	9	3.46%	
ALL OTHER PAYERS	19,356	-	20.84%	16,440	-	23.51%	
Total Landing Fees	\$ 92,896		100.00%	\$ 69,929		100.00%	

Terminal Rents and Fees		For the Fiscal Year Ended June 30, 2014			For the Fiscal Year Ended June 30, 2005		
Customer	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	Terminal Rents and Fees	Rank	Ratio: Top Customers to Total Terminal Rents and Fees	
DELTA AIRLINES (1)	\$ 25,409	1	19.62%	\$ 13,050	1	15.20%	
JETBLUE AIRWAYS	19,902	2	15.37%	3,706	7	4.32%	
US AIRWAYS, INC.	11,991	3	9.26%	8,672	3	10.10%	
AMERICAN AIRLINES	10,529	4	8.13%	11,890	2	13.85%	
UNITED AIRLINES, INC. (2)	7,701	5	5.95%	6,239	5	7.27%	
BRITISH AIRWAYS, PLC	7,464	6	5.76%	4,793	6	5.58%	
SOUTHWEST AIRLINES CO (3)	5,717	7	4.42%	-	-	0.00%	
LUFTHANSA GERMAN AIRLINES	5,338	8	4.12%	3,705	8	4.32%	
AER LINGUS	4,123	9	3.18%	2,727	11	3.18%	
CONTINENTAL AIRLINES (2)	3,831	10	2.96%	3,158	9	3.68%	
NORTHWEST AIRLINES (1)	-	-	0.00%	7,364	4	8.58%	
AIR FRANCE	3,353	11	2.59%	2,772	10	3.23%	
ALL OTHER PAYERS	24,129	-	18.64%	17,767	-	20.70%	
Total Terminal Rental and Fees	\$ 129,487		100.00%	\$ 85,843		100.00%	

Parking Revenue		For the Fiscal Year Ended June 30, 2014			For the Fiscal Year Ended June 30, 2005		
Customer	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	Logan Parking	Rank	Ratio: Top Customers to Total Parking Revenue	
PUBLIC PARKING AT AIRPORT	\$ 126,338	1	92.69%	\$ 83,544	1	89.82%	
TENANT EMPLOYEE PARKING	6,564	2	4.82%	5,488	2	5.90%	
PUBLIC OFF-AIRPORT PARKING	3,405	3	2.50%	3,982	3	4.28%	
Total Parking Revenue	\$ 136,307		100.00%	\$ 93,014		100.00%	

- (1) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.  
(2) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.  
(3) Southwest Airlines commenced service at Logan Airport in August 2009.  
(4) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and they expect to complete integration of operations in December 2014.  
(5) American Eagle Airlines ceased operations in Boston during November 2011.

Source: Authority's accounting reports.



**Massachusetts Port Authority**  
Statistical Section

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**Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands)**  
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**S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Operating Revenue:</b>					
<b>Per Financial Statements</b>	\$ 460,578	\$ 497,634	\$ 526,829	\$ 565,491	\$ 542,766
Adjustments:					
Provision / recovery for uncollectible accounts	(320)	(2,609)	2,256	(158)	(1,632)
Other	-	-	-	-	-
<b>Operating Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>
<b>Income on Investments:</b>					
<b>Per Financial Statements</b>	13,456	20,648	26,845	29,920	22,613
Adjustments:					
PFC - Trust Agreement	(2,044)	(2,736)	(2,429)	(2,753)	(2,271)
CFC	-	-	-	-	(10)
Self Insurance and Other Accounts	(1,924)	(2,566)	(3,432)	(3,164)	(2,849)
<b>Income on Investments:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>9,488</u>	<u>15,346</u>	<u>20,984</u>	<u>24,003</u>	<u>17,483</u>
<b>TOTAL REVENUES</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>469,746</b></u>	<u><b>510,371</b></u>	<u><b>550,069</b></u>	<u><b>589,336</b></u>	<u><b>558,617</b></u>
<b>Operating Expenses:</b>					
<b>Per Financial Statements</b>	\$ 420,645	\$ 453,810	\$ 486,993	\$ 526,377	\$ 519,471
Adjustments:					
Insurance	(2,195)	1,074	(2,583)	(824)	5,476
Payments in Lieu of Taxes	(12,028)	(15,771)	(16,732)	(17,108)	(18,460)
Provision for uncollectible accounts	(320)	(2,609)	2,256	(158)	(1,632)
Depreciation and Amortization	(136,007)	(142,071)	(157,550)	(162,388)	(156,745)
Other post-employment benefits	-	-	-	(6,702)	(5,526)
Other Expenses	(2,391)	(1,515)	(826)	(2,315)	(9,044)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses	2,000	1,000	1,000	-	1,280
<b>TOTAL EXPENSES</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>269,704</b></u> <sup>(1)</sup>	<u><b>293,918</b></u>	<u><b>312,558</b></u>	<u><b>336,882</b></u>	<u><b>334,820</b></u>
<b>Net Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u><b>\$ 200,042</b></u> <sup>(1)</sup>	<u><b>\$ 216,453</b></u>	<u><b>\$ 237,511</b></u>	<u><b>\$ 252,454</b></u>	<u><b>\$ 223,797</b></u>

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

Source: Authority's audited financial statements.

**Massachusetts Port Authority**  
Statistical Section

.....  
**Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands)**  
.....

**S-4 Conversion of GAAP Revenues and Expenses to the 1978 Trust Agreement Revenues and Expenses (Continued)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Operating Revenue:</b>					
<b>Per Financial Statements</b>	<u>\$ 527,893</u>	<u>\$ 537,642</u>	<u>\$ 558,454</u>	<u>\$ 571,823</u>	<u>\$ 622,471</u>
Adjustments:					
Provision / recovery for uncollectible accounts	(473)	(419)	(1,061)	353	(465)
Other	-	(533)	3,979	(1,902)	(1,546)
<b>Operating Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>527,420</u>	<u>536,690</u>	<u>561,372</u>	<u>570,274</u>	<u>620,460</u>
<b>Income on Investments:</b>					
<b>Per Financial Statements</b>	<u>14,890</u>	<u>11,676</u>	<u>10,176</u>	<u>8,336</u>	<u>6,642</u>
Adjustments:					
PFC - Trust Agreement	(2,037)	(1,344)	(1,141)	(1,118)	(1,098)
CFC	(85)	(159)	(802)	(771)	(417)
Self Insurance and Other Accounts	(1,525)	(1,833)	(1,538)	(2,279)	(1,919)
<b>Income on Investments:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>11,243</u>	<u>8,340</u>	<u>6,695</u>	<u>4,168</u>	<u>3,208</u>
<b>TOTAL REVENUES</b>					
<b>Per the 1978 Trust Agreement (excludes CFCs) (2)</b>	<u>538,663</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>	<u>623,668</u>
<b>Operating Expenses:</b>					
<b>Per Financial Statements</b>	<u>\$ 507,443</u>	<u>\$ 524,280</u>	<u>\$ 541,106</u>	<u>\$ 569,428</u>	<u>\$ 622,290</u>
Adjustments:					
Insurance	(1,891)	1,514	266	678	(95)
Payments in Lieu of Taxes	(17,547)	(17,327)	(17,642)	(18,090)	(18,444)
Provision for uncollectible accounts	(473)	(412)	(1,085)	353	(453)
Depreciation and Amortization	(164,141)	(169,365)	(181,166)	(199,046)	(217,767)
Other post-employment benefits	(5,570)	(4,505)	(5,859)	(450)	(140)
Other Expenses	1,447	(287)	(4,300)	(3,129)	(4,201)
Other Expense / State Police Details	-	-	-	-	-
Administration Expenses/Revenues	1,201	1,631	2,648	2,254	2,370
<b>TOTAL EXPENSES</b>					
<b>Per the 1978 Trust Agreement</b>	<u>320,469</u>	<u>335,529</u>	<u>333,968</u>	<u>351,998</u>	<u>383,560</u>
<b>Net Revenue:</b>					
<b>Per the 1978 Trust Agreement</b>	<u>\$ 218,194</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>	<u>\$ 240,108</u>

(1) Column does not add due to rounding.

(2) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011. CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

Source: Authority's audited financial statements.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and  
Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement  
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement  
Fiscal Years Ended June 30, 2005 through June 30, 2014  
(In Thousands)

### S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement

1978 Trust Agreement	2005	2006	2007	2008	2009
<b>Revenues:</b>					
Airport Properties - Logan					
Landing Fees	\$ 69,929	\$ 76,743	\$ 82,241	\$ 87,065	\$ 89,041
Parking Fees	93,014	92,324	99,407	110,602	102,778
Utility Fees	15,696	21,690	25,257	26,562	26,005
Terminal Rentals	85,843	102,967	103,193	107,260	106,021
Non-Terminal Building and Ground Rents	36,133	34,699	34,510	35,063	36,693
Concessions	48,195	51,948	53,724	63,058	58,685
Other (1)	19,485	16,232	21,765	20,208	16,177
	<u>368,295</u>	<u>396,603</u>	<u>420,097</u>	<u>449,818</u>	<u>435,400</u>
Airport Properties - Hanscom	6,219	7,167	8,911	10,063	9,037
Airport Properties - Worcester (2)	N/A	N/A	N/A	N/A	N/A
Total Airport Properties	<u>374,514</u>	<u>403,770</u>	<u>429,008</u>	<u>459,881</u>	<u>444,437</u>
Port Properties					
Maritime Operations	42,247	46,588	48,708	54,107	49,299
Maritime Business Development/Real Estate	15,947	16,394	20,030	20,783	18,516
	<u>58,194</u>	<u>62,982</u>	<u>68,738</u>	<u>74,890</u>	<u>67,815</u>
Bridge	27,550	28,273	31,339	30,562	28,882
Total Operating Revenue	<u>460,258</u>	<u>495,025</u>	<u>529,085</u>	<u>565,333</u>	<u>541,134</u>
Investment Income (3)	9,488	15,346	20,984	24,003	17,483
Total Revenues before CFC	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>	<u>558,617</u>
CFC Revenues (4)	N/A	N/A	N/A	N/A	5,221
Total Revenues	<u>469,746</u>	<u>510,371</u>	<u>550,069</u>	<u>589,336</u>	<u>563,838</u>
<b>Operating Expenses (5):</b>					
Airport Properties					
Logan	198,380	218,674	232,418	247,026	246,561
Hanscom	6,468	7,096	7,765	9,301	8,710
Worcester (2)	N/A	N/A	N/A	N/A	N/A
	<u>204,848</u>	<u>225,770</u>	<u>240,183</u>	<u>256,327</u>	<u>255,271</u>
Port Properties					
Maritime Operations	42,006	45,151	47,415	52,616	50,576
Maritime Business Development/Real Estate	13,195	13,464	14,597	15,611	16,344
	<u>55,201</u>	<u>58,615</u>	<u>62,012</u>	<u>68,227</u>	<u>66,920</u>
Bridge	9,655	9,533	10,363	12,328	12,629
Total Operating Expenses	<u>269,704</u>	<u>293,918</u>	<u>312,558</u>	<u>336,882</u>	<u>334,820</u>
<b>Net Revenue</b>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 229,018</u>
<b>Net Revenue Excluding CFCs</b>	<u>\$ 200,042</u>	<u>\$ 216,453</u>	<u>\$ 237,511</u>	<u>\$ 252,454</u>	<u>\$ 223,797</u>
<b>PFC Trust Agreement</b>					
<b>Revenues:</b>					
Logan Airport Net PFC Collections (6)	\$ 35,316	\$ 48,324 (7)	\$ 57,504	\$ 53,740	\$ 50,102
PFC Investment Income (9)	621	1,265	938	1,006	597
<b>PFC Revenue</b>	<u>\$ 35,937</u>	<u>\$ 49,589</u>	<u>\$ 58,442</u>	<u>\$ 54,746</u>	<u>\$ 50,699</u>
<b>CFC Trust Agreement</b>					
<b>Revenues:</b>					
CFC Collections (10)	N/A	N/A	N/A	N/A	N/A
CFC Investment Income	N/A	N/A	N/A	N/A	N/A
<b>CFC Revenue</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes on next page.

Source: Authority's accounting reports.

# MASSACHUSETTS PORT AUTHORITY

## Statistical Section

Calculation of Net Revenues Pledged Under the 1978 Trust Agreement and  
Calculation of Total PFC Revenue Pledged Under the PFC Trust Agreement  
Calculation of Total CFC Revenue Pledged Under the CFC Trust Agreement  
Fiscal Years Ended June 30, 2005 through June 30, 2014  
(In Thousands)

### S-5 Breakdown of Revenues and Expenses by Governing Trust Agreement (Continued)

1978 Trust Agreement	2010	2011	2012	2013	2014
<b>Revenues:</b>					
Airport Properties - Logan					
Landing Fees	\$ 89,718	\$ 91,515	\$ 88,287	\$ 86,533	\$ 92,896
Parking Fees	106,918	116,059	125,771	131,873	136,307
Utility Fees	18,442	16,144	15,275	14,867	16,798
Terminal Rentals	106,079	110,267	115,567	117,891	129,487
Non-Terminal Building and Ground Rents	37,574	39,547	40,107	42,086	46,175
Concessions	60,179	62,750	71,342	70,082	76,003
Other (1)	19,908	19,417	20,467	19,162	24,895
	<u>438,818</u>	<u>455,699</u>	<u>476,816</u>	<u>482,494</u>	<u>522,561</u>
Airport Properties - Hanscom	9,227	9,371	9,984	10,377	10,640
Airport Properties - Worcester (2)	N/A	911	1,238	774	1,538
Total Airport Properties	<u>448,045</u>	<u>465,981</u>	<u>488,038</u>	<u>493,645</u>	<u>534,739</u>
Port Properties					
Maritime Operations	46,540	50,630	50,876	52,444	57,959
Maritime Business Development/Real Estate	17,682	20,079	22,458	24,185	27,762
	<u>64,222</u>	<u>70,709</u>	<u>73,334</u>	<u>76,629</u>	<u>85,721</u>
Bridge	15,153	-	-	-	-
Total Operating Revenue	<u>527,420</u>	<u>536,690</u>	<u>561,372</u>	<u>570,274</u>	<u>620,460</u>
Investment Income (3)	11,243	8,340	6,695	4,168	3,208
Total Revenues before CFC	<u>538,663</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>	<u>623,668</u>
CFC Revenues (4)	20,752	-	-	-	-
Total Revenues	<u>559,415</u>	<u>545,030</u>	<u>568,067</u>	<u>574,442</u>	<u>623,668</u>
<b>Operating Expenses (5):</b>					
Airport Properties					
Logan	243,180	253,062	251,718	267,157	290,641
Hanscom	8,159	8,726	8,162	9,235	10,396
Worcester (2)	N/A	5,122	5,048	5,012	7,497
	<u>251,339</u>	<u>266,910</u>	<u>264,928</u>	<u>281,404</u>	<u>308,534</u>
Port Properties					
Maritime Operations	49,345	53,239	52,403	53,455	56,527
Maritime Business Development/Real Estate	14,506	15,380	16,637	17,139	18,499
	<u>63,851</u>	<u>68,619</u>	<u>69,040</u>	<u>70,594</u>	<u>75,026</u>
Bridge	5,279	-	-	-	-
Total Operating Expenses	<u>320,469</u>	<u>335,529</u>	<u>333,968</u>	<u>351,998</u>	<u>383,560</u>
<b>Net Revenue</b>	<u>\$ 238,946</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>	<u>\$ 240,108</u>
<b>Net Revenue Excluding CFCs</b>	<u>\$ 218,194</u>	<u>\$ 209,501</u>	<u>\$ 234,099</u>	<u>\$ 222,444</u>	<u>\$ 240,108</u>
<b>PFC Trust Agreement</b>					
<b>Revenues:</b>					
Logan Airport Net PFC Collections (6)	\$ 58,598 (8)	\$ 58,485	\$ 59,258	\$ 60,105	\$ 62,682
PFC Investment Income (9)	469	177	81	62	69
<b>PFC Revenue</b>	<u>\$ 59,067</u>	<u>\$ 58,662</u>	<u>\$ 59,339</u>	<u>\$ 60,167</u>	<u>\$ 62,751</u>
<b>CFC Trust Agreement</b>					
<b>Revenues:</b>					
CFC Collections (10)		\$ 26,203	\$ 28,749	\$ 29,354	\$ 29,963
CFC Investment Income	N/A	159	802	771	417
<b>CFC Revenue</b>	<u>\$ -</u>	<u>\$ 26,362</u>	<u>\$ 29,551</u>	<u>\$ 30,125</u>	<u>\$ 30,380</u>

See notes on next page.

Source: Authority's accounting reports.

**MASSACHUSETTS PORT AUTHORITY**  
**Statistical Section**

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**Notes to table S-5:**

- (1) Logan Airport uncollectible accounts have been included in Logan Other Revenue.
- (2) On July 1, 2010, the Authority acquired Worcester Regional Airport as required under the Transportation Reform Act.
- (3) Excludes investment income earned by and deposited into Construction, PFC, CFC and other funds not held under the 1978 Trust Agreement.
- (4) CFC Revenues (including investment income) were deducted from the 1978 net revenue in fiscal years 2009 and 2010 in anticipation of execution of the CFC Trust Agreement adopted on May 18, 2011.
- (5) Includes allocation of all operating expenses related to Authority General Administration.
- (6) PFC revenue collection began at Logan Airport on November 1, 1993. The PFC Trust Agreement became effective May 6, 1999.
- (7) The substantial increase in net PFC collections in fiscal year 2006 reflects the increase in the authorized PFC level to \$4.50 per passenger from \$3.00 effective October 1, 2005.
- (8) In fiscal year 2010, the Authority changed its accrual policy for calculating PFC revenue.
- (9) PFC investment income, per federal PFC law, includes only interest income generated by PFC collections. It does not include earnings on PFC bond funds.
- (10) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011.

