

VOLUNTARY NOTICE REGARDING COVID-19

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COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. Many states and local governments in the United States, including The Commonwealth of Massachusetts (the “Commonwealth”), have issued “stay at home” or “shelter in place” orders, which severely restrict movement and limit businesses and activities to essential functions, as well as orders prohibiting on-premises consumption at restaurants, bars and other establishments that offer food or beverages to the public. Additionally, a growing number of nations have effectively closed their borders by restricting entry and exit to only essential travel.

The outbreak of COVID-19 and related restrictions have had an adverse effect on both international and domestic travel and travel-related industries, including airlines serving the Authority’s airport properties (Boston-Logan International Airport, Worcester Regional Airport and Hanscom Field) and its airport concessionaires, as well as global and national economies. Airlines have reported a significant downturn in traffic, causing the cancellation of numerous flights, as well as expectations for continued reduced levels of traffic. All international service has been suspended with the exception of one daily British Airways flight to London and five weekly Aer Lingus flights to Dublin. Likewise, retail concessionaires at the Authority’s airport properties have either temporarily closed or have reported significant declines in sales. In addition to the impact on concessionaires, the reduction in air travel has had an adverse effect on parking, ride apps (transportation network companies) and rental car activity and, consequently, revenues.

Impact to Date on the Authority’s Operations

During the first eight months of fiscal year 2020, prior to the COVID-19 outbreak, the Authority continued to experience strong business activity. Boston Logan International Airport (the “Airport” or “Logan”), the principal source of the Authority’s revenues, operating expenses and net revenues and the dominant factor in the determination of the Authority’s financial condition, reached another milestone in calendar year 2019, ending the year with 42.5 million passengers, an increase of approximately 4% over the prior year. Passenger volumes in January and February were up 8% and 6%, respectively, over the prior year totals, and as of February 2020, the Authority’s operating margin for fiscal year 2020 was 7.1% (or \$47 million) ahead of plan.

Since the COVID-19 outbreak, however, Logan Airport, similar to other airports around the nation, has seen steep declines in many financial and operating metrics. The following table provides select business metrics for the first week of April 2020 compared to the first week of April 2019.

Select Business Metrics	% Change FY20 vs. FY19 (1st Week of April)
Logan International Airport Passengers	97% decline
Commercial Parking Revenues	97% decline
In Terminal Concession Outlets	87% closed

As reflected in the table above, for the first week of April 2020, the Airport experienced both enplanement declines and a decrease in parking revenues (the Airport’s largest source of discretionary income) of approximately 97% when compared to the same week in 2019. Total enplaned passengers at the Airport in March 2020 was 52.7% lower than in March 2019, and calendar year 2020 through March enplaned passengers were 16.0% lower compared to the same period in 2019. For the first three quarters of fiscal year 2020, total enplaned passengers were down 2.5% compared to the same period in 2019. As of April 22, 2020, Logan’s average daily flights are down from 1,100-1,200 per day to approximately 250-300 per day. The Authority is seeing similar declines at its other airport properties—Worcester Regional Airport and Hanscom Field. These declines may steepen as additional flight cancellations are announced and new reductions in scheduled service become effective.

The declines in passenger traffic have also reduced demand for commercial parking as well as retail and services provided by Airport concessionaires, including but not limited to restaurants, retail and rental car services, as well as ground transportation services, including, but not limited to, those provided by taxis, executive cars and ride apps. As of April 15, 2020, the total number of in terminal concession programs open at the Airport has decreased from 150 to 21. The Authority has received and may continue to receive requests for rate relief and other forms of financial restructuring of agreements from airlines and Airport concessionaires. In April 2020, the Authority’s Board approved certain rate relief measures for its aviation tenants, as described further under “Massport Tenant Recovery and Sustainability Plan” below.

The COVID-19 pandemic is also adversely impacting the Authority’s port properties. Conley Terminal, the Authority’s cargo container port, processed 299,429 TEUs (twenty-foot equivalent units) for the 12-month period ending March 2020, or 0.4% above the TEU volume for the 12-month period ending March 2019. However, the declines in retail operations and consumer demand due to the closure of all non-essential businesses may cause carriers to reduce service to the Port for the remainder of fiscal year 2020. At Flynn Cruiseport Boston, the commencement of the annual cruise season has been delayed. The Authority continues to monitor the 100 day No Sail Order issued by the Centers for Disease Control and Prevention (“CDC”).

Business activity at the Authority’s airport and port properties and corresponding revenues are down significantly, as reflected above, and as a result the Authority is currently forecasting a 56% decline in revenues (cash basis) for the March through June 2020 period (resulting in a \$175 million negative budget variance for the same period). While a portion of this revenue decline is expected to be mitigated by the Authority’s strong operating performance year to date through February 2020, the Authority has developed several strategies to close the remainder of the budget gap, as discussed in further detail below.

The Authority’s Response to COVID-19

The safety and health of passengers and employees is the Authority’s top priority, and Massport has been working in coordination with the CDC, airline partners, building cleaning contractors, local public health and emergency response organizations, and other stakeholders to keep travel safe. Massport implemented a COVID-19 mitigation response plan across its facilities and departments. The response

plan includes enhanced cleaning health advisories and temperature checks at construction sites with protocols in place to ensure job site safety. The Authority plans to seek relief from the Federal Emergency Management Administration (“FEMA”) for the public health expenses incurred.