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**MASSACHUSETTS PORT AUTHORITY**  
Statistical Section

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**Calculation of Debt Service Coverage and Debt Metrics**  
**Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands - except coverage and per passenger calculations)**  
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**S-6 Debt Service Coverage and Debt Metrics**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>1978 Trust Agreement</b>					
Net Revenue	\$ 200,042	\$ 216,453	\$ 237,511	\$ 252,454	\$ 223,797
Debt Service - Principal	35,210	41,575	45,465	48,140	50,780
Debt Service - Interest	48,088	65,216	60,018	61,767	55,889
Credits to Debt Service (1)	(6,492)	(13,858)	(7,057)	-	-
Annual Debt Service	<u>\$ 76,806</u>	<u>\$ 92,934</u>	<u>\$ 98,426</u>	<u>\$ 109,907</u>	<u>\$ 106,669</u>
Debt Service Coverage	2.60	2.33	2.41	2.30	2.10
<b>PFC Trust Agreement</b>					
Net PFC Revenue (2)	\$ 35,937	\$ 49,589	\$ 58,442	\$ 54,746	\$ 50,699
Debt Service - Principal	10,425	10,945	11,435	15,540	16,540
Debt Service - Interest	11,118	10,601	8,374	11,771	10,648
Credits to Debt Service (3)	(1,329)	(1,305)	(1,318)	(2,153)	(2,758)
Annual Debt Service	<u>\$ 20,213</u>	<u>\$ 20,241</u>	<u>\$ 18,490</u>	<u>\$ 25,158</u>	<u>\$ 24,430</u>
Debt Service Coverage (4)	1.78	2.45	3.16	2.18	2.08
First Line Sufficiency Covenant	2.55	2.39	1.79	1.86	1.63
<b>CFC Trust Agreement</b>					
CFC Revenue (5)	N/A	N/A	N/A	N/A	N/A
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Credits to Debt Service	-	-	-	-	-
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Coverage before the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	-	-
Debt Service Coverage after the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	-	-	-
<b>Debt Metrics (6)</b>					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 5.74	\$ 6.80	\$ 7.10	\$ 8.07	\$ 8.57
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,384,905	\$ 1,348,045	\$ 1,357,240	\$ 1,338,355	\$ 1,292,560
Less Annual Debt Service - Principal (includes reserved money)	36,860	41,675	42,540	45,415	50,780
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,348,045</u>	<u>\$ 1,306,370</u>	<u>\$ 1,314,700</u>	<u>\$ 1,292,940</u>	<u>\$ 1,241,780</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 100.74	\$ 95.62	\$ 94.80	\$ 94.97	\$ 99.72
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.51	\$ 1.48	\$ 1.33	\$ 1.85	\$ 1.96
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 211,710	\$ 201,285	\$ 236,285	\$ 224,850	\$ 209,310
Less Annual PFC Debt Service - Principal	10,425	10,945	11,435	15,540	16,540
PFC Trust Agreement Bonds Outstanding	<u>\$ 201,285</u>	<u>\$ 190,340</u>	<u>\$ 224,850</u>	<u>\$ 209,310</u>	<u>\$ 192,770</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 15.04	\$ 13.93	\$ 16.21	\$ 15.37	\$ 15.48
CFC Trust Agreement Bonds Outstanding (GAAP)					
Less Annual CFC Debt Service - Principal	N/A	N/A	N/A	N/A	N/A
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	N/A	N/A	N/A	N/A
<b>Total Outstanding Bonds at June 30 (GAAP)</b>	<u><b>\$ 1,596,615</b></u>	<u><b>\$ 1,549,330</b></u>	<u><b>\$ 1,593,525</b></u>	<u><b>\$ 1,563,205</b></u>	<u><b>\$ 1,501,870</b></u>

See notes on next page.

Source: Authority's accounting reports.

**MASSACHUSETTS PORT AUTHORITY**  
Statistical Section

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**Calculation of Debt Service Coverage and Debt Metrics**  
**Under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
**(In Thousands - except coverage and per passenger calculations)**  
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**S-6 Debt Service Coverage and Debt Metrics (Continued)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>1978 Trust Agreement</b>					
Net Revenue	\$ 218,194	\$ 209,501	\$ 234,099	\$ 222,444	\$ 240,108
Debt Service - Principal	53,855	54,100	57,010	44,325	46,810
Debt Service - Interest	50,836	50,913	50,024	51,089	48,882
Credits to Debt Service (1)	-	(3,994)	(1,198)	(5,330)	(5,229)
Annual Debt Service	<u>\$ 104,691</u>	<u>\$ 101,019</u>	<u>\$ 105,836</u>	<u>\$ 90,084</u>	<u>\$ 90,463</u>
Debt Service Coverage	2.08	2.07	2.21	2.47	2.65
<b>PFC Trust Agreement</b>					
Net PFC Revenue (2)	\$ 59,067	\$ 58,662	\$ 59,339	\$ 60,167	\$ 62,751
Debt Service - Principal	17,390	15,735	16,160	16,925	17,720
Debt Service - Interest	9,799	7,214	6,999	6,236	5,435
Credits to Debt Service (3)	(1,642)	(1,618)	(924)	(1,417)	(1,311)
Annual Debt Service	<u>\$ 25,547</u>	<u>\$ 21,331</u>	<u>\$ 22,235</u>	<u>\$ 21,744</u>	<u>\$ 21,844</u>
Debt Service Coverage (4)	2.31	2.75	2.67	2.77	2.87
First Line Sufficiency Covenant	1.57	4.09	3.73	4.37	4.75
<b>CFC Trust Agreement</b>					
CFC Revenue (5)	N/A	\$ 26,203	\$ 28,749	\$ 29,354	\$ 29,963
Debt Service - Principal	-	-	2,575	3,185	3,260
Debt Service - Interest	-	-	11,814	11,796	11,755
Credits to Debt Service	-	-	(2,796)	(3,564)	(2,220)
Annual Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,593</u>	<u>\$ 11,417</u>	<u>\$ 12,795</u>
Debt Service Coverage before the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	2.48	2.57	2.34
Debt Service Coverage after the benefit of Rolling Cov. Fund and Sup. Reserve Fund balances	-	-	2.78	2.87	2.64
<b>Debt Metrics (6)</b>					
1978 Trust Agreement-Annual Debt Service per enplaned passenger	\$ 7.98	\$ 7.15	\$ 7.27	\$ 6.16	\$ 5.90
1978 Trust Agreement Bonds Outstanding (GAAP)	\$ 1,220,925	\$ 1,254,460	\$ 1,200,360	\$ 1,238,865	\$ 1,194,540
Less Annual Debt Service - Principal (includes reserved money)	53,855	54,100	57,010	44,325	46,810
1978 Trust Agreement Bonds Outstanding	<u>\$ 1,167,070</u>	<u>\$ 1,200,360</u>	<u>\$ 1,143,350</u>	<u>\$ 1,194,540</u>	<u>\$ 1,147,730</u>
1978 Trust Agreement Bonds per enplaned passenger	\$ 88.97	\$ 84.91	\$ 78.54	\$ 81.70	\$ 74.83
PFC Trust Agreement Annual Debt Service per enplaned passenger	\$ 1.95	\$ 1.51	\$ 1.53	\$ 1.49	\$ 1.42
PFC Trust Agreement Bonds Outstanding (GAAP)	\$ 192,770	\$ 159,250	\$ 143,515	\$ 127,355	\$ 128,150
Less Annual PFC Debt Service - Principal	17,390	15,735	16,160	16,925	17,720
PFC Trust Agreement Bonds Outstanding	<u>\$ 175,380</u>	<u>\$ 143,515</u>	<u>\$ 127,355</u>	<u>\$ 110,430</u>	<u>\$ 110,430</u>
PFC Trust Agreement Bonds per enplaned passenger	\$ 13.37	\$ 10.15	\$ 8.75	\$ 7.55	\$ 7.20
CFC Trust Agreement Bonds Outstanding (GAAP)		\$ 214,060	\$ 214,060	\$ 211,485	\$ 211,560
Less Annual CFC Debt Service - Principal	N/A	-	2,575	3,185	3,260
CFC Trust Agreement Bonds Outstanding	<u>\$ -</u>	<u>\$ 214,060</u>	<u>\$ 211,485</u>	<u>\$ 208,300</u>	<u>\$ 208,300</u>
CFC Trust Agreement Bonds per enplaned passenger	N/A	\$ 15.14	\$ 14.53	\$ 14.25	\$ 13.58
<b>Total Outstanding Bonds at June 30 (GAAP)</b>	<u><b>\$ 1,413,695</b></u>	<u><b>\$ 1,627,770</b></u>	<u><b>\$ 1,557,935</b></u>	<u><b>\$ 1,577,705</b></u>	<u><b>\$ 1,534,250</b></u>

See notes on next page.

Source: Authority's accounting reports.



**MASSACHUSETTS PORT AUTHORITY**  
**Statistical Section**

.....

**Notes to table S-6:**

- (1) Consists of bond proceeds in the form of Capitalized Interest, investment earnings on the Construction Funds and (for fiscal year 2005 and 2006) investment earnings on a synthetic variable rate refunding.
- (2) The substantial increase in net PFC collections in fiscal year 2006 reflects an increase in the PFC to \$4.50 per passenger, from \$3.00 effective October 1, 2005.
- (3) Consists of investment income on the PFC Debt Service Reserve Fund, the PFC Project Funds and investment income generated by the PFC Debt Service Funds that were not received from PFC collections.
- (4) Debt Service Coverage for fiscal year 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 through 2014 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by the Members of the Authority on May 17, 2007.
- (5) CFC revenue collection began at Logan Airport on December 1, 2008. The CFC Trust Agreement became effective May 18, 2011. The CFC Bonds were issued June 15, 2011. Due to the timing of the issuance, no debt service was due or paid in fiscal year 2011 and, accordingly, coverage cannot be calculated for fiscal year 2011.
- (6) Excluding accrued maturities and commercial paper. See Exhibit S-10 for enplaned passenger statistics.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Largest Private Sector Employers  
Current Year and Nine Years Ago  
(Listed in alphabetical order)**  
.....

**S-7 Massachusetts' Largest Employers (1)**

<b>Calendar Year 2013 (2)</b>			
<b>Employer</b>	<b>Headquarters</b>	<b>Product or Service</b>	<b>Employee Size Range</b>
Staples Inc	Framingham	Office Supplies	10,000+
Raytheon Co	Waltham	Aerospace Industries (Mfrs)	10,000+
EMC Corp	Hopkinton	Information Technology Services	10,000+
Partners Health Care System	Boston	Hospitals	10,000+
National Amusements Inc	Norwood	Theatres-Movie	10,000+
Liberty Mutual Holding Co Inc	Boston	Insurance-Holding Companies	10,000+
Fresenius Medical Care	Waltham	Dialysis	10,000+
Thermo Fisher Scientific Inc	Waltham	Measuring/Controlling Devices Nec (Mfrs)	10,000+
Philips Electronics N America	Andover	Health Equipment & Supls-Manufacturers	10,000+
Shaw's Supermarkets Inc	East Bridgewater	Grocers-Retail	10,000+
State Street Corp	Boston	Holding Companies (Bank)	10,000+
Massachusetts Mutual Life Ins	Springfield	Insurance	10,000+
Five Star Quality Care Inc	Newton	Residential Care Homes	10,000+
John Hancock	Boston	Insurance	10,000+
BJ'S Wholesale Club Inc	Westborough	Wholesale Clubs	10,000+
Boston Scientific Corp	Natick	Surgical Instruments-Manufacturers	10,000+
Massachusetts General Hospital	Boston	Hospitals	10,000+
Bright Horizons Family Solutions	Watertown	Child Care Service	10,000+
National Mentor Holdings Inc	Boston	Human Services Organizations	10,000+
Iron Mountain Inc	Boston	Business Records & Documents-Storage	10,000+

<b>Calendar Year 2004</b>			
<b>Employer</b>	<b>Headquarters</b>	<b>Product or Service</b>	<b>Employee Size Range</b>
Massachusetts General Hospital	Boston	Hospitals	10,000+
Brigham & Womens Hospital	Boston	Hospitals	10,000+
Laboratory For Nuclear Science	Cambridge	Schools-Universities & Colleges Academic	5,000 to 9,999
MIT-Research Lab-Electronics	Cambridge	Schools-Universities & Colleges Academic	5,000 to 9,999
University Of Massachusetts	Amherst	Schools-Universities & Colleges Academic	5,000 to 9,999
Massachusetts Institute-Tech	Cambridge	Schools	5,000 to 9,999
Baystate Medical Center	Springfield	Blood Banks & Centers	5,000 to 9,999
Boston University	Boston	Schools-Universities & Colleges Academic	5,000 to 9,999
August Jackson & Co	Uxbridge	Furniture-Dealers-Wholesale	5,000 to 9,999
Lucent Technologies	North Andover	Telephone & Telegraph Apparatus (Mfrs)	5,000 to 9,999
U Mass Memorial Medical Center	Worcester	Schools-Medical	5,000 to 9,999
Fidelity Investments	Boston	Investment Securities	5,000 to 9,999
St Luke's Hospital	New Bedford	Hospitals	5000 to 9999
Harvard University	Cambridge	Schools	5,000 to 9,999
GE Aircraft Engines	Lynn	Aircraft Engines & Engine Parts-Mfrs	5,000 to 9,999
Nsmcn Shore Childrens Hosp	Salem	Hospitals	5,000 to 9,999
Beth Israel Deaconess Med Center	Boston	Hospitals	5,000 to 9,999
EMC Corp	Hopkinton	Computer Storage Devices (Manufacturers)	5,000 to 9,999
John Hancock Life Insurance Co	Boston	Insurance	5000 to 9999
Massachusetts Mutual Life Ins	Springfield	Insurance	5,000 to 9,999
Tuff-New England Medical Center	Boston	Hospitals	5,000 to 9,999

(1) Top 20 Massachusetts largest employers with 5,000+ employees.

(2) Updated data as of September 2014.

Sources: InfoUSA, Inc.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Demographics and Employment Data**  
**Calendar Years Ended 2004 through 2013**  
.....

**S-8 Demographics and Employment Data**

(Calendar Years)

<b>Boston Metropolitan Statistical Area (1)</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Population	4,456,479	4,458,891	4,473,477	4,503,921	4,544,705
Total personal income (in millions)	\$203,465	\$212,287	\$230,353	\$243,740	\$250,810
Per capita personal income	\$45,656	\$47,610	\$51,493	\$54,117	\$55,187
Unemployment rate (annual average)	5.0%	4.5%	4.4%	4.1%	4.9%

**Employment By Industry**

**Industry Type (In thousands)**

Educational and Health Services	434.6	442.0	454.4	470.8	483.5
Trade, Transportation and Utilities	423.0	421.2	419.7	419.0	417.2
Professional and Business Services	376.4	386.0	396.7	409.4	415.0
Government	293.1	294.9	297.2	299.4	303.5
Manufacturing	230.3	226.5	223.3	221.5	216.2
Leisure and Hospitality	206.3	208.7	212.1	217.2	220.6
Financial Activities	183.2	186.2	188.4	189.1	186.1
Construction	100.6	101.3	101.9	99.7	96.3
Other Services	87.1	87.8	88.7	90.6	91.4
Information	73.7	73.9	74.3	74.6	75.5
<b>Total</b>	<b>2,408.3</b>	<b>2,428.5</b>	<b>2,456.7</b>	<b>2,491.3</b>	<b>2,505.3</b>

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor.

**Massachusetts Port Authority  
Statistical Section**

**Demographics and Employment Data  
Calendar Years Ended 2004 through 2013**

**S-8 Demographics and Employment Data (Continued)**

(Calendar Years)

<b>Boston Metropolitan Statistical Area (1)</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Population	4,588,680	4,559,372	4,591,112	4,642,095	4,684,299
Total personal income (in millions)	\$246,471	\$252,729	265,794	280,244	N/A (2)
Per capita personal income	\$53,713	\$55,431	57,893	60,387	N/A (2)
Unemployment rate (annual average)	7.6%	7.5%	6.6%	6.1%	6.4%

**Employment By Industry**

**Industry Type (In thousands)**

Educational and Health Services	495.1	505.1	514.0	525.4	536.6
Trade, Transportation and Utilities	398.2	398.7	402.5	404.9	409.7
Professional and Business Services	391.2	395.2	405.5	419.6	433.5
Government	304.7	305.2	301.8	302.3	302.1
Manufacturing	197.9	194.4	194.1	193.7	193.5
Leisure and Hospitality	215.3	222.0	228.8	237.9	243.8
Financial Activities	178.5	173.9	172.9	172.5	172.5
Construction	81.2	78.0	80.4	84.0	88.9
Other Services	91.5	92.9	96.0	97.0	98.4
Information	73.1	73.0	73.2	75.1	74.6
<b>Total</b>	<b>2,426.7</b>	<b>2,438.4</b>	<b>2,469.2</b>	<b>2,512.4</b>	<b>2,553.6</b>

(1) The Metropolitan Statistical Area as defined by the Office of Management and Budget for Federal statistical purposes.

(2) U.S. Department of Labor changed its release date for statistical data estimates of personal income for all local areas. Data is expected to be released 11 months after the end of the referenced year.

Sources: Bureau of Economic Analysis - U.S. Department of Commerce and Bureau of Labor Statistics - U.S. Department of Labor.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Number of Employees by Facility**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-9 Number of Employees by Facility (1):**

<u><b>Facility</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>	<u><b>2009</b></u>
Tobin Bridge (2)	53.0	54.5	54.5	53.5	51.5
Logan Airport	691.0	692.0	702.0	705.0	705.5
Hanscom Field	19.0	18.0	19.0	18.0	18.0
Worcester Regional Airport (3)	-	-	-	-	-
Maritime	109.0	111.0	112.5	116.0	119.0
General Administration	286.5	274.5	281.0	297.0	271.0
<b>Total Employees</b>	<u><u>1,158.5</u></u>	<u><u>1,150.0</u></u>	<u><u>1,169.0</u></u>	<u><u>1,189.5</u></u>	<u><u>1,165.0</u></u>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2014, there were 129 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Number of Employees by Facility**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-9 Number of Employees by Facility (1):  
(Continued)**

<b><u>Facility</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Tobin Bridge (2)	-	-	-	-	-
Logan Airport	698.5	686.5	696.5	678.5	707.0
Hanscom Field	19.0	18.0	19.0	19.0	18.0
Worcester Regional Airport (3)	-	5.0	24.0	21.0	26.5
Maritime	115.0	113.0	114.0	118.0	121.0
General Administration	264.5	258.0	255.0	287.5	300.5
<b>Total Employees</b>	<b><u><u>1,097.0</u></u></b>	<b><u><u>1,080.5</u></u></b>	<b><u><u>1,108.5</u></u></b>	<b><u><u>1,124.0</u></u></b>	<b><u><u>1,173.0</u></u></b>

(1) Excludes policing services that are provided to the Authority by Troop F of the Massachusetts State Police who are employees of the Commonwealth. In fiscal year 2014, there were 129 State Police positions assigned to the Authority.

(2) Effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

(3) Effective 7/1/2010, the Authority acquired Worcester Regional Airport pursuant to the Transportation Reform Act.

Source: Authority-Wide Vacancy report as of June 30 each fiscal year.

**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Logan International Airport**  
**Traffic Metrics**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-10 Logan International Airport Activity:**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Aircraft Operations (1)</b>					
Domestic (2)	210,357	206,426	214,441	207,693	190,271
International (3)	39,554	36,772	37,368	39,094	34,919
Regional	131,074	128,337	126,097	115,529	109,208
General Aviation	<u>32,352</u>	<u>31,016</u>	<u>30,716</u>	<u>27,724</u>	<u>16,690</u>
<b>Total Operations</b>	<u>413,337</u>	<u>402,551</u>	<u>408,622</u>	<u>390,040</u>	<u>351,088</u>
<b>Aircraft Landed Weights (1,000 pounds) (4)</b>	<u>20,822,000</u>	<u>20,376,000</u>	<u>20,408,164</u>	<u>19,905,370</u>	<u>18,741,720</u>
<b>Passengers Traffic</b>					
Domestic (2)					
Enplaned	9,880,689	10,292,917	10,438,225	10,223,459	9,314,138
Deplaned	9,937,869	10,324,060	10,485,949	10,279,164	9,344,673
International (3)					
Enplaned	2,129,374	2,071,481	1,995,778	2,064,293	1,868,603
Deplaned	2,117,983	2,071,740	2,013,591	2,100,097	1,884,406
Regional					
Enplaned	1,371,024	1,297,303	1,433,466	1,326,073	1,270,475
Deplaned	<u>1,307,858</u>	<u>1,272,474</u>	<u>1,432,862</u>	<u>1,322,741</u>	<u>1,272,569</u>
<b>Subtotal</b>	<u>26,744,797</u>	<u>27,329,975</u>	<u>27,799,871</u>	<u>27,315,827</u>	<u>24,954,864</u>
General Aviation					
Enplaned	60,687	58,315	58,852	54,029	32,606
Deplaned	<u>60,687</u>	<u>58,315</u>	<u>58,852</u>	<u>54,029</u>	<u>32,606</u>
<b>Total Passengers</b>	<u>26,866,171</u>	<u>27,446,605</u>	<u>27,917,575</u>	<u>27,423,885</u>	<u>25,020,076</u>
<b>Total Enplaned Passengers (excluding GA)</b>	<u>13,381,087</u>	<u>13,661,701</u>	<u>13,867,469</u>	<u>13,613,825</u>	<u>12,453,216</u>
<b>Average Passengers Per Flight</b>					
Domestic (2)	94.2	99.9	97.6	98.7	98.1
International (3)	107.4	112.7	107.3	106.5	107.5
Regional	20.4	20.0	22.7	22.9	23.3
<b>Air Carrier and Passenger Metrics</b>					
Primary carrier	Delta	Delta	US Airways	American	JetBlue
Primary carrier market share	17.0%	15.0%	13.8%	14.1%	14.7%
Two top carriers market share (5)	33.2%	30.0%	27.6%	27.6%	28.8%
Origination & destination share (1) & (6)	NA	NA	87.7% (7)	88.4% (8)	NA
Compensatory airline payments to Massport per enplaned passenger (11)	\$11.56	\$12.97	\$13.18	\$14.30	\$15.66
Logan Airport revenue per enplaned passenger (12)	\$27.52	\$29.03	\$30.29	\$33.04	\$0.00
<b>Total Cargo &amp; Mail (1,000 pounds)</b>	796,252	759,326	680,079	644,552	571,186

(1) Includes all-cargo flights, but excludes helicopters.

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation and non-tenant.

(5) Data consists of mainline activity only

(6) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds. The FY2010 statistic reflects the percentage of domestic origin and destination travelers as compared to all domestic passengers. The statistic for FY2011, FY2012 and FY2013 is calculated based on outbound passengers only.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Source: ICF SH&E market study dated June 21, 2012

(10) Source: Massachusetts Port Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T1 and 298C T1; as reported in Appendix CFC-1 to the Authority's CAFR.

(11) Consists of landing fees, terminal rents, certain non-PFC passenger fees and aircraft parking fees.

(12) Consists of landing fees, terminal rents, certain non-PFC passenger fees, parking, utilities, non-terminal and ground rent, concessions and baggage fees.

Source: Authority reports.

**Massachusetts Port Authority**  
**Statistical Section**

.....  
**Logan International Airport**  
**Traffic Metrics**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-10 Logan International Airport Activity: (Continued)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Aircraft Operations (1)</b>					
Domestic (2)	200,015	216,249	210,309	206,543	219,478
International (3)	33,814	33,961	37,956	38,400	38,059
Regional	100,148	91,307	87,895	79,632	80,039
General Aviation	<u>13,766</u>	<u>20,740</u>	<u>29,062</u>	<u>26,924</u>	<u>26,286</u>
<b>Total Operations</b>	<u>347,743</u>	<u>362,257</u>	<u>365,222</u>	<u>351,499</u>	<u>363,862</u>
<b>Aircraft Landed Weights (1,000 pounds) (4)</b>	<u>18,681,983</u>	<u>19,712,898</u>	<u>19,858,768</u>	<u>19,494,836</u>	<u>20,297,245</u>
<b>Passengers Traffic</b>					
Domestic (2)					
Enplaned	10,062,680	11,110,527	11,296,136	11,374,807	11,990,184
Deplaned	10,085,288	11,152,038	11,308,598	11,409,669	12,045,512
International (3)					
Enplaned	1,818,370	1,874,108	2,146,491	2,216,937	2,337,269
Deplaned	1,834,023	1,896,528	2,182,472	2,255,775	2,348,399
Regional					
Enplaned	1,236,145	1,152,967	1,114,704	1,029,877	1,011,299
Deplaned	<u>1,223,010</u>	<u>1,152,971</u>	<u>1,117,810</u>	<u>1,024,898</u>	<u>1,021,968</u>
Subtotal	<u>26,259,516</u>	<u>28,339,139</u>	<u>29,166,211</u>	<u>29,311,963</u>	<u>30,754,631</u>
General Aviation					
Enplaned	27,473	42,048	58,899	48,471	47,816
Deplaned	<u>27,473</u>	<u>42,048</u>	<u>58,899</u>	<u>48,471</u>	<u>47,816</u>
<b>Total Passengers</b>	<u>26,314,462</u>	<u>28,423,235</u>	<u>29,284,009</u>	<u>29,408,905</u>	<u>30,850,263</u>
<b>Total Enplaned Passengers (excluding GA)</b>	<u>13,117,195</u>	<u>14,137,602</u>	<u>14,557,331</u>	<u>14,621,621</u>	<u>15,338,752</u>
<b>Average Passengers Per Flight</b>					
Domestic (2)	100.7	102.9	107.5	110.3	109.5
International (3)	108.0	111.0	114.1	116.5	123.1
Regional	24.6	25.3	25.4	25.8	25.4
<b>Air Carrier and Passenger Metrics</b>					
Primary carrier	JetBlue	JetBlue	JetBlue	JetBlue	JetBlue
Primary carrier market share	16.9%	21.2%	23.8%	26.2%	26.5%
Two top carriers market share (5)	29.9%	32.9%	35.0%	37.6%	37.7%
Origination & destination share (1) & (6)	95.0% (9)	96.0% (10)	94.2% (10)	94.2% (10)	94.2% (6)
Compensatory airline payments to Massport per enplaned passenger (11)	\$14.93	\$13.65	\$13.20	\$13.16	\$13.55
Logan Airport revenue per enplaned passenger (12)	\$33.45	\$32.23	\$32.75	\$33.00	\$34.07
<b>Total Cargo &amp; Mail (1,000 pounds)</b>	563,210	568,806	546,243	552,378	572,226

(1) Includes all-cargo flights, but excludes helicopters.

(2) Includes jet and charter aircraft.

(3) Includes jet, charter and international commuter.

(4) Excludes general aviation and non-tenant.

(5) Data consists of mainline activity only

(6) Source: This statistic is estimated in the market studies published in the Authority's Official Statements. It is only calculated when the Authority issues bonds. The FY2010 statistic reflects the percentage of domestic origin and destination travelers as compared to all domestic passengers. The statistic for FY2011, FY2012 and FY2013 is calculated based on outbound passengers only.

(7) Data for 12 months ended September 30, 2006.

(8) Data for 12 months ended September 30, 2007.

(9) Source: ICF SH&E market study dated June 21, 2012

(10) Source: Massachusetts Port Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T1 and 298C T1; as reported in Appendix CFC-1 to the Authority's CAFR.

(11) Consists of landing fees, terminal rents, certain non-PFC passenger fees and aircraft parking fees.

(12) Consists of landing fees, terminal rents, certain non-PFC passenger fees, parking, utilities, non-terminal and ground rent, concessions and baggage fees.

Source: Authority reports.



**Massachusetts Port Authority  
Statistical Section**

.....  
**Logan International Airport  
Market Share of Total Passenger Traffic  
Current Year and Nine Years Ago**  
.....

**S-11 Passenger Traffic Market Shares**

Air Carrier	Fiscal Year 2014		Fiscal Year 2005	
	Passenger	%	Passenger	%
JetBlue Airways Corp. (1)	8,181,523	26.5%	1,534,807	5.7%
United Air Lines, Inc. (2)	3,462,335	11.2%	2,316,306	8.7%
US Airways, Inc. (3)	3,388,604	11.0%	3,312,878	12.4%
Foreign Flag	3,358,487	10.9%	2,722,634	10.2%
Delta Air Lines, Inc. (5)	3,347,109	10.8%	4,540,194	17.0%
American Airlines, Inc. (4)	3,082,609	10.0%	4,332,169	16.2%
Regional Carriers (6)	2,049,796	6.6%	2,860,649	10.7%
Southwest Airlines Co. (7); (8)	1,940,380	6.3%	NA	NA
Others	1,439,654	4.7%	824,131	3.1%
AirTran Airlines, Inc. (8)	599,766	1.9%	1,007,248	3.8%
Continental Airlines, Inc. (2)	NA	NA	1,129,775	4.2%
Northwest Airlines, Inc. (5)	NA	NA	1,293,407	4.8%
America West Airlines, Inc. (3)	NA	NA	580,639	2.2%
American Trans	NA	NA	289,960	1.1%
<b>Total</b>	<b>30,850,263</b>	<b>100.0%</b>	<b>26,744,797</b>	<b>100.0%</b>

(1) JetBlue Airways commenced service at Logan Airport in January 2004.

(2) United and Continental Airlines closed their merger during October 2010 and continued to operate under their separate names until November 2011.

(3) America West Airlines acquired US Airways and changed its name to US Airways in 2005.

(4) AMR Corporation, the parent company of American Airlines ("American"), filed for Chapter 11 bankruptcy on November 29, 2011.

American continued to operate normally throughout the bankruptcy process. On September 12, 2013, the U.S. Bankruptcy Court in New York approved American's plan to emerge from bankruptcy, and their merger with US Airways on December 9, 2013.

(5) Delta Airlines and Northwest Airlines closed their merger during 2008 and continued to operate under their separate names until January 2010.

(6) These figures for passengers traveling on U.S. flag regional carriers include passengers traveling internationally.

(7) Southwest Airlines commenced service at Logan Airport in August 2009.

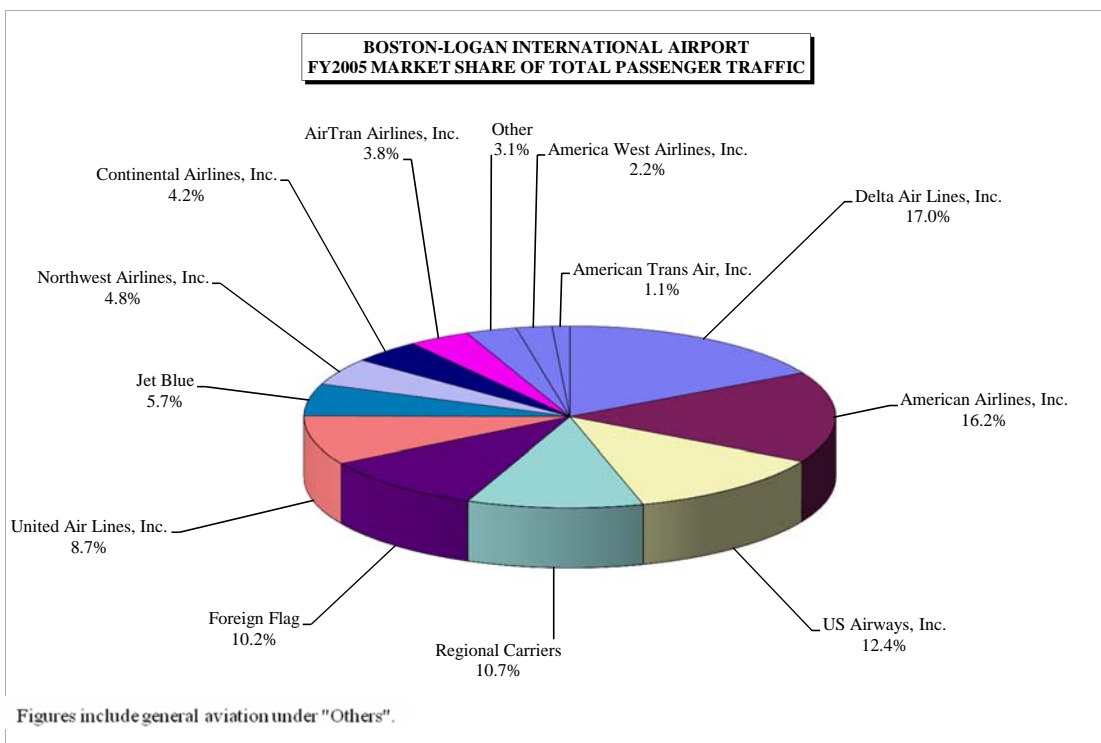
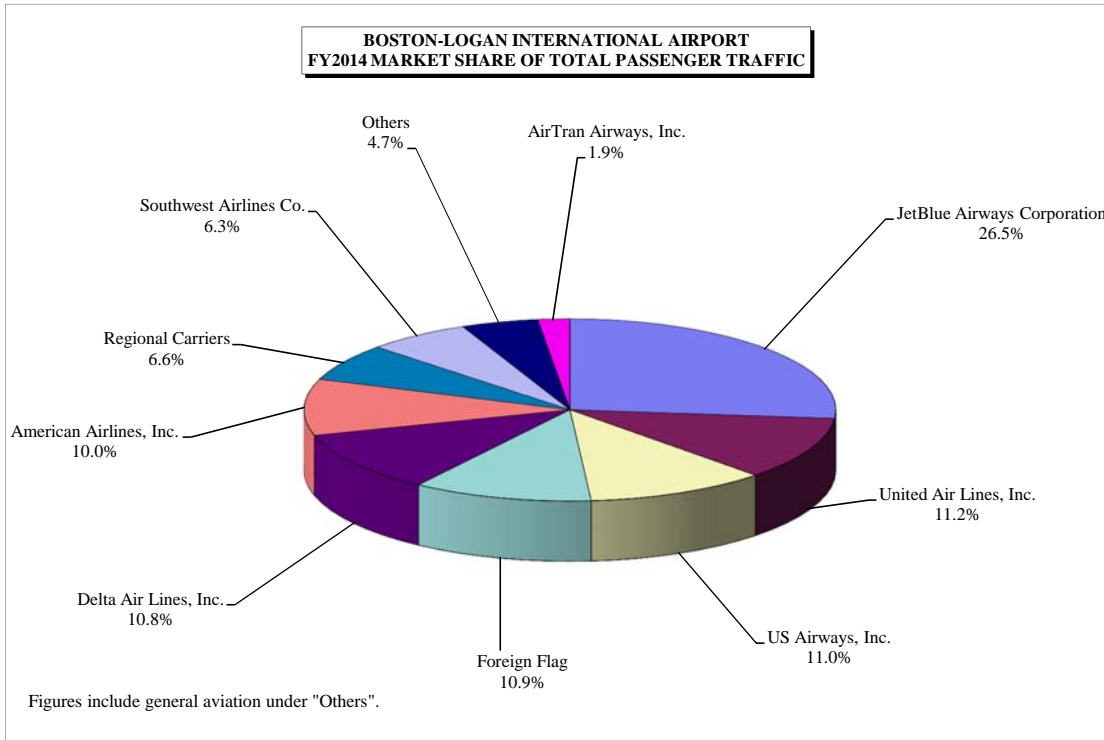
(8) Southwest Airlines and AirTran Airlines closed their merger during May 2011 and they expect to complete integration of operations in December 2014.

Source: Authority reports.

Massachusetts Port Authority  
Statistical Section

Logan International Airport  
Market Share of Total Passenger Traffic  
Current Year and Nine Years Ago

S-11 Passenger Traffic Market Share -Charts



**Massachusetts Port Authority  
Statistical Section**

.....  
**Market Share of Total Passenger Traffic**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-11a Passenger Traffic Market Shares**

<b><u>Air Carrier</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>American/ US Airways (1)</b>	<b>28.6%</b>	<b>28.9%</b>	<b>27.6%</b>	<b>27.1%</b>	<b>26.7%</b>
<i>American</i>	16.2	15.0	13.8	14.1	14.1
<i>US Airways</i>	12.4	13.9	13.8	12.9	12.6
<b>Delta Air Lines (2)</b>	<b>21.8%</b>	<b>19.8%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>15.9%</b>
<i>Delta</i>	17.0	15.0	12.3	11.8	11.0
<i>Northwest Airlines</i>	4.8	4.8	4.9	5.0	4.9
<b>JetBlue Airways</b>	<b>5.7%</b>	<b>9.5%</b>	<b>12.4%</b>	<b>13.5%</b>	<b>14.7%</b>
<b>Southwest/AirTran (3)</b>	<b>3.8%</b>	<b>4.9%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>4.9%</b>
<i>AirTran Airways</i>	3.8	4.9	5.7	5.5	4.9
<i>Southwest (4)</i>	-	-	-	-	-
<b>United Airlines (5)</b>	<b>12.9%</b>	<b>13.1%</b>	<b>13.7%</b>	<b>13.4%</b>	<b>13.6%</b>
<i>Continental Airlines</i>	4.2	4.3	4.2	4.5	4.5
<i>United</i>	8.7	8.8	9.5	9.0	9.1
<b>Foreign Flag</b>	<b>10.2%</b>	<b>9.7%</b>	<b>9.3%</b>	<b>9.7%</b>	<b>10.4%</b>
<b>Regional U.S. Carriers</b>	<b>10.7%</b>	<b>10.0%</b>	<b>10.7%</b>	<b>10.5%</b>	<b>10.9%</b>
<b>Other U.S. Carriers</b>	<b>6.3%</b>	<b>4.0%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>2.9%</b>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

- (1) Includes American Eagle (through November 2011), US Airways Shuttle and associated regional carriers. In December 2013, American merged with US Airways, but both continue to operate independently until operations are integrated. For purposes of comparison, however, data reflects consolidated American and US Airways market share information for all fiscal years.
- (2) Includes Delta Shuttle, Delta Express and associated regional carriers. In January 2010, Northwest Airlines merged into Delta and discontinued service as an independent entity. For purposes of comparison, data reflects consolidated Delta and Northwest Airlines market share information for all fiscal years.
- (3) In May 2011, Southwest merged with AirTran Airways, but both continue to operate independently until operations are integrated. For purposes of comparison, however, data reflects consolidated Southwest and AirTran passenger growth information for all fiscal years.
- (4) Southwest Airlines commenced service at Logan Airport in August 2009.
- (5) Includes United Express, Continental Express and associated regional carriers. In March 2012, Continental merged into United and discontinued service as an independent entity. For purposes of comparison, data reflects consolidated United and Continental Airlines passenger growth information for all fiscal years.

Source: Authority.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Market Share of Total Passenger Traffic**  
**Fiscal Years Ended June 30, 2005 through June 30, 2014**  
.....

**S-11a Passenger Traffic Market Shares  
(Continued)**

<b><u>Air Carrier</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
<b>American/ US Airways (1)</b>	<b>25.3%</b>	<b>22.4%</b>	<b>21.9%</b>	<b>21.7%</b>	<b>21.0%</b>
<i>American</i>	13.6	11.3	10.7	10.8	10.0
<i>US Airways</i>	11.7	11.1	11.2	10.9	11.0
<b>Delta Air Lines (2)</b>	<b>10.5%</b>	<b>11.7%</b>	<b>11.1%</b>	<b>10.7%</b>	<b>10.8%</b>
<i>Delta</i>	-	-	-	-	-
<i>Northwest Airlines</i>	-	-	-	-	-
<b>JetBlue Airways</b>	<b>16.3%</b>	<b>21.2%</b>	<b>23.8%</b>	<b>26.2%</b>	<b>26.5%</b>
<b>Southwest/AirTran (3)</b>	<b>5.5%</b>	<b>10.2%</b>	<b>9.4%</b>	<b>8.1%</b>	<b>8.2%</b>
<i>AirTran Airways</i>	5.1	4.4	3.9	2.9	1.9
<i>Southwest (4)</i>	0.4	5.8	5.5	5.2	6.3
<b>United Airlines (5)</b>	<b>12.6%</b>	<b>11.7%</b>	<b>11.6%</b>	<b>11.3%</b>	<b>11.2%</b>
<i>Continental Airlines</i>	4.0	3.8	-	-	-
<i>United</i>	8.6	7.9	-	-	-
<b>Foreign Flag</b>	<b>9.6%</b>	<b>9.4%</b>	<b>9.6%</b>	<b>10.3%</b>	<b>10.9%</b>
<b>Regional U.S. Carriers</b>	<b>9.7%</b>	<b>8.3%</b>	<b>7.3%</b>	<b>7.1%</b>	<b>6.6%</b>
<b>Other U.S. Carriers</b>	<b>10.5%</b>	<b>5.2%</b>	<b>5.3%</b>	<b>4.5%</b>	<b>4.7%</b>
<b>Total</b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>

- (1) Includes American Eagle (through November 2011), US Airways Shuttle and associated regional carriers. In December 2013, American merged with US Airways, but both continue to operate independently until operations are integrated. For purposes of comparison, however, data reflects consolidated American and US Airways market share information for all fiscal years.
- (2) Includes Delta Shuttle, Delta Express and associated regional carriers. In January 2010, Northwest Airlines merged into Delta and discontinued service as an independent entity. For purposes of comparison, data reflects consolidated Delta and Northwest Airlines market share information for all fiscal years.
- (3) In May 2011, Southwest merged with AirTran Airways, but both continue to operate independently until operations are integrated. For purposes of comparison, however, data reflects consolidated Southwest and AirTran passenger growth information for all fiscal years.
- (4) Southwest Airlines commenced service at Logan Airport in August 2009.
- (5) Includes United Express, Continental Express and associated regional carriers. In March 2012, Continental merged into United and discontinued service as an independent entity. For purposes of comparison, data reflects consolidated United and Continental Airlines passenger growth information for all fiscal years.

Source: Authority.

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**Massachusetts Port Authority  
Statistical Section**

.....  
**Logan International Airport  
Passenger Markets  
Calendar Year 2013 and Nine Years Ago**  
.....

**S-12 Logan International Airport - Passenger Markets**

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2013, as reported by the United States Department of Transportation. International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for calendar year 2004.

<b>Market</b>	<b>Calendar 2013 Percentage</b>	<b>Calendar 2013 Rank</b>	<b>Calendar 2004 Rank</b>
Washington DC Metro (1)	9.3%	1	2
South Florida Metro (2)	6.3%	2	3
San Francisco Metro (3)	5.9%	3	5
Chicago Metro (4)	5.8%	4	7
New York Metro Area (5)	5.7%	5	1
Los Angeles Metro (6)	5.4%	6	4
Orlando, FL, US	4.3%	7	6
Atlanta, GA, US	3.2%	8	8
Dallas Metro (7)	2.8%	9	12
Philadelphia, PA, US	2.6%	10	9
Denver, CO, US	2.4%	11	13
Fort Myers, FL, US	2.3%	12	14
Tampa, FL, US	2.1%	13	10
Charlotte-Douglas, NC, US	2.0%	14	**
Las Vegas, NV, US	1.9%	15	11
Raleigh/Durham, NC, US	1.8%	16	**
Seattle/Tacoma, WA, US	1.8%	17	19
Houston Metro (8)	1.7%	18	20
Minneapolis/St. Paul, MN, US	1.7%	19	16
Phoenix, AZ, US	1.6%	20	18

Total for Cities Listed 70.5%

(1) Washington DC Metro consists of BWI, IAD and DCA

(2) South Florida Metro consists of MIA, FLL and PBI

(3) San Francisco Metro consists of SFO, OAK and SJC

(4) Chicago Metro consists of CHI, MDW and ORD

(5) New York Metro consists of NYC, EWR, JFK and LGA

**Massachusetts Port Authority  
Statistical Section**

.....  
**Port of Boston  
Cargo and Passenger Activity**  
Fiscal Years Ended June 30, 2005 through June 30, 2014  
.....

**S-13 Port of Boston Cargo and Passenger Activity**

<b>Port Activity</b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
Containers (1)	103,631	111,020	116,156	124,122	114,871
Cruise Passengers	192,869	246,365	200,998	236,922	275,407
Automobiles (2)	10,657	11,170	10,252	15,546	26,966
Bulk Tonnage	189,517	202,681	188,311	206,494	167,881

(1) Does not include over-the-road volumes.

(2) Does not include vehicles entered by over-the-road means.

Source: Authority reports.

**Massachusetts Port Authority  
Statistical Section**

.....  
**Port of Boston  
Cargo and Passenger Activity**  
Fiscal Years Ended June 30, 2005 through June 30, 2014  
.....

**S-13 Port of Boston Cargo and Passenger Activity (Continued)**

<b>Port Activity</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Containers (1)	100,970	106,857	107,477	110,163	116,800
Cruise Passengers	310,482	307,224	380,151	369,428	338,442
Automobiles (2)	33,208	42,256	37,215	46,116	57,662
Bulk Tonnage	89,394	112,667	144,430	121,890	186,566

(1) Does not include over-the-road volumes.

(2) Does not include vehicles entered by over-the-road means.

Source: Authority reports.



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Massachusetts Port Authority

Statistical Section

Port of Boston

Principal Customers

Current Year and Nine Years Ago

S-14 Port of Boston Principal Customers

**Fiscal Year 2014**

<b><u>Direct Service</u></b>	<b><u>Shipping Lines</u></b>	<b><u>Cruise Lines</u></b>	<b><u>Large Customs House Brokers</u></b>
China Ocean Shipping Co.	China Ocean Shipping Co	Aida Cruises	A.N. Deringer
Evergreen America	Evergreen America	Carnival Cruise Lines	Albatrans, Inc.
Hanjin Shipping	Hanjin Shipping	Celebrity Cruises	BDP International, Inc.
K-Line	K-Line	Compagnie du Ponant	C.H. Powell Company
Mediterranean Shipping Corp.	Mediterranean Shipping Corp.	Crystal Cruise Line	DB Schenker
Yang Ming Line	Yang Ming Line	Cunard	DHL Forwarding
		Holland America	Dolliff & Company, Inc.
		Norwegian Cruise Lines	Dynasty International, Inc.
		Oceania Cruises	EGL Eagle Global Logistics
		P&O cruises	Exel Global Logistics
		Pearl Seas Cruises	Expeditors Int'l
		Princess	Fedex Trade Networks
		Regent Seven Seas	Hellmann Worldwide Logistics, Inc.
		Royal Caribbean	J.F. Moran Co., Inc.
		Seabourn Cruise Lines	Kuehne & Nagel, Inc.
		Silversea Cruises	Liberty International
			Magic Customs Brokers, Inc.
			OceanAir, Inc
			Panalpina, Inc.
			Savino Del Bene, Inc.
			SDV (USA)
			UPS Supply Chain Solutions
			Vandegrift Intl.

**Fiscal Year 2005**

<b><u>Direct Service</u></b>	<b><u>Shipping Lines</u></b>	<b><u>Cruise Lines</u></b>	<b><u>Large Customs House Brokers</u></b>
China Ocean Shipping Co.	CMA-CGM	Carnival	A.N. Deringer
CMA - CGM	China Ocean Shipping Co	Clipper Cruise	Albatrans, Inc.
Columbia Coastal Transport	Chilean Line	Crystal Cruises	BDP International, Inc.
Halship, Inc.	Evergreen	Cunard	Boston Bay Brokers Inc.
Hanjin Shipping	Hamburg Sued	Hapag Lloyd	C.H. Powell Company
K-Line	Hanjin	Holland America	DHL Danzas
Mediterranean Shipping Corp.	Hapag Lloyd	Norwegian Cruise Line	Dolliff & Company, Inc.
Yang Ming Line	Hatsu	P&O	Dynasty International, Inc.
	K Line	Peter Deilmann	EGL Eagle Global Logistics
	Lloyd Triestino	Princess Line	Expeditors Int'l
	Maersk	Raddisson Seven Seas	Fedex Trade Networks
	Mediterranean Shipping Co.	Royal Caribbean	Hellmann Worldwide Logistics, Inc.
	NYK Line	Silversea Cruise	J.F. Moran Co., Inc.
	OOCL		Kuehne & Nagel, Inc.
	P&O Nedlloyd		Liberty International
	Safmarine		Magic Customs Brokers, Inc.
	Yang Ming		OceanAir, Inc
	Zim Line		Panalpina, Inc.
			Savino Del Bene, Inc.
			Schenker International, Inc.
			UPS Supply Chain Solutions

**Massachusetts Port Authority  
Statistical Section**

**Tobin Memorial Bridge  
Fiscal Years Ended June 30, 2005 through June 30, 2010**

**S-15 Bridge Statistics (In-Bound)**

	<u>2005</u>	<u>2006</u>	<u>2008</u>	<u>2007</u>	<u>2009</u>	<u>2010 <sup>(3)</sup></u>
Tobin Bridge Toll Class 1 - Passenger vehicles	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>	<u>\$3.00</u>
Class 1 Passenger (1)	8,164,954	8,384,939	8,988,012	9,203,180	8,526,559	4,498,957
Resident: Vehicles with Resident Discount (1)	<u>648,510</u>	<u>695,357</u>	<u>702,354</u>	<u>655,520</u>	<u>739,921</u>	<u>400,356</u>
Total Passenger Vehicles	8,813,464	9,080,296	9,690,366	9,858,700	9,266,480	4,899,313
Class 2 - 6 Commercial	<u>796,425</u>	<u>862,845</u>	<u>979,516</u>	<u>1,031,598</u>	<u>901,558</u>	<u>458,740</u>
<b>Total Paying Vehicles</b>	<u>9,609,889</u>	<u>9,943,141</u>	<u>10,669,882</u>	<u>10,890,298</u>	<u>10,168,038</u>	<u>5,358,053</u>
Massachusetts Bay Transportation Authority (MBTA)	48,231	54,460	74,289	68,143	70,609	34,547
Other Non-Revenue Vehicles	<u>65,093</u>	<u>44,039</u>	<u>48,012</u>	<u>39,463</u>	<u>56,729</u>	<u>27,468</u>
<b>Total Non-Paying Vehicles</b>	<u>113,324</u>	<u>98,499</u>	<u>122,301</u>	<u>107,606</u>	<u>127,338</u>	<u>62,015</u>
<b>Total Vehicles</b>	<u><u>9,723,213</u></u>	<u><u>10,041,640</u></u>	<u><u>10,792,183</u></u>	<u><u>10,997,904</u></u>	<u><u>10,295,376</u></u>	<u><u>5,420,068</u></u>

(1) Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll.

This program was discontinued and only residents of Charlestown and Chelsea who qualified, were allowed a discounted toll.

(2) When the toll was raised effective April 3, 2004, a \$0.50 discount was instituted for vehicles using the "Fast Lane" electronic toll collection system.

(3) Six months data only, effective 1/1/2010, Tobin Bridge was transferred to MassDOT pursuant to the Transportation Reform Act.

Source: Authority reports.

**Massachusetts Port Authority**

**Statistical Section**

**Insurance Coverage**

**Fiscal Year Ended June 30, 2014**

**S-16 Insurance Coverage**

<b>POLICY - 7/01/13 - 6/30/2014</b>	<b>BROKER / UNDERWRITER</b>	<b>LIMITS</b>	<b>RETENTION / UNDERLYING</b>
<b>PROPERTY INSURANCE</b>			
All Risk Property Insurance including Boiler & Mach., Contractor's Equip. & Bus. Int. & Terrorism	FM Global	\$750,000,000	\$250,000
Hull Insurance - 9 scheduled vessels including: Fireboat and State Police Patrol Boat Including Terrorism Coverage	Customhouse Marine / CNA	Agreed Value	\$1,000 - \$50,000
<b>LIABILITY INSURANCE</b>			
Aviation General Liability War Risk Coverage Primary and Excess	Aon / ACE USA	\$500,000,000	\$250,000
Marine Liability Terminal Operator's Liability Protection & Indemnity Including Port & Stevedore Liability Primary and Excess Including Terrorism	HUB International / Starr Marine	\$100,000,000	\$25,000
Automobile Liability Primary & Excess Comprehensive & Collision Deductible	Wells Fargo/Hanover	\$5,000,000	\$1,000
<b>WORKERS' COMPENSATION</b>			
Excess Workers' Compensation	HUB International / AIG	Statutory	\$1,000,000
<b>OTHER COVERAGE</b>			
Crime, Dishonesty Burglary and Robbery	Brale & Wellington/ Hartford Insurance Company	\$3,000,000	\$10,000-\$100,000
Secretary-Treasurer's Bond	Brale & Wellington/ Hartford Insurance Company	\$1,000,000	\$0
Customs Bond	Brale & Wellington American Casualty Company	\$50,000	\$0
Marine Terminal Operator's Bond	Brale & Wellington Western Surety Company	\$100,000	\$0

Source: Authority reports.

# Massachusetts Port Authority

## Statistical Section

### Physical Asset Data

#### Fiscal Year Ended June 30, 2014

#### S-17 List of Certain Physical Asset Characteristics

**2014**

#### **Logan Airport**

Area of Airport (acres - approximate)	2,400
---------------------------------------	-------

#### **Runways**

Runway 15R/33L (length in feet)	10,083
Runway 4R/22L (length in feet)	10,005
Runway 4L/22R (length in feet)	7,860
Runway 9/27 (length in feet)	7,000
Runway 15L/33R (length in feet)	2,557
Runway 14/32 (length in feet)	5,000

#### **Terminal Buildings**

Terminal A (number of jet contact gates)	21
Terminal B (number of jet contact gates)	37
Terminal C (number of jet contact gates)	24
Terminal E (number of jet contact gates)	15

#### **Parking**

Number of commercial and employee parking spaces	19,537
--	--------

<b><u>Cargo Facilities</u></b> (square feet)	274,873
--	---------

#### **Hanscom Field**

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

#### **Runways**

Runway 11/29 (length in feet)	7,011
Runway 5/23 (length in feet)	5,107

#### **Worcester Regional Airport**

Area of Airport (acres - approximate)	1,300
---------------------------------------	-------

#### **Runways**

Runway 11/29 (length in feet)	7,000
Runway 15/33 (length in feet)	5,000

#### **Port of Boston**

##### **Conley Terminal (101 acres)**

Berth 11 (length in feet)	1,000
Berth 12 (length in feet)	1,000
Berth 14 (length in feet)	500
Berth 15 (length in feet)	500

##### **Moran Terminal (64 acres)**

Berth 1 (length in feet)	1,000
--------------------------	-------

##### **Black Falcon Terminal**

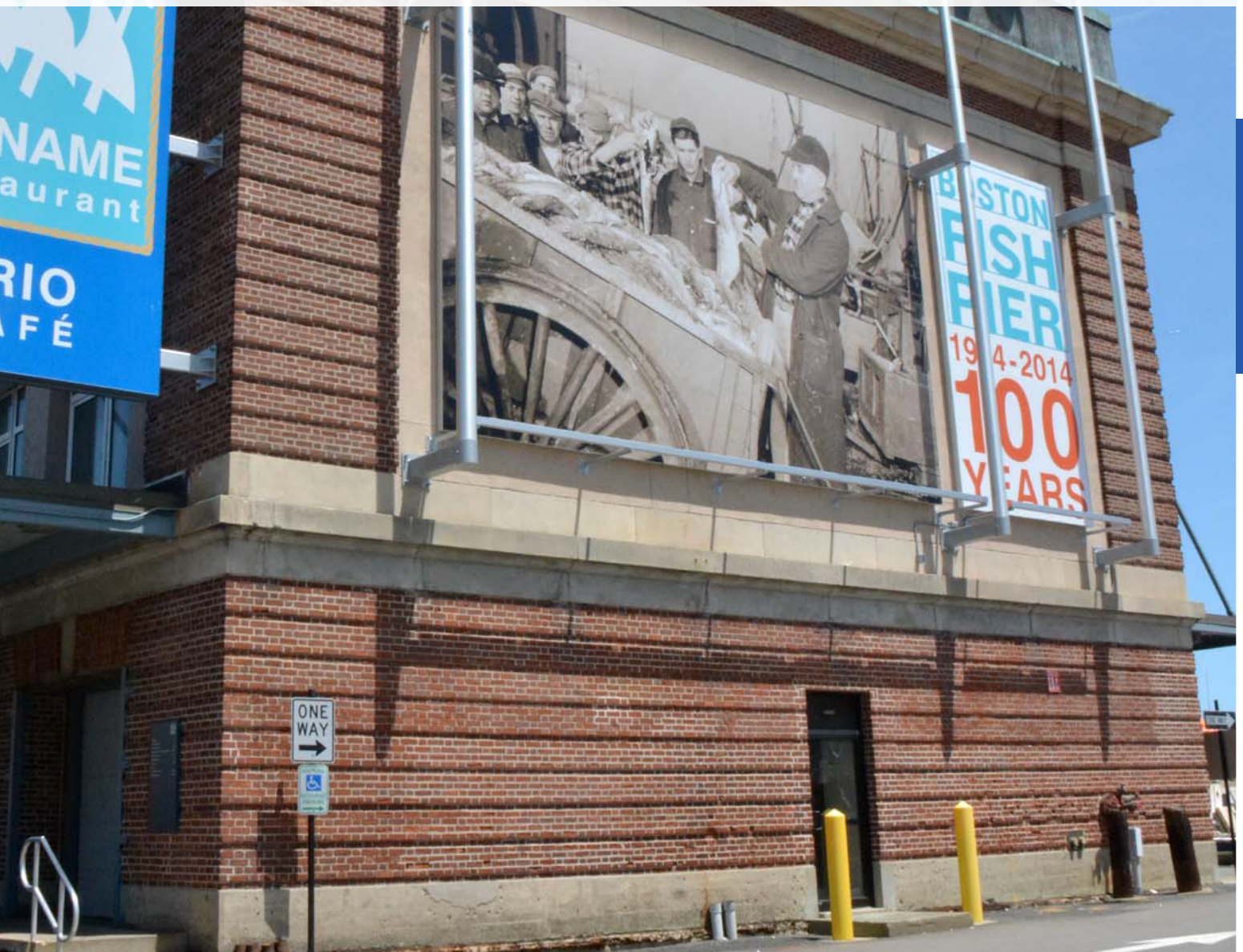
10 berths (length in feet (each))	500
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<b><u>Commercial Real Estate</u></b> (approximate acres)	90.5
--	------

Source: Authority reports.

## *port of boston*

The Boston Fish Pier is known as the oldest continuously working fish pier in the United States. For 100 years, the Boston Fish Pier has been home to one of this region's signature industries, one whose workers push off early each morning and return late at night, and whose courage, persistence, and ingenuity have long defined what it means to be a New Englander.





**STATEMENT OF THE 1978 TRUST AGREEMENT  
ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2014**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 25, 2014 (the “Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement, dated as of August 1, 1997 (the “Continuing Disclosure Agreement”), between the Authority and U.S. Bank National Association (successor-in-interest to State Street Bank and Trust Company), as trustee (the “Trustee”). Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2014 (“fiscal year 2014”) updating the financial information and operating data presented in the Authority’s Statement of Annual Financial Information and Operating Data dated as of November 26, 2013 (the “2013 Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Authority’s Official Statement dated July 9, 2014 (the “2014 Official Statement”). This Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 25, 2014 (the “CAFR”) for fiscal year 2014 and the remaining sections of the CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2014 and comparative information for fiscal year 2013, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included in the financial section of the CAFR. The 2014 Official Statement and the 2013 Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the Bonds, reference is made to the 2014 Official Statement.

This Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority and outstanding at June 30, 2014 (collectively, the “Bonds”):

- Massachusetts Port Authority Revenue Bonds, Series 2012-A (AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2012-B (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2010-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-B (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2010-C (AMT)
- Massachusetts Port Authority Multi-Modal Revenue Refunding Bonds, Series 2010-D (AMT)
- Massachusetts Port Authority Multi-Modal Revenue Bonds, Series 2008-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2008-C (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2007-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2007-C (AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2005-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2005-C (Non-AMT)
- Massachusetts Port Authority Revenue Bonds, Series 2003-A (Non-AMT)
- Massachusetts Port Authority Revenue Refunding Bonds, Series 2003-C (Non-AMT)



As of June 30, 2014, the Authority had issued and outstanding 14 series of bonds pursuant to the Trust Agreement dated as of August 1, 1978, as supplemented and amended (the “1978 Trust Agreement”) between the Authority and the Trustee. Please see Note 5 of the Authority’s Financial Statements as of June 30, 2014 for more detailed information.

On July 17, 2014, the Authority issued \$249.8 million of Massachusetts Port Authority Revenue Bonds in three series. The Series 2014 A Revenue Bonds were issued in the principal amount of \$45.5 million with an original issue premium of approximately \$5.6 million and coupon rates ranging from 2.0% to 5.0%. The projects to be financed with Series A Bond proceeds include a structured garage at the Framingham Logan Express site and roadways that provide access from the terminals to the Airport MBTA Station and the Rental Car Facility. The Series 2014 B Revenue Bonds were issued in the principal amount of \$48.2 million with an original issue premium of approximately \$4.8 million and coupon rates ranging from 4.0% to 5.0%. The projects to be financed with Series B Bond proceeds include electrical substation replacement for Terminals B and E, a post-security corridor between Terminals C and E, and the demolition of an obsolete hangar to create remain overnight aircraft parking spaces. The Authority also issued the Series 2014 C Revenue Refunding Bonds in the principal amount of \$156.1 million with an original issue premium of approximately \$32.2 million and coupons ranging from 2.0% to 5.0%. The aggregate difference in debt service between the refunded Series 2003 A Bonds, Series 2003 C Bonds and the Series 2005 A Bonds and the refunding bonds was \$23.6 million. This refunding had an economic gain and achieved a net present value savings of \$17.1 million or 10.04%. The average annual savings for fiscal year 2015 through fiscal year 2035 was approximately \$1.1 million.

The Authority has issued six series of its Subordinated Revenue Bonds, outstanding in the aggregate principal amount of \$74,000,000 (collectively, the “Subordinated Revenue Bonds”). The Subordinated Revenue Bonds are payable solely from amounts on deposit in the Improvement and Extension Fund established under the 1978 Trust Agreement and in a separate account not subject to the pledge of the 1978 Trust Agreement. The Subordinated Revenue Bonds are subordinate to all of the revenue bonds issued prior to the date hereof by the Authority pursuant to the 1978 Trust Agreement.

The Authority also has issued and outstanding three series of PFC Revenue Bonds (collectively the “PFC Bonds”) issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”). Please see Note 5 of the Authority’s financial statements as of June 30, 2014 for more detailed information. On August 12, 2010, the Authority issued \$57,150,000 Series 2010-E PFC Revenue Refunding Bonds (AMT) to refund its Series 1999-B PFC Bonds. Pursuant to the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon, the Authority is also including as part of the CAFR its Statement of PFC Annual Financial Information and Operating Data for fiscal year 2014 (the “2014 PFC Disclosure Statement”) with respect to the PFC Bonds.

On June 15, 2011, the Authority issued its \$58,030,000 Special Facilities Revenue Bonds (ConRAC Project), Series 2011-A (Non-AMT) and \$156,030,000 Series 2011-B (Federally Taxable) (collectively, the “CFC Bonds”) pursuant to a Trust Agreement dated May 18, 2011 (the “CFC Trust Agreement”) between the Authority and U.S. Bank National Association (the “CFC Trustee”). The CFC Bonds were issued for the purpose of providing funds sufficient, together with other available funds, to finance the design and construction of a new consolidated rental car facility and related improvements at Logan Airport, fund certain deposits to the debt service reserve and supplemental reserve funds for the CFC Bonds, and pay certain costs of issuance of the CFC Bonds. Please see Note 5 of the Authority’s financial statements as of June 30, 2014 for more detailed information. Pursuant to the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”) delivered by the Authority, the Authority is also including as part of the CAFR its Statement of Annual Financial

Information and Operating Data for fiscal year 2014 (the “2014 CFC Disclosure Statement”) with respect to the CFC Bonds.

On May 15, 1997, the Authority issued its \$111,320,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 1997 (the “1997 BOSFUEL Bonds”). On July 12, 2007, the Authority issued its \$106,595,000 Special Facilities Revenue Bonds (BOSFUEL Project), Series 2007 (the “2007 BOSFUEL Bonds”). The 2007 BOSFUEL Bonds were issued to finance the design and construction of improvements to the integrated jet fuel storage and distribution system at Logan Airport and to currently refund the 1997 BOSFUEL Bonds. The 1997 BOSFUEL Bonds and the 2007 BOSFUEL Bonds are not subject to the Authority’s Continuing Disclosure Agreement, the PFC Disclosure Agreement or the CFC Disclosure Certificate.

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2014 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer.

## Annual Disclosure Statement

This Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the 1978 Trust Agreement, and not on the basis of GAAP.*** For a comparison of the Authority’s financial results under the 1978 Trust Agreement and GAAP, please refer to Table S-4 (Conversion of GAAP Revenues and Expenses to 1978 Trust Agreement Revenues and Expenses) set forth in the statistical section of the CAFR or to Exhibit I at the end of this section. The information set forth herein does not contain all material information concerning the Bonds or the Authority necessary to make an informed investment decision. This Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds.

This Annual Disclosure Statement is submitted pursuant to the Continuing Disclosure Agreement. The intent of the Authority’s undertaking under the Continuing Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the Bonds and any other bonds of the Authority that are designated by resolution of the Authority as subject to and having the benefits of the Continuing Disclosure Agreement the information described in Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934. Pursuant to the Continuing Disclosure Agreement, the Authority has agreed with respect to the Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the 1978 Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the Continuing Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority’s undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the Trustee or for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC, or any other person. The sole remedy in the event of any actual or

alleged failure by the Authority to comply with any provision of the Continuing Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the 1978 Trust Agreement or any other instrument relating to the Bonds.

## **UPDATED OPERATING INFORMATION**

### **Airport Properties**

Boston-Logan International Airport ("Logan Airport") continues to be the principal source of the Authority's Revenues, Net Revenues and net income, and is the dominant factor in the determination of the Authority's financial condition. In fiscal year 2014, Logan Airport accounted for 83.8% of the Authority's Revenues and 96.6% of the Authority's Net Revenues, as defined in the 1978 Trust Agreement. For additional information regarding activities at Logan Airport Properties during fiscal year 2014, please refer to Exhibits S-5, S-10, S-11 and S-12 presented in the statistical section of the CAFR. Exhibit S-10 summarizes Logan Airport traffic statistics for the ten most recent fiscal years.

Logan Airport plays a leading role in New England's air service infrastructure. In calendar year 2013, based upon total passenger volume, Logan Airport was the most active in New England, the 19<sup>th</sup> most active in the United States and the 54<sup>th</sup> most active in the world, according to the Airports Council International ("ACI"). Enplaned plus deplaned passengers at Logan Airport for fiscal year 2014 totaled approximately 30.9 million passengers. This is a 4.9% increase from the 29.4 million passengers that used Logan Airport in fiscal year 2013.

The primary destinations of passengers using Logan Airport for calendar year 2013 were: 16.0% to Florida, 9.3% to Washington, DC and 7.0% to the New York/New Jersey area. The proportion of domestic passengers traveling to the West Coast cities of California was 13.2%.

In fiscal year 2014, international passengers (including those traveling on foreign flag and regional carriers) accounted for 15.2% of passenger traffic, or approximately 4.7 million passengers. This is an increase of 4.8% or 213,000 international passengers over last year. The shares of international passengers at Logan Airport were 64.0% for Europe and the Middle East, 13.8% for Canada and 18.2% for Bermuda and the Caribbean. In fiscal year 2014, the top five international origin-destination markets were London, Toronto, Paris, Dublin and Amsterdam. International passenger traffic grew by 4.8% and 3.3% in fiscal years 2014 and 2013, respectively.

In fiscal year 2014, regional airlines accounted for approximately 6.6% of total passenger traffic at Logan Airport, or approximately 2.0 million passengers. The number of regional passengers (excluding passengers traveling internationally) decreased by 1.0% and 8.0% in fiscal years 2014 and 2013, respectively. As of June 30, 2014, the top five regional airlines were Shuttle America Corporation with 24.1% of domestic regional passengers, followed by Endeavor Air with 17.2%, Air Wisconsin Airlines Corporation with 11.8%, Republic Airlines with 10.1%, and Hyannis Air Service, Inc. with 9.7% of domestic regional passengers.

During fiscal year 2014, low-cost carriers handled 38.2% of Logan Airport's passengers. As of June 30, 2014, the low-cost carriers providing service at Logan Airport were AirTran Airways, JetBlue Airways, MN Airlines, LLC, People Express, Porter Airlines, Southwest Airlines, Spirit Airlines and Virgin America. As of June 30, 2014, these eight carriers scheduled 75 non-stop destinations. Logan Airport passenger traffic as a whole grew by 4.9% in fiscal year 2014 while passenger traffic for the low-cost carriers serving Logan Airport grew 5.5%.

In fiscal year 2014, total combined cargo and mail volume was approximately 572.2 million pounds. The volume in fiscal year 2014 increased by 3.6% from fiscal year 2013. From fiscal year 2014 to fiscal year 2013, air cargo (small package/express and freight) increased by 3.7%. A large percentage of the total volume of air cargo for the period was attributable to integrated small package/express carriers, including Federal Express, United Parcel Service, Atlas Air and ABX Air, Inc. Integrated carriers accounted for 63.6% of total domestic and international cargo volume in both fiscal year 2014 and fiscal year 2013.

## **SELECTED FINANCIAL DATA**

Table S-5 set forth in the statistical section of the CAFR reflects Revenues and Operating Expenses for the ten most recent fiscal years, prepared in accordance with accounting principles required by the 1978 Trust Agreement. Information for each of the ten fiscal years is derived from the Authority's financial statements for the respective fiscal years; note that in certain cases information from prior fiscal years has been conformed to comply with current GASB standards. Financial statements of the Authority for fiscal year 2014 and comparative data for fiscal year 2013, together with the report thereon of Ernst & Young LLP, independent auditors, are included in the CAFR.

Table S-6 of the CAFR shows the calculation of Annual Debt Service Coverage of the Authority, as provided under the 1978 Trust Agreement, which equals the ratio of the Net Revenues of the Authority divided by the Annual Debt Service. "Net Revenues" is defined in the 1978 Trust Agreement as the excess of Revenues over Operating Expenses; provided that for the purpose of the calculations, proceeds of passenger facility charges ("PFCs") and customer facility charges ("CFCs") have been excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. PFCs are pledged to secure the PFC Bonds, pursuant to the PFC Trust Agreement, and certain specific information pertaining to the PFC Bonds, as required by the PFC Disclosure Agreement, is set forth in the separate 2014 PFC Disclosure Statement. CFCs are pledged to secure the CFC Bonds, pursuant to the CFC Trust Agreement, and certain specific information pertaining to the CFC Bonds, as required by the CFC Disclosure Certificate, is set forth in the separate 2014 CFC Disclosure Statement. As used in the tables, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds (other than BOSFUEL Bonds) outstanding for the applicable fiscal year.

## **MANAGEMENT'S DISCUSSION OF HISTORICAL OPERATING RESULTS**

### **Prepared in Accordance with the 1978 Trust Agreement**

Total Operating Revenues in fiscal year 2014 were \$623.7 million compared to \$574.4 in fiscal year 2013, while Operating Expenses were \$383.6 million in fiscal year 2014 compared to \$352.0 in fiscal year 2013, resulting in Net Revenues of \$240.1 million and \$222.4 million in fiscal year 2014 and fiscal year 2013, respectively. Logan Airport is the primary source of the Authority's Revenues, Net Revenues and Operating Expenses. For a discussion of the differences between the accounting principles required by the 1978 Trust Agreement and generally accepted accounting principles, see Note 2 to the Financial Statements, or Exhibit I at the end of this section. Revenues and Net Revenues do not include PFC revenues and CFC revenues. PFC revenue is required under federal law and according to the PFC Trust Agreement, and CFC revenue is required under the CFC Trust Agreement to be applied to certain capital projects at the Airport and are not pledged for the benefit of holders of the Bonds issued under the 1978 Trust Agreement.

## Airport Properties

Airport Properties Net Revenues (Airport Properties Revenues less Airport Properties Operating Expenses) increased by \$14.0 million or 6.6% from fiscal year 2013. The number of passengers using Logan Airport (excluding general aviation) in fiscal year 2014 was 4.9% higher than in fiscal year 2013. Landed weights were 4.1% higher than the prior fiscal year. Parking revenues were 3.4% higher than such revenues in fiscal year 2013, due to the increased passenger traffic at Logan Airport. Logan Airport generated approximately \$522.6 million of Operating Revenues and incurred \$290.6 million of Operating Expenses in fiscal year 2014 compared to \$482.5 million of Operating Revenues and \$267.2 million of Operating Expenses in fiscal year 2013. Operating revenue and expense figures for Logan Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Logan Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

Unlike many airport operators, the Authority does not have an airline use and lease agreement and, therefore, is not constrained by contractual arrangements with the air carriers serving Logan Airport governing the incurrence of aeronautical costs and the recovery of such costs in the landing fee, terminal rentals, baggage screening fee and public space utilities fee. Instead, the landing fees, terminal rentals, baggage screening fee and public space utilities fee are set annually by the Authority on a compensatory basis to cover direct and allocated capital, administration, maintenance and operating costs. Accordingly, each October, the Authority establishes the landing fee per thousand pounds of landed weight and the rental rates for the terminals, based upon historical capital costs and projected landed weights, terminal rentable square feet (as applicable), number of bags screened and utility usage and the budgeted direct and allocable indirect operating costs of providing these facilities for that fiscal year.

**Landing Fees.** Logan Airport generated \$92.9 million in landing fee revenue in fiscal year 2014. This was a \$6.4 million or 7.4% increase over the \$86.5 million generated in fiscal year 2013. Logan Airport's 2014 landing fee rate of \$4.57 per thousand pounds was lower than the \$4.34 per thousand pounds approved in 2013. Total landed weights in fiscal year 2014 was 20,297,000 pounds, an increase of 802,000 pounds compared to fiscal year 2013. The combination of a lower landing fee rate and the increase in landed weight resulted in the overall 4.1% increase in landing fee revenue during fiscal year 2014.

**Parking Fees.** Logan Airport parking revenues (including Logan Express) increased from \$131.9 million in fiscal year 2013 to \$136.3 million in fiscal year 2014. This increase is due to the increased passenger traffic at Logan Airport. The number of commercial parking spaces at Logan Airport is subject to a limitation imposed by the EPA.

**Rentals.** All leases with air carriers for terminal space at Logan Airport currently provide that the Authority may revise rental rates periodically, at the discretion of the Authority, to recover the actual direct and indirect capital and operating costs for such leased space. In addition, leases with certain carriers that are obligors of special facilities revenue bonds issued by the Authority and secured by a pledge of certain lease revenues are required to pay rent directly to the applicable trustee in an amount at least sufficient to pay the debt service on such bonds. Terminal A opened in March 2005, subject to a then-current long-term lease between the Authority and Delta Airlines ("Delta"). After Delta filed for bankruptcy protection in September 2005, the Authority and Delta negotiated a restated and amended lease (the "Amended Lease"), which became effective in July 2006, with a term expiring June 30, 2016. The Amended Lease reduced Delta's lease from 18 gates and seven regional aircraft parking positions to 12 gates and four regional aircraft parking positions. During fiscal year 2009, after the merger with Northwest, Delta further amended its lease. Accordingly, Delta now has 14 of the 18 contact gates and five of the seven regional aircraft positions. In November 2007, the Authority entered into a five-year

lease with Continental Airlines for four contact gates and two regional aircraft parking positions in Terminal A which ended in November 2012, Continental Airlines remained in Terminal A on a month to month lease term until they relocated to Terminal B on April 30, 2014 after their merger with United Airlines. The Authority is under no obligation to assume any liability for the Terminal A Special Facility bonds or to direct revenue, other than a portion of the Terminal A airline revenue, to service the debt.

The Authority has entered into a lease of the western wing of Terminal B with US Airways for a term scheduled to end September 30, 2023 and amended the lease to add seven gates in the South Wing Addition for a term that is scheduled to end in November 2021. The Authority entered into a similar lease of a significant portion of the eastern wing of Terminal B with American Airlines for a term expiring on March 31, 2015. In fiscal year 2014, rentals from Terminal A were \$27.6 million and rentals from Terminal B were \$28.8 million.

In Terminal C, JetBlue entered into a lease in March 2005 that resulted in its leasing 11 gates as of November 1, 2008. As of June 30, 2011, JetBlue leased 13 gates in Terminal C. As of June 2014, JetBlue leased 17 gates in Terminal C. The JetBlue lease ran through April 2010, with 20 automatic one-year year extensions. The Authority has entered into a lease with United Airlines for a term scheduled to end September 30, 2015. As of June 30, 2014, United Airlines leased eight gates (Gate 11 was licensed to Massport and in turn leased to JetBlue) in Terminal C. United relocated to Terminal B on April 30, 2014.

The Authority does not have long-term written agreements with the other airline tenants in Terminals C and E. Rental rates for such Terminals are set on a compensatory basis to recover direct and allocated capital, administration, maintenance and operation costs. Rental revenue from these two Terminals totaled \$71.8 million in fiscal year 2014. In fiscal year 2014 rental income from buildings other than Terminals totaled \$28.2 million and income from land rentals produced an additional \$19.3 million.

**Concessions.** Revenues from concessions increased from \$70.1 million in fiscal year 2013 to \$76.00 million in fiscal year 2014. The increase is primarily due to the higher passenger volume at the Logan Airport during fiscal year 2014. Concession revenues include payments made by rental car companies that operate at Logan Airport and commissions from the following concessions: food and beverage, news and gifts, duty free shops, specialty shops, ground transportation services and other concessions.

**Hanscom Field.** During fiscal year 2014, Revenues from operations at Hanscom Field represented approximately 1.7% of the total Revenues of the Authority, and Hanscom Field's Operating Expenses constituted approximately 2.7% of the Authority's Operating Expenses. In fiscal year 2014, Hanscom Field generated \$10.6 million of Revenue, with Operating Expenses of \$10.4 million, yielding an operating surplus before debt service or other capital expenses of approximately \$0.2 million. Operating revenue and expense figures for Hanscom Field stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and amortization, properly allocable to Hanscom Field, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

**Worcester Regional Airport.** On July 1, 2010, the Authority purchased the Worcester Regional Airport for approximately \$15.1 million in accordance with the terms of Transportation Reform Act. During fiscal year 2014, Worcester Airport generated \$1.5 million of Revenue, with Operating Expenses of \$7.5 million, yielding an operating deficit before debt service or other capital expenses of approximately \$6.0 million. Operating revenue and expense figures for Worcester Airport stated in this paragraph do not include certain items, particularly expense items, such as interest, depreciation and

amortization, properly allocable to Worcester Airport, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

### **Port Properties**

In fiscal year 2014, the Revenue attributable to the Port Properties totaled approximately \$85.7 million, or approximately 13.7% of the Revenues of the Authority, and the Port Properties accounted for approximately \$75.0 million of Operating Expenses according to the 1978 Trust Agreement, or approximately 19.6% of the Authority's Operating Expenses. The Port Properties realized a surplus of approximately \$10.7 million and \$6.00 million in Net Revenues in fiscal years 2014 and 2013, respectively. The Net Revenue from Maritime Operations was \$1.4 million for fiscal year 2014, while the Net Revenue from Maritime Real Estate was \$9.3 million in fiscal year 2014. Over the period shown, the Authority has pursued a policy of seeking compensatory (or cost recovery) pricing, aggressively negotiating new lease terms when possible, and revenue development through more intense use of the Port Properties and a marketing program designed to increase the volume of containers handled and the number of cruise passengers who embark or disembark in Boston, in an effort to mitigate these deficits.

Prior to fiscal year 2014, the Authority has traditionally experienced annual Port Properties Net Revenue deficits (Maritime and Business Development Revenues less Maritime and Business Development Operating Expenses). These deficits reflect the allocation of a portion of Authority-wide administrative and overhead costs as well as all direct costs.

Operating revenue and expense figures for the Port Properties stated in this paragraph do not include certain items, particularly expense items such as payments in lieu of taxes, interest and depreciation and amortization, properly allocable to the Port Properties, that are excluded from the definition of operating expenses pursuant to the 1978 Trust Agreement.

### **Other**

**Investment Income.** Investment income (excluding CFCs, PFCs and other funds not held under the 1978 Trust Agreement) decreased from \$6.7 million in fiscal year 2012 to \$4.2 million in fiscal year 2013 and decreased to \$3.2 million in fiscal year 2014. Further declines in interest income in fiscal year 2014 were the result due to low interest rates and a reduction in the Authority's cash and investment balances that were used for increased capital investment during the year.

# Exhibit - I

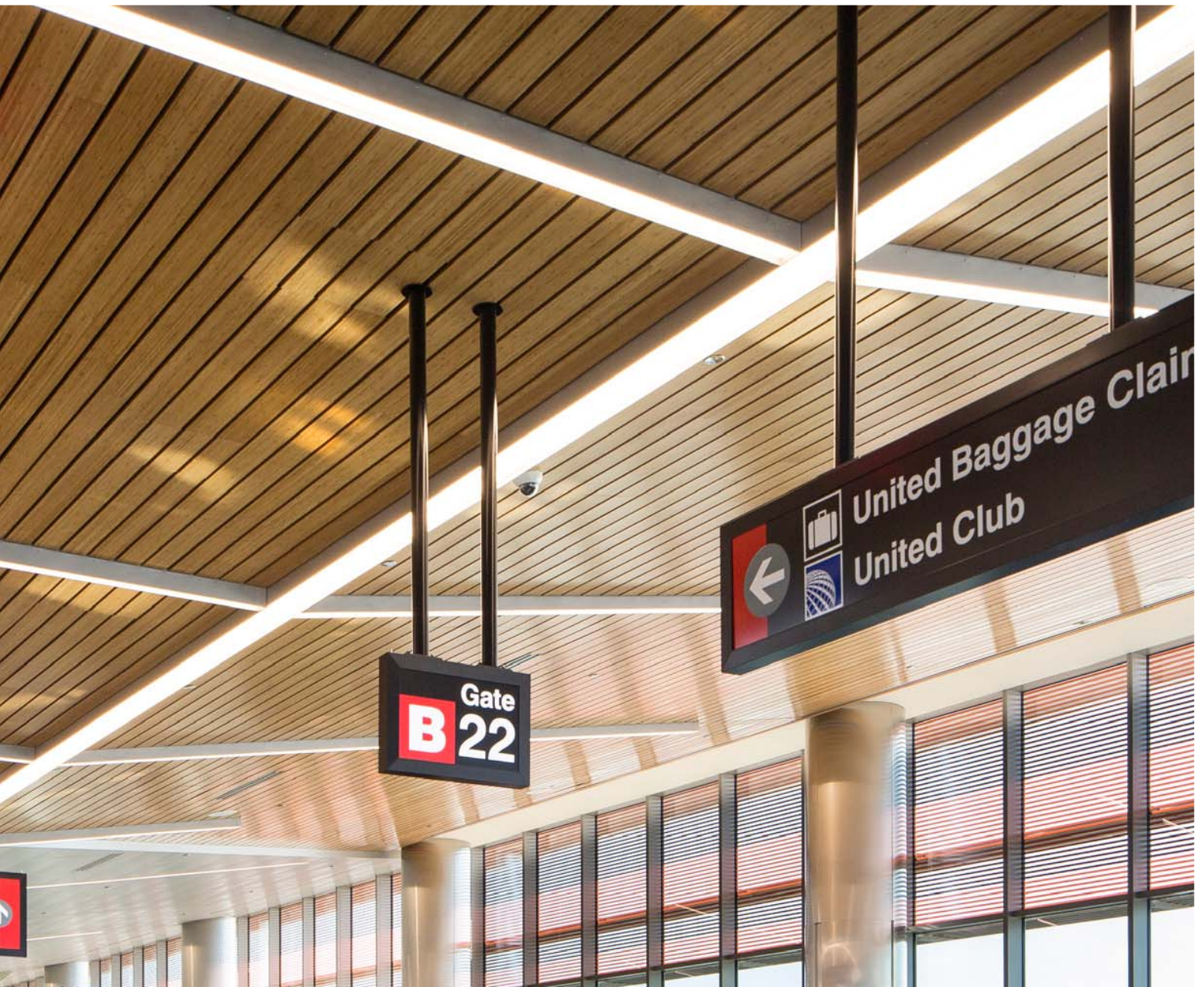
(Unaudited)

Presented below are the revenues and operating expenses as determined in accordance with the 1978 Trust Agreement, and a reconciliation to net assets as determined under accounting principles generally accepted in the United States of America ("GAAP") for the period presented.

				Net change in the fair value of investments	6/30/2014 Fiscal Year 2014 Total	6/30/2013 Fiscal Year 2013 Total
(In Thousands)	Airport Properties	Port Properties	Investment Income			
Trust revenues:						
Pledged revenues	\$ 531,748	\$ 85,679	\$ -	\$ -	\$ 617,427	\$ 567,454
Operating grants	3,385	113	-	-	3,498	2,467
Subtotal	535,133	85,792	-	-	620,925	569,921
Operating interest income	-	-	3,208	-	3,208	4,168
Adjustment for uncollectible accounts	(394)	(71)	-	-	(465)	353
Total Trust Revenues	534,739	85,721	3,208	-	623,668	574,442
Trust operating expenses:						
Operations and maintenance	233,902	58,241	-	-	292,143	269,482
Administration	45,535	10,986	-	-	56,521	51,204
Insurance	6,893	2,013	-	-	8,906	8,698
Pension	10,368	1,622	-	-	11,990	9,614
Other Postemployment Benefits (1978 Trust)	11,836	2,164	-	-	14,000	13,000
Total Trust Expenses	308,534	75,026	-	-	383,560	351,998
Excess of revenues over operating expenses as prescribed by the 1978 Trust Agreement	226,205	10,695	3,208	-	240,108	222,444
<b>ADD:</b>						
<b>Revenues recognized under GAAP which are excluded under 1978 Trust Agreement:</b>						
Investment income self insurance / others	-	-	1,919	-	1,919	2,279
Passenger facility charge (PFC)-Logan	62,682	-	-	-	62,682	60,105
Investment income PFC-FAA	-	-	69	-	69	62
Investment income PFC-Non FAA	-	-	1,029	-	1,029	1,056
Customer facility charge (CFC)	29,963	-	-	-	29,963	29,354
Investment income CFC	-	-	417	-	417	771
Capital grant revenue	53,942	2,182	-	-	56,124	20,234
Gain/Loss on sale of equipment	88	2	-	-	90	-
Realized net increase in the fair value of investments	-	-	-	428	428	-
Unrealized net increase in the fair value of investments	-	-	-	1,548	1,548	-
Administration Expenses	2,009	361	-	-	2,370	2,254
Operating revenues	1,173	337	-	-	1,510	1,731
Adjust for Operating Grant	28	8	-	-	36	171
Settlement of claims	1,768	24	-	-	1,792	567
No operating other revenues	10,529	18	-	-	10,547	187
<b>LESS:</b>						
<b>Expenses recognized under GAAP which are excluded under 1978 Trust Agreement:</b>						
PILOT	(16,555)	(1,889)	-	-	(18,444)	(18,090)
Other Postemployment Benefits	(120)	(20)	-	-	(140)	(450)
Self insurance cost	(384)	289	-	-	(95)	678
Interest expense	(61,991)	(2,982)	-	-	(64,973)	(61,071)
Loss on sale of equipment	-	-	-	-	-	(64)
Unrealized net (decrease) in the fair value of investments	-	-	-	-	-	(2,821)
Depreciation and amortization (1)	(201,510)	(16,257)	-	-	(217,767)	(199,046)
Operating expenses	(2,990)	(1,211)	-	-	(4,201)	(3,129)
Adjustment for uncollectible accounts-nonTrust fund	10	2	-	-	12	-
Terminal A debt service contributions by PFC	(11,839)	-	-	-	(11,839)	(12,114)
No operating other expenses	(1,407)	-	-	-	(1,407)	(1,279)
Increase / (decrease) in net assets	\$ 91,601	\$ (8,441)	\$ 6,642	\$ 1,976	\$ 91,778	\$ 43,829

(1) Capital Assets are depreciated under GAAP but not under 1978 Trust Agreement.





## ***terminal b connector***

The \$125 million Terminal B renovation and improvement project was completed in the fourth quarter of fiscal year 2014 which includes the addition of jet bridges facilitating the use of larger aircraft, 24 new ticket counter positions, a relocated and modified passenger checkpoint, eight reconfigured departure lounges, and a secure passenger connection to Pier B that serves US Airways.





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**STATEMENT OF  
PFC ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2014**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 25, 2014 (the “PFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Agreement dated as of May 6, 1999 (the “PFC Disclosure Agreement”) between the Authority and The Bank of New York Mellon. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2014 (“fiscal year 2014”) updating the financial information and operating data presented in the Authority’s Official Statement dated August 5, 2010 relating to the 2010 PFC Bonds (the “2010 PFC Official Statement”) and the Authority’s Statement of PFC Annual Financial Information and Operating Data dated as of November 26, 2013 (the “2013 PFC Annual Disclosure Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2010 PFC Official Statement. This PFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 25, 2014 (the “2014 CAFR”) for fiscal year 2014 and the remaining sections of the 2014 CAFR are incorporated herein by reference. The Authority’s audited financial statements for fiscal year 2014 and comparative information for fiscal year 2013, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2014 CAFR. The 2010 PFC Official Statement and the 2013 PFC Annual Disclosure Statement are each on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the PFC Bonds, reference is made to the 2010 PFC Official Statement.

This PFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “PFC Bonds”), issued pursuant to a PFC Revenue Bond Trust Agreement dated as of May 6, 1999, as supplemented and amended (the “PFC Trust Agreement”), between the Authority and The Bank of New York Mellon, as trustee (the “PFC Trustee”):

Massachusetts Port Authority PFC Revenue Bonds, Series 2007-B (Non-AMT)  
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2007-D (Non-AMT)  
Massachusetts Port Authority PFC Revenue Refunding Bonds, Series 2010-E (AMT)

On August 12, 2010, the Authority issued its PFC Revenue Refunding Bonds Series 2010-E (AMT) which refunded the Authority’s PFC Revenue Bonds, Series 1999-B (AMT).

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2014 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One

Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicius, CPA, the Authority's Director of Administration and Finance and Secretary-Treasurer.

### **Annual Disclosure Statement**

This PFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the PFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the PFC Bonds or the Authority necessary to make an informed investment decision. This PFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the PFC Bonds.

This PFC Annual Disclosure Statement is submitted pursuant to the PFC Disclosure Agreement. The intent of the Authority's undertaking under the PFC Disclosure Agreement is to provide on a continuing basis for the benefit of the owners of the PFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the PFC Disclosure Agreement the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the PFC Disclosure Agreement, the Authority has agreed with respect to the PFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the PFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the PFC Disclosure Agreement, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the PFC Trustee or for the underwriters of the PFC Bonds, any registered owner or beneficial owner of PFC Bonds, any municipal securities broker or dealer, any potential purchaser of the PFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the PFC Disclosure Agreement shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the PFC Trust Agreement or any other instruments relating to the PFC Bonds.

### **UPDATED OPERATING INFORMATION**

#### **Incorporation by Reference**

To view the 2014 CAFR on-line, please visit: <http://www.massport.com/cafr>.

### **PFC ANNUAL FILING**

The following information is provided with respect to the PFC Bonds pursuant to the PFC Disclosure Agreement.

## **Historical and Forecast PFCs and Estimated Debt Service Coverage**

A table presenting historical PFC revenues and estimated net debt service coverage of the PFC Bonds as of June 30, 2014 is attached hereto as APPENDIX PFC-1.

## **First Lien Sufficiency Covenant**

A calculation of the First Lien Sufficiency Covenant (as defined in the PFC Trust Agreement) as of June 30, 2014 is attached hereto as APPENDIX PFC-2.

## **Sources and Uses of Funds for 1999 PFC Bond Projects, now refunded by the 2007-D Bonds and 2010-E Bonds**

The 1999 PFC Bonds Projects consist of the “Gateway Terminal Building”, comprising an addition of approximately 410,000 square feet of new space to, and renovation of approximately 170,000 square feet of existing space at Terminal E, the international terminal at the Airport, and development of the “Gateway Roadways”, comprising a new two-level system of public roads, service access and new curbside facilities. Collectively, the Gateway Terminal Building and the Gateway Roadways are referred to as the “International Gateway Project”. In May 2003, the new South Addition to the Gateway Terminal Building was placed in service and as of October 2011, work had been completed on the Gateway Terminal Building portion of the project. On September 16, 2004, the Members of the Authority authorized an increase to the budget for the International Gateway Project from \$322.0 million to \$410.0 million (excluding an additional \$44.0 million of baggage screening improvements). A portion of the increase in the project budget was used to effect a settlement of certain claims asserted by the previous contractor for the project, Modern Continental Construction, Inc., and to engage a new contractor, Skanska USA, Inc., for the project. Since that date, the approved project budget has increased by an additional \$9.45 million, to \$419.5 million (excluding the cost of the baggage screening improvements). As of June 30, 2014, the cost of the International Gateway Project was \$458.6 million (including \$40.5 million of baggage screening improvements) and the project has been completed. The primary sources of funding for the International Gateway Project were the Authority’s 1999 PFC Bonds, commercial paper (expected to be repaid with PFCs) and Revenue Bonds, Series 1999-D and Series 2005-B, as well as pay-as-you-go PFCs.

## **Subsequent PFC Applications and Amendments**

On July 29, 2005, the Authority submitted a request to the FAA to amend the existing PFC authorization to increase the collection amount from \$3.00 to \$4.50, to decrease the amount of PFCs approved by the FAA to be used for certain completed projects, and to increase the FAA-approved amount for the International Gateway Project to \$483.6 million including financing costs. On September 2, 2005, the FAA issued a Final Agency Decision (“FAD”) increasing the PFC collected from eligible passengers enplaning at Logan Airport to \$4.50, effective October 1, 2005, increasing the amount of PFCs that may be used to fund construction and financing costs of the International Gateway Project to \$483.6 million including financing costs, and decreasing the amount of PFCs to be used for certain completed PFC projects.

On December 6, 2005, the Authority submitted a PFC Application to the FAA to amend one previously approved project, add ten new projects to Logan Airport’s PFC Program and request authority to collect a \$4.50 PFC to fund the projects. On April 20, 2006, the FAA issued a FAD approving the PFC Application (the “2006 Approval”). The FAD approved \$293.0 million in PFC collection authority for the new projects, resulting in a total PFC collection authority of \$994.2 million, and approved \$280.2 million in PFC use authority, resulting in a total PFC use authority of \$981.4 million.

On May 26, 2009, the Authority received approval from the FAA to use PFC revenues to fund certain elements of the Centerfield Taxiway Project and to reduce the amount of PFC funding for the project (reflecting updated construction costs). Overall, the Authority's total PFC collections and use authority was amended to \$991.9 million with an expected expiration date of February 1, 2016.

On May 24, 2010, the Authority received approval from the FAA to amend the existing PFC collection and use authority, reducing the collection and use amount by \$31.8 million and extending the projected expiration date to August 1, 2016. Additionally, the Authority also submitted a request to increase the collection authorization by \$428.0 million (to \$1.388 billion) and to extend the collection period until August 1, 2024. On April 26, 2011, the Authority received approval from the FAA to use \$392.1 million of PFC revenues to fund certain projects including the Rehabilitation of Taxiway N, Access Control to the Airport Operation Area ("AOA"), Access Control Data Storage and Server Capacity Enhancements, Replacement of Fireboat Marine 1, Terminal E Gate Departure Improvements, Terminal C Checkpoint Consolidation, Terminal A Debt Service and Airfield Electrical System upgrades. The request also included a request to collect PFCs for the Runway Safety Area ("RSA") for Runway 33L.

On November 1, 2011, the Authority submitted an application to use PFCs for the RSA for Runway 33L. In March 2012, the Authority received approval for the use of PFCs for the RSA for Runway 33L in the amount of \$18.3 million. The Authority's total PFC impose and use authority was amended to \$1.352 billion with an expected expiration date of December 1, 2023.

On September 23, 2013, the Authority submitted its eighth application to the FAA to impose and use an additional \$100.0 million in PFCs. The PFC revenues would fund certain projects in the Authority's capital program including the Runway Protection Zone Land Purchase, Renovations and Improvements to Terminal B, the Apron and Gate Electrification also at Terminal B and the Light Pier and CAT III. This application was approved in August 2014 increasing the Authority's impose and use authority to \$1.452 billion with an estimated expiration date of May 1, 2025. This date was left unchanged in recognition of potential future variations in either the rate of the collections or the final cost of the projects.

On July 31, 2014, the Authority submitted its ninth application to the FAA to impose and use an additional \$97.0 million in PFC's with an estimated expiration date of October 1, 2024. The PFC revenue would fund certain projects in the Authority's capital program including Checked Baggage Inspection Systems Enhancements, Runway 22R RSA Improvements and Replacement of Runway 4L EMAS Bed, Rehabilitation of North Alpha and Bravo Taxiways, Rehabilitate Runway 15R-33L and Residential Sound Proofing. It is expected that once approved, the impose and use authorization will increase to \$1.549 billion with an initiation date of May 1, 2025 and an estimated expiration date of October 1, 2026.

**FAA PFC # 6: International Gateway Project Sources and Uses  
including Gateway Roadways and Hold Baggage**

	Gateway Roadways	Gateway Terminal Building Including Hold Baggage	Total
<u>PFC Pay-as-you-go Funding:</u>			
Design:	\$ 3,281,400	\$ 3,266,000	\$ 6,547,400
Construction Costs:	5,724,231	128,142,321	133,866,552
Subtotal PFC Pay-as-you-go Funding:	9,005,631	131,408,321	140,413,953
<u>PFC Revenue Bonds:</u>			
Series 1999 A:	39,237,376	-	39,237,376
Series 1999 B:	374	182,671,928	182,672,302
2012 B CP Note Project- AMT (1)	-	23,000,000	23,000,000
Subtotal PFC-Related Funding:	48,243,381	337,080,249	385,323,630
<u>Non-PFC Revenue Bonds:</u>			
Series 1990A:	-	1,562,899	1,562,899
Series 1997B:	-	14,569	14,569
Series 1999D:	1,674,743	37,753,018	39,427,761
Series 2003B:	-	3,551,938	3,551,938
Series 2005B:	10,441	15,871,739	15,882,180
I&E Fund:	-	707,831	707,831
<u>Other Sources:</u>			
TSA Grant:	-	12,092,231	12,092,231
Total Funding for International Gateway:	\$ 49,928,566	\$ 408,634,473	\$ 458,563,039

\* Totals may not add due to rounding.

**Sources and Uses of Funds for 2007 PFC Bond Projects**

The 2007-B PFC Bonds were issued to finance the PFC-eligible costs, net of grant and other funding, of the design and construction of Runway 14/32 and Associated Taxiways and Southwest Taxiway, Infield and Taxiway K Improvements, Runway 4L/22R and 4R/22L Improvements and Airfield Drainage and Perimeter Road Improvements (collectively, the “2007-B PFC Bond Projects”). The 2007-D PFC Revenue Refunding Bonds were issued to advance refund all outstanding 1999-A PFC Bonds (the “Refunded Bonds”). The 2007-B PFC Bond Projects are among the capital projects approved for PFC funding by the FAA pursuant to the 2006 Approval. The following table shows the projects that will be partially or fully financed with the proceeds of the 2007-B PFC Bonds, as well as the other Approved



B Bonds is fully expended. The projects funded (in whole or in part) by the 2007-B Bonds have been completed.

(1) Expected to be repaid with PFCs. Once the commercial paper is retired with PFC revenues, the costs are displayed under the category of PFC Pay-as-you-go Funding.

**PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS**

Project	Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual / Expected Date of Construction	Actual / Expected Date of Completion as of 6/30/14
<b>APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL</b>								
Southwest Taxiway, Infield and Taxiway K Improvements	\$36.9 million	\$5.0 million	--	--	\$14.8 million	\$17.1 million	April 2007	December 2007
<b>APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2006 APPROVAL AS AMENDED IN MAY 2010</b>								
Runway 14/32 and Associated Taxiways	\$83.1 million	\$16.6 million	--	--	\$59.0 million	\$7.5 million	August 2004	December 2006
Runway 4L-22R and 4R-22L Improvements	\$31.9 million	\$16.6 million	\$4.0 million	--	\$10.6 million	\$0.7 million	April 2004	March 2007
Airfield Drainage and Perimeter Road Improvements	\$0.4 million	\$0.4 million	--	--	--	--	June 2007	December 2007
<b>APPROVED PFC PROJECTS FUNDED WITH 2007-B BONDS AND INCLUDED IN THE 2011 APPROVAL</b>								
Reconstruction of Runway 22L (1)	\$6.4 million	\$5.4 million	\$1.0 million	--	--	--	September 2008	December 2008
<b>PFC PROJECTS INCLUDED IN THE 1993 APPROVAL AS AMENDED IN 2005</b>								
Residential Sound Insulation Program - 1999 Contour	\$82.7 million	--	\$15.3 million	--	\$65.7 million	\$1.6 million	March 1991	December 2000
Logan Modernization Preliminary Design and Environmental Approval	\$23.1 million	--	\$9.5 million	--	--	\$13.6 million	May 1993	December 1997
Terminal E Modernization	\$34.9 million	--	\$20.9 million	--	--	\$13.9 million	July 1995	July 1997
Circulating Roadways	\$164.1 million	--	\$164.1 million	--	--	--	August 1998	July 2006
<b>PFC PROJECTS INCLUDED IN THE 1997 APPROVAL AS AMENDED IN 2006</b>								
Elevated Walkways	\$112.3 million	--	\$112.3 million	--	--	--	April 1997	March 2005
<b>PFC PROJECTS INCLUDED IN THE 1998 APPROVAL FUNDED WITH 2007D and 2010E BONDS (WHICH REFUNDED THE 1999 A &amp; D BONDS) AS AMENDED IN 2005</b>								
International Gateway including Terminal E Hold Baggage Screening System (2)	\$458.6 million	\$221.9 million	\$140.4 million	\$23.0 million	\$12.1 million	\$61.1 million	August 1998	October 2011
<b>PFC PROJECTS INCLUDED IN THE 2006 APPROVAL</b>								
Taxiway D Extension	\$18.9 million	--	\$4.3 million	--	\$10.6 million	\$4.0 million	May 2010	December 2010
Residential Sound Insulation Program - 1998, 2001 and Runway 14-32 Mitigation Contours	\$69.9 million	--	\$13.8 million	--	\$54.6 million	\$1.5 million	July 2001	June 2015

PFC PROJECTS AS APPROVED IN FAA FINAL AGENCY DECISIONS (Continued)								
Project	Total Project Cost	Amount Funded by PFC Bonds	Amount Funded by PFC Pay-As-You-Go	Amount Funded by Commercial Paper to be Funded by PFCs	Amount Funded by Grants	Amount Funded by Authority Revenue Bonds and Cash	Actual / Expected Date of Construction	Actual / Expected Date of Completion as of 6/30/14
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL AS AMENDED IN 2009								
Centerfield Taxiway	\$44.1 million	--	\$9.8 million	--	\$28.9 million	\$5.4 million	April 2008	June 2015
ADDITIONAL PFC PROJECTS INCLUDED IN THE 2006 APPROVAL AS AMENDED IN 2010								
Hold Baggage Screening at Terminal C	\$46.5 million	--	\$6.2 million	--	\$40.3 million	--	July 2002	December 2002
Terminal B Security Checkpoint Consolidation	\$7.6 million	--	\$7.6 million	--	--	--	September 2004	February 2007
Boundary Security Infrastructure	\$15.1 million	--	\$4.3 million	--	--	\$10.8 million	September 2005	September 2008
Access Control	\$29.4 million	--	\$25.9 million	--	\$3.5 million	--	November 2004	July 2008
Terminals B, C and E Aprons and Alleyways Reconstruction	\$12.0 million	--	\$12.0 million	--	--	--	July 2005	January 2007
PFC PROJECTS INCLUDED IN THE 2011 APPROVAL								
Airfield Electrical System Upgrade	\$13.7 million	--	--	\$13.7 million	--	--	May 2009	June 2015
Rehabilitation of Taxiway N	\$5.0 million	--	--	\$4.0 million	\$1.0 million	--	July 2010	July 2011
Access Control to AOA from Ancillary Buildings	\$1.0 million	--	--	\$1.0 million	--	--	October 2009	December 2013
Access Control Data Storage & Server Enhancements	\$2.8 million	--	--	\$1.0 million	-	\$1.8 million	May 2010	August 2014
Replace Fireboat Marine 1	\$5.9 million	--	--	\$5.9 million	--	--	May 2010	June 2015
Terminal C Checkpoint Consolidation	\$58.6 million	--	--	\$21.7 million	\$0.2 million	\$36.7 million	April 2010	June 2014
Terminal E Gate Departure Area & Baggage System Upgrade	\$30.5 million	--	\$4.2 million	\$14.3 million	--	\$12.0 million	August 2009	November 2011
Terminal A Development (4)	\$180.9 million	--	\$180.9 million	--	--	--	June 2011	December 2030
PFC PROJECTS INCLUDED IN THE 2011 APPROVAL AS AMENDED IN 2012								
Development of Runway Safety Area for Runway 33L (3) & (5)	\$78.0 million	--	--	\$30.8 million	\$47.2 million	--	June 2011	June 2014
PFC PROJECTS INCLUDED IN THE 2013 APPROVAL								
R/W Protection Zone Land Purchase	\$6.4 million	--	--	\$5.8 million	--	\$0.6 million	September 2008	June 2015
Renov&Improvements at Terminals B&E	\$125.0 million	--	--	\$71.9 million	--	\$53.1 million	June 2012	December 2014
Terminal B Gate Electrification Equipment	\$0.5 million	--	--	\$0.5 million	--	--	June 2012	December 2014

Notes: Amounts shown reflect FAA approved PFC funding authority for project costs through June 30, 2014. **(1)** The International Gateway is complete. **(2)** The Authority received PFC funding approval for the Runway 22L reconstruction project in April 2011 and used remaining proceeds from the 2007-B PFC Bonds for this project. **(3)** The Authority received PFC “impose” authority for the “Development of Runway Safety Area for Runway 33L,” in 2011; an application for “use” authority was approved by the FAA in March 2012 for the above project costs. **(4)** In April 2011 the Authority received FAA approval to use PFCs to fund 37% of the debt service from 2011-2031, including \$180.9 million of principal payments associated with \$180.9 million of project costs. **(5)** Includes additional \$15.0 million approved in August 2014.

**Additional Information**

The remaining information required to be included in the Authority's Annual Filing under subsections 4(a) (ii), (iii), (iv) and 4(c) of the PFC Disclosure Agreement is included in the Authority's audited financial statements for the fiscal year ended June 30, 2014, the Letter of Transmittal, the Statistical Information or the Annual Disclosure Statement included in the 2014 CAFR.

\* \* \*

This PFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the PFC Disclosure Agreement.

**Appendix A**  
**Historical PFC Revenue and**  
**Debt Service Coverage**  
**Unaudited**  
(in thousands)

Fiscal Year	Enplaned Passengers (1)	Rate of Traffic Growth	Estimated Percent Passengers Paying PFCs (2)	Net PFC Revenue (3)	PFC Investment Income	Total Collections Plus Investment Income	Gross Annual Debt Service	Less Interest Income (4)	Net Annual Debt Service	Debt Service Coverage (5)
2001	13,659	-1.02%	91.08%	36,324	3,901	40,225	21,543	9,904	11,639	3.46
2002	11,026	-19.27%	91.45%	29,445	2,652	32,097	21,547	7,402	14,145	2.27
2003	11,250	2.03%	88.55%	29,090	771	29,861	21,545	3,841	17,704	1.69
2004	12,236	8.76%	91.93%	32,845	607	33,452	21,548	895	20,652	1.62
2005	13,381	9.36%	91.32%	35,316	621	35,937	21,543	1,329	20,213	1.78
2006	13,662	2.10%	91.01%	48,324	1,265	49,589	21,546	1,305	20,241	2.45
2007	13,867	1.51%	94.46%	57,504	938	58,443	19,809	1,318	18,490	3.16
2008	13,614	-1.83%	89.92%	53,740	1,006	54,745	27,311	2,153	25,158	2.18
2009	12,453	-8.53%	91.65%	50,102	597	50,699	27,188	2,758	24,430	2.08
2010 (6)	14,261	14.52%	93.60%	58,598	469	59,067	27,189	1,642	25,547	2.31
2011	14,138	-0.86%	94.23%	58,485	177	58,662	22,949	1,618	21,331	2.75
2012	14,557	2.96%	92.73%	59,258	81	59,340	23,159	924	22,236	2.67
2013	14,622	0.45%	93.64%	60,105	62	60,167	23,161	1,417	21,744	2.77
2014	15,339	4.90%	93.09%	62,682	69	62,751	23,155	1,311	21,844	2.87

- (1) Excludes general aviation passengers from whom PFCs are not collected.
- (2) These figures are accrual revenue numbers based on PFC Collections for the respective fiscal years and after allowance for the air carriers' PFC Collection fee during the fiscal year. These accrual figures are estimated because PFCs are collected from passengers at the time of ticket sale, not at the time that travel occurs.
- (3) The substantial increase in net PFC collections in FY2006 reflects an increase in the authorized PFC level to \$4.50, from \$3.00 effective October 1, 2005. As of June 30, 2014, the air carrier PFC Collection fee was \$0.11.
- (4) Interest income on the Debt Service Reserve Fund, the Project Fund and non-PFC interest income on the Debt Service Fund.
- (5) Debt Service Coverage for fiscal years 2001 through 2005 reflect the pledge of revenue at the \$3.00 PFC level. Debt Service Coverage for fiscal years 2006 through 2012 reflect the pledge of revenue at the \$4.50 PFC level. The increase in the pledge of revenue received by Massport that is attributable to the first \$4.50 of PFCs, rather than the first \$3.00 of PFCs, was approved by Massport's Board on May 17, 2007.
- (6) In FY10 the Authority changed its accrual policy for calculating PFC revenue. Therefore, for the purpose of calculating the FY10 estimated percent of passengers paying PFCs, the FY10 enplaned passenger number was similarly adjusted.

**Appendix PFC - 2**

**First Lien Sufficiency Covenant  
for the fiscal year ending June 30, 2014**

(see attached notes and exhibits)

**Unaudited**

**Unspent PFC Authority + Projected Additional Pledged Revenue**

**First Lien Sufficiency Covenant =** **4.75**

**Projected Aggregate Debt Service**

Unspent PFC Authority =		Projected Additional Pledged Revenue  (currently none)	Projected Aggregate Debt Service
(A) Aggregate dollar amount of revenue authorized to be collected by the Authority under PFC Authority	\$ 1,352,273,158	\$ -	Amount necessary to pay or redeem the 2007-B, 2007-D, 2010-E PFC Bonds redeemed at maturity
minus			Projected Aggregate Debt Service =
(B) the dollar amount of Cost of Projects paid to date from PFC Pledged Revenue or legally obligated to date to be paid from PFC Pledged Revenue	645,361,932		(D) Aggregate amount of Annual Debt Service for the period commencing July 1, 2013 assuming all bonds redeemed at maturity including future interest on commercial paper \$ 137,643,025
(C) (including debt service paid to date on First Lien PFC Bonds and interest on commercial paper, but excluding projected aggregate debt service, with respect to First Lien PFC Bonds)	<u>289,575,305</u>		minus
Unspent PFC Authority =	<u>\$ 417,335,920</u>		Amounts on deposit as of June 30, 2014
(A) minus sum of (B) and (C)			in the Debt Service Fund and \$ 20,450,676
			Debt Service Reserve Fund, 27,492,565
			projected interest earnings on the Project Funds and -
			the Debt Service Reserve Fund <u>1,921,752</u>
			(E) Subtotal <u>\$ 49,864,993</u>
			Projected Aggregate Debt Service = <u>\$ 87,778,032</u>
			(D) minus (E)

(A), (B), (C), (D), (E): See attached notes.

Notes :

(A) See FAA's Final Agency Decision (Record of Decision), March 20, 2012 (Exhibit 1)			
(B) This figure is the total of (1) pay-as-you-go expenditures paid through June 30, 2014			
plus (2) binding commitments legally obligated to be paid (but not yet paid as of June 30, 2014).			
<b>PFC Project Expenses "Pay-Go"</b>			
		Paid to Date *	Legally Obligated to be Paid **
PFC Project 1:	Residential Sound Insulation Projects	\$ 15,323,217	\$ -
PFC Project 2A:	Logan Modernization Program Planning, Preliminary Design and Environmental Analysis	9,513,984	-
PFC Project 3:	Terminal E Modernization	20,891,765	-
PFC Project 4:	Circulating Roadways	154,524,902	-
PFC Project 6:	International Gateway	132,703,816	-
PFC Project 17:	Elevated Walkways	110,720,934	-
PFC Project 20:	Residential Sound Insulation 1998 and 2001 65 Ldn Contours	8,590,000	-
PFC Project 21:	Residential Sound Insulation 14/32 Mitigation Contour	5,200,000	-
PFC Project 23:	Taxiway Improvements	4,284,582	-
PFC Project 24:	Runway Improvements	4,013,848	-
PFC Project 25:	Reconstruction of Aprons & Alleyways	12,053,535	-
PFC Project 26:	Security Improvements	44,011,188	-
PFC Project 27:	Centerfield Taxiway	9,753,789	-
PFC Project 32:	Development of Runway Safety Area for Runway 33L	-	13,553,000
PFC Project 33:	Reconstruction of Runway 22L	986,644	-
PFC Project 35:	Airfield Electrical System	-	10,950,000
PFC Project 36:	Rehabilitation of Taxiway "N"	-	3,500,000
PFC Project 37:	Access Control to Ancillary Buildings	974,462	1,105,000
PFC Project 38:	Access Control Data Storage and Server Capacity	1,080,000	-
PFC Project 39:	Replacement of Fireboat Marine 1	-	6,168,000
PFC Project 40:	Terminal "C" Checkpoint Consolidation	30,907	17,969,093
PFC Project 41:	Terminal "E" Gate Area and Baggage System Upgrades	4,162,916	14,088,084
PFC Project 42:	Terminal "A" Development	39,127,750	-
Total of Paid to Date and Legally Obligated to be Paid:		\$ 577,948,239	\$ 67,333,177
*Source: June 30, 2014 FAA Passenger Facility Charge Quarterly Report. (See Exhibit 2.)			
**Source: Capital Programs Project Reports (as of June 30, 2014) and FAA PFC Quarterly Report (as of June 30, 2014)			
(C) Debt Service Paid-to-Date consists of the interest and principal payments made to bondholders through January 1, 2014, the interest paid for commercial paper through June 30, 2014, and in FY11 the amount paid for bond principal to defease the 1999-B bonds. The amount of PFC Pledged Revenue used to pay debt service was \$262,584,690.10; interest amount paid on commercial paper was \$16,774,115.18; and the PFC funded amount used to defease the 1999-B bonds was \$10,216,500.			
(D) Aggregate amount of projected Annual Debt Service as of June 30, 2014			
assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity			\$126,739,025
(See attached Exhibit 3)			
Aggregate amount of projected future interest payments on commercial paper, as of June 30, 2014			\$10,904,000
(E) Sum of amounts on deposit as of June 30, 2014 in the Debt Service Fund, Debt Service Reserve Fund, and projected interest earnings on any PFC project funds and PFC Debt Service Reserve fund assuming the 2007-B, 2007-D and 2010-E Bonds are redeemed at maturity			
(See attached Exhibit 3)			\$49,864,993



### **Cumulative PFC Authority**

For the purpose of any future amendments under 14 CFR §158.37 that might increase the total approved net PFC revenue, the amounts "Approved for Use" are specified here. The applicability of 14 CFR §158.37(b) is determined by comparing the actual costs of projects approved for use of PFC revenue within each application. The amount "Approved for Collection" shown for each application is the total collection authorized for all projects within a given application including those for which only collection is authorized.

#### **DECISION SUMMARY TABLE**

<b>Application Number</b>	<b>Approved for Collection</b>	<b>Approved for Use</b>
93-01-C-00-BOS	\$ 598,800,000	\$ 12,028,000
93-01-C-01-BOS	(361,138,000)	(1,682,000)
93-01-C-02-BOS	231,102,000	-
93-01-C-03-BOS	295,552,000	-
93-01-C-04-BOS	(62,300,783)	(832,000)
96-02-C-00-BOS	163,037,000	482,901,000
96-02-C-01-BOS	-	(110,993,783)
96-02-C-02-BOS	(163,037,000)	(163,037,000)
97-03-U-00-BOS	-	434,106,000
97-03-U-01-BOS	-	49,525,000
06-04-U-00-BOS	293,018,000	280,176,000
06-04-U-01-BOS	(3,085,059)	-
06-04-U-02-BOS	(31,768,000)	(31,768,000)
09-05-U-00-BOS	-	9,756,941
10-06-C-00-BOS	392,093,000	373,815,000
12-07-U-00-BOS	-	18,278,000
<b>Totals</b>	<b>\$ 1,352,273,158</b>	<b>\$ 1,352,273,158</b>

**P F C Quarterly Report  
P r o j e c t A c t i v i t y  
G e n e r a l E d w a r d L a w r e n c e  
L o g a n I n t e r n a t i o n a l A i r p o r t  
Q u a r t e r E n d e d J u n e 3 0 , 2 0 1 4  
( U n a u d i t e d )**

Projects	Approval of PFC Use Date	Project Construction Start	Cumulative Project Expenditures	Amount of PFC Use Approval	Current Estimated PFC Costs
Project 1- Residential Sound Insulation (RSIP)	Jan-27-97	Jan-01-91	\$ 15,323,217	\$ 15,323,217	\$ 15,325,217
Project 2A - Logan Modernization Program (LMP) Planning, Preliminary Design, and Environmental Analysis	Aug-24-93	Jul-01-93	9,513,984	9,514,000	9,513,984
Project 3 - Terminal E Improvements	Jan-27-97	Jul-01-94	20,891,765	20,892,000	20,891,765
Project 4 - Roadway System (Circulation and Terminal E)	Jan-27-97	Jul-01-95	158,838,905	172,655,000	171,269,000
Project 6 - International Gateway	Feb-05-98	Jul-01-95	413,475,797	483,631,000	483,631,000
Project 17 - Elevated Walkways	Apr-20-06	Jun-01-95	110,720,934	112,298,000	112,298,000
Project 20 - Residential Sound Insulation -1998 & 2001- 65 LDN Contours	Apr-20-06	Jul-01-01	8,590,000	8,590,000	8,590,000
Project 21 - Residential Sound Insulation -Runway 14/32 Mitigation Contour	Apr-20-06	Sep-01-05	5,200,000	5,200,000	5,200,000
Project 22 - Runway 14/32	Apr-20-06	Aug-01-04	14,197,058	23,178,000	23,178,000
Project 23 - Taxiway Improvement	Apr-20-06	Oct-01-06	8,479,211	11,243,000	11,243,000
Project 24 - Runway Improvement -to 4L-22R and 4R-22L	Apr-20-06	Apr-01-04	18,155,951	27,137,000	27,137,000
Project 25 - Reconstruction of Aprons & Alleyways at Terminal B, C, D	Apr-20-06	Sep-01-05	12,053,535	12,054,000	12,053,535
Project 26 - Security Improvement	Apr-20-06	Aug-01-02	44,011,868	48,191,000	48,191,000
Project 27 - Centerfield Taxiway	May-14-09	Jun-01-05	9,753,789	9,756,941	9,756,941
Project 30 - Airfield Drainage Improvement	Apr-20-06	Jul-01-06	76,477	237,000	237,000
Project 31 - Airfield Perimeter	Apr-20-06	Jul-01-07	89,537	280,000	280,000
Project 32 - Development of Runway Safety Area for Runway 33L	Mar-20-12	Jun-01-11	174,704	18,278,000	18,278,000
Project 33 - Reconstruction of Runway 22L	Apr-25-11	Sep-01-08	4,149,745	8,741,000	8,741,000
Project 35 - Airfield Electrical System Upgrades	Apr-25-11	May-01-10	-	13,646,000	13,646,000
Project 36 - Rehabilitation of Taxiway "N"	Apr-25-11	Jul-01-10	-	4,720,000	4,720,000
Project 37 - Access Control to the AOA from Terminal and Ancillary Buildings	Apr-25-11	Oct-01-10	1,054,978	1,490,000	1,490,000
Project 38 - Access Control Data Storage and Server Capacity Enhancements	Apr-25-11	Aug-01-10	1,080,000	1,456,000	1,456,000
Project 39 - Replacement of Fireboat Marine 1	Apr-25-11	May-01-10	-	8,318,000	8,318,000
Project 40 - Terminal "C" Checkpoint Consolidation	Apr-25-11	Jan-01-10	408,273	22,431,000	22,431,000
Project 41 - Terminal "E" Gate Departure Area Modifications & Baggage System Upgrades	Apr-25-11	May-01-08	4,412,175	24,613,000	24,613,000
Project 42 - Terminal A Development	Apr-25-11	Jun-20-11	39,127,750	288,400,000	288,400,000
Total Impose and Use			\$ 899,779,653	\$ 1,352,273,158	\$ 1,350,888,442

**Amount necessary to pay or redeem all the PFC Bonds at maturity:**

1	Principal Payment to be made on July 1, 2014 - 2010-E Bonds	\$ 12,985,000
2	Principal Payment to be made on July 1, 2014 - 2007-B and 2007-D Bonds	<u>4,735,000</u>
3	Principal Payment to be made on July 1, 2015 - 2010-E Bonds	8,510,000
4	Principal Payment to be made on July 1, 2015 - 2007-B and 2007-D Bonds	8,965,000
5	Principal Payment to be made on July 1, 2016 - 2007-B and 2007-D Bonds	22,325,000
6	Principal Payment to be made on July 1, 2017 - 2007-B and 2007-D Bonds	<u>52,910,000</u>
7	Principal Balance Remaining to be Paid as of June 30, 2014 (Sum of Rows 1-6)	<u>\$ 110,430,000</u>
8	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2010-E Bonds	1,074,750
9	Interest Payments to be made July 2, 2013 through July 1, 2014 - 2007-B and 2007-D Bonds	4,360,275
10	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2010-E Bonds	425,500
11	Interest Payments to be made July 2, 2014 through July 1, 2015 - 2007-B and 2007-D Bonds	4,137,650
12	Interest Payments to be made July 2, 2015 through July 1, 2016 - 2007-B and 2007-D Bonds	3,731,450
13	Interest Payments to be made July 2, 2016 through July 1, 2017 - 2007-B and 2007-D Bonds	<u>2,579,400</u>
14	Interest Remaining to be Paid as of June 30, 2014 (Sum of Rows 8-9)	<u>\$ 16,309,025</u>
15	Aggregate First Lien Debt Service remaining to be paid as of June 30, 2014 assuming all bonds are held to maturity (Sum of Rows 7 and 14)	<u><u>\$ 126,739,025</u></u>
16	Projected earnings on Debt Service Reserve Fund as of June 30, 2014	(1,921,752)
17	Projected earnings on the Project Fund as of June 30, 2014	-
18	Balance of the Debt Service Fund as of June 30, 2014	(20,450,676)
19	Balance of the Debt Service Reserve Fund as of June 30, 2014	<u>(27,492,565)</u>
20	Subtotal (Sum of Rows 16-19)	<u>\$ (49,864,993)</u>
21 *	<b>Amount necessary to pay or redeem the PFC Bonds at maturity:</b> (Sum of Row 15 and Row 20)	<u><u>\$ 76,874,032</u></u>

\* Minimum amount necessary to pay or redeem the PFC Bonds at maturity or redemption.



## ***rental car center***

The \$300 million Rental Car Center ("RCC") opened in the first quarter of fiscal year 2014 and began rental car and bus operations in the centralized facility thus reducing bus traffic at Logan by 60% and increasing curbside access.





**STATEMENT OF  
CFC ANNUAL FINANCIAL INFORMATION  
AND OPERATING DATA  
of the  
MASSACHUSETTS PORT AUTHORITY  
FOR FISCAL YEAR 2014**

**INTRODUCTION**

This Statement of Annual Financial Information and Operating Data dated as of November 25, 2014 (the “CFC Annual Disclosure Statement”) of the Massachusetts Port Authority (the “Authority”) is prepared and submitted in accordance with the requirements of the Continuing Disclosure Certificate dated as of June 15, 2011 (the “CFC Disclosure Certificate”) executed and delivered by the Authority for the benefit of the owners of the CFC Bonds. Set forth below is certain financial information and operating data relating to the Authority for the fiscal year ended June 30, 2014 (“fiscal year 2014”) updating the financial information and operating data presented in the Authority’s Official Statement dated June 8, 2011 relating to the 2011 CFC Bonds (the “2011 CFC Official Statement”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the 2011 CFC Official Statement. This CFC Annual Disclosure Statement is part of the Authority’s Comprehensive Annual Financial Report dated November 25, 2014 (the “2014 CAFR”) for fiscal year 2014. The Authority’s audited financial statements for fiscal year 2014 and comparative information for fiscal years 2013, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), with a report thereon by Ernst & Young LLP, independent auditors, are also included as part of the 2013 CAFR. The 2011 CFC Official Statement is on file with the Municipal Securities Rulemaking Board (“MSRB”). For a more complete description of the Authority and the CFC Bonds, reference is made to the 2011 CFC Official Statement.

This CFC Annual Disclosure Statement applies to the following Series of Bonds issued by the Authority (collectively the “CFC Bonds”) pursuant to a Trust Agreement dated as of May 18, 2011, as supplemented and amended (the “CFC Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “CFC Trustee”):

Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),  
Series 2011-A (Non-AMT)  
Massachusetts Port Authority Special Facilities Revenue Bonds (ConRAC Project),  
Series 2011-B (Federally Taxable)

For additional information concerning the Authority, please see the Authority’s website, [www.massport.com](http://www.massport.com). Financial information can be found in the Investor Relations section of the Authority’s website at <http://www.massport.com/cafr>. Copies of the Annual Statements prepared pursuant to Rule 15c2-12 with respect to the Authority’s bonds issued under the 1978 Trust Agreement, the PFC Trust Agreement and the CFC Trust Agreement for years prior to fiscal year 2013 are available at <http://www.emma.msrb.org> and from the Authority. The Authority’s principal office is located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128. Its telephone number is (617) 568-5000. Questions may be directed to John P. Prankevicus, CPA, the Authority’s Director of Administration and Finance and Secretary-Treasurer.

## **Annual Disclosure Statement**

This CFC Annual Disclosure Statement is of limited scope. It contains only an updating of certain financial information and operating data described below. ***Except as expressly noted, all information presented in this Annual Disclosure Statement is on the basis required under the CFC Trust Agreement, and not on the basis of GAAP.*** The information set forth herein does not contain all material information concerning the CFC Bonds or the Authority necessary to make an informed investment decision. This CFC Annual Disclosure Statement does not constitute an offer to sell or the solicitation of an offer to buy the CFC Bonds.

This CFC Annual Disclosure Statement is submitted pursuant to the CFC Disclosure Certificate. The intent of the Authority's undertaking under the CFC Disclosure Certificate is to provide on a continuing basis for the benefit of the owners of the CFC Bonds and any other bonds of the Authority which are designated by resolution of the Authority as subject to and having the benefits of the CFC Disclosure Certificate the information described in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. Pursuant to the CFC Disclosure Certificate, the Authority has agreed with respect to the CFC Bonds to provide, or cause to be provided, certain annual financial information and operating data, prepared on the basis of the CFC Trust Agreement, and notices of material events. The Authority reserves the right to modify the disclosure required under the CFC Disclosure Certificate, or the format of such disclosure, so long as any such modification is permitted by the Rule.

The purpose of the Authority's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the CFC Trustee or for the underwriters of the CFC Bonds, any registered owner or beneficial owner of CFC Bonds, any municipal securities broker or dealer, any potential purchaser of the CFC Bonds, the SEC, or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the CFC Disclosure Certificate shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of such undertaking shall not constitute an event of default under the CFC Trust Agreement or any other instruments relating to the CFC Bonds.

## **UPDATED OPERATING INFORMATION**

### **Incorporation by Reference**

To view the 2014 CAFR on-line, please visit: <http://www.massport.com/cafr>.

## **CFC ANNUAL FILING**

The following information is provided with respect to the CFC Bonds pursuant to the CFC Disclosure Certificate.

### **Historical Total Enplaned Passengers, by Type of Passenger**

A table presenting historical Total Enplaned Passengers, by Type of Passenger as of June 30, 2014 is attached hereto as APPENDIX CFC-1.

### **Debt Service Coverage – Rate Covenant**

A table presenting CFC Revenues (as defined in the CFC Trust Agreement) and debt service coverage on the CFC Bonds as of June 30, 2014 is attached hereto as APPENDIX CFC-2.

### **Additional Information**

The remaining information required to be included in the Authority's Annual Filing under subsection 4(a) of the CFC Disclosure Certificate is included in the Authority's audited financial statements for the fiscal year ended June 30, 2014, part of the 2014 CAFR.

\* \* \*

This CFC Annual Disclosure Statement has been executed and delivered on behalf of the Authority pursuant to the CFC Disclosure Certificate.



## Appendix CFC-1

### TOTAL ENPLANED PASSENGERS, BY TYPE OF PASSENGER

Boston-Logan International Airport

For the Fiscal Year ended June 30, 2014, 2013, 2012, and 2011; passengers in thousands

Fiscal Year	Outbound O&D passengers					Connecting and other passengers	Total
	Residents		Visitors		Total		
	Passengers	Percent of O&D total	Passengers	Percent of O&D total			
2011	7,129	52.6%	6,426	47.4%	13,555	625	14,180
2012	7,368	52.7%	6,601	47.3%	13,969	662	14,631
2013	7,374	52.7%	6,614	47.3%	13,988	729	14,717
2014 (a)	7,633	52.4%	6,923	47.6%	14,556	824	15,380

(a) U.S. DOT data for the second calendar quarter of 2014 is preliminary and subject to change.

Notes: Because foreign-flag carriers are not required to report with respect to the U.S. DOT Air Passenger Origin-Destination Survey, some LeighFisher estimates were used to develop the data in the above table.

Source: Massachusetts Port Authority; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedules T100 and 298C T1.

## Appendix CFC-2

### DEBT SERVICE COVERAGE – RATE COVENANT

	<u>Fiscal Year 2014</u>
Rental car transaction days	4,993,903
Percentage change from prior year	2.08%
CFC Revenues	\$ 29,963,416
Plus: Portion of Rolling Coverage Fund balance (a)	\$ 3,198,746
Plus: Portion of Supplemental Reserve Fund balance (b)	\$ 639,749
Total	<u>\$ 33,801,911</u>
Aggregate Debt Service	\$ 12,794,984
Debt service coverage	2.64
Debt service coverage (without Rolling Coverage Fund and Supplemental Reserve Fund balances)	2.34

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(a) An amount equivalent to not more than 25% of Aggregate Debt Service.

(b) An amount equivalent to not more than 5% of Aggregate Debt Service.





Report Prepared by  
The Administration and Finance Department

John P. Prancjevicius, CPA  
Director of Administration and Finance/Secretary-Treasurer

Betsy Taylor  
Director of Finance and Treasury

Joseph McCann  
Comptroller

Winnie K. Diep  
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