In response to the COVID-19 outbreak and in an effort to close the forecasted fiscal year 2020 budget gap, the Authority has implemented the following strategies:

- **Strategy 1: Reduction in Fiscal Year 2020 Operating Expenses.** The Authority has proactively implemented approximately \$40 million of expense reductions to help close the fiscal year 2020 budget gap, including but not limited to: a hiring freeze on open positions; reducing overtime and limiting approved overtime to safety and critical operations; suspending certain employee benefits, and eliminating all non-essential employee travel; and postponing certain Authority initiatives and discretionary spending. Due to lower passenger demand, the Authority has closed the economy parking garage and has reduced contracted services with Logan Express and other busing services to achieve further reductions in operating costs. Stevedoring expenses were also reduced at Conley Terminal because of lower expected container volumes.

- **Strategy 2: Suspension of Capital Projects.** The Authority has reduced its Capital Program by either suspending or deferring certain projects totaling approximately \$850 million. These actions allow the Authority to lower the amount of pay-go capital and debt service deposits required to fund these capital projects. In particular, for fiscal year 2020, the Authority reduced its deposit into the Maintenance Reserve Fund by \$24 million, it suspended a \$59 million transfer from its Improvement and Extension Fund to the Capital Budget Account, and it lowered its deposit into the debt service accounts by \$33 million. Furthermore, the Authority’s modular five-year capital program is flexible and allows for further adjustments to projects if necessary.

- **Strategy 3: Strategic Taxable Debt Issuance to Improve Liquidity Position and Achieve Debt Service Relief.** On April 3, 2020, the Authority issued two series of bonds in a direct purchase transaction with Bank of America, N.A., the proceeds of which are being used to refinance certain debt outstanding and provide additional new money funds for certain capital projects. This transaction resulted in a net present value savings of \$29.4 million that further support the Authority’s operating cash flow. Reference is made to the Notice of Incurrence of Financial Obligation dated April 3, 2020, which was posted on the Municipal Securities Rulemaking Board’s EMMA System on April 3, 2020 (<https://emma.msrb.org/ES1369327-ES1066667-ES1473231.pdf>).

- **Strategy 4: Effective Utilization of CARES Act Stimulus Funds.** The United States government, the Federal Reserve Board and foreign governments are taking legislative and regulatory actions and implementing measures to mitigate the broad disruptive effects of the COVID-19 outbreak. The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), approved by the United States Congress and signed by the President on March 27, 2020, is one of the legislative actions to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Authority worked closely with the FAA and the local Congressional delegation to prepare for the distribution of federal airport relief stimulus and to optimize the use of such funds. On April 14, 2020, the FAA notified the Authority that it will receive \$143.6 million in CARES Act funding for each of its three airports as follows:

	CARES Act Stimulus Funding
Logan Airport	\$141.3 million
Worcester Regional Airport	\$1.3 million
Hanscom Field	\$1.0 million

CARES Act funding may be used for employee wages, operating expenses, debt service and new capital projects. The Authority currently expects to use the funds received to help offset commercial parking, transportation service and concession losses at Logan Airport, among other items.

Based on current projections, the Authority believes the savings generated from the liquidity strategies outlined above, together with the \$47 million margin surplus through February 2020 will be sufficient to close the fiscal year 2020 budget gap caused by COVID-19. The Authority cannot predict at this time, however, whether these measures will be adequate to mitigate the negative effects of the COVID-19 outbreak. The Authority expects to continue to assess and implement opportunities to reduce costs and adjust operations to keep the Airport safe and efficient in response to the ongoing changes.

Massport Tenant Sustainability and Recovery Plan

In response to requests for rate relief, on April 23, 2020, the Authority’s Board approved a tenant sustainability and recovery plan (the “Plan”) to support tenants and business partner relationships for the remainder of fiscal year 2020. The Plan includes the following provisions:

Domestic and International Airlines. The Plan provides for a delay to July 1, 2020 of a planned adjustment of activity based rates and charges (baggage fees, landing fees and Terminal E passenger fees), which are expected to be recovered pursuant to the annual airline true up (September 2020) and paid no later than December 2020. The Authority estimates that approximately \$44 million of cash collections from airlines will be delayed as a result of this part of the Plan.

Airport Tenants. The Plan also provides for the waiver of minimum annual guaranteed (“MAG”) rent payments from April 1 through June 30, 2020 for certain airport terminal area concession agreements, while continuing percentage fee payments. This waiver is estimated to cost the Authority \$2.1 million in fiscal year 2020, with no recovery. In addition, the Plan also provides for the adjustment of MAG rent or base rent payments from April 1 through June 30, 2020 for certain other business partners, while continuing percentage fee payments, with increased rent payments being due in calendar year 2021. The net fiscal year 2020 revenue impact for this part of the Plan is estimated to be a reduction of approximately \$13.3 million, with 100% of the revenues expected to be recovered during calendar year 2021.

Maritime Tenants. The Plan provides rent relief to maritime tenants. This rent relief is estimated to be less than \$1.0 million and is limited to the application of existing security deposits as rent and rent deferment for up to three months (in fiscal year 2020), with such deferred rent payments being due in 12 equal payments, commencing January 2021.

The Plan is contingent upon the airlines and airport tenants using reasonable efforts to seek CARES Act stimulus funding and remaining current in their accounts payable to Massport. The rent relief described above for maritime tenants is contingent upon the tenants using reasonable efforts to pursue federal stimulus support, exploring utilization of business interruption insurance and remaining current in their accounts payable to Massport.

The Authority's Liquidity Position

As of March 31, 2020 the Authority's liquidity position remained strong. According to the Authority's unaudited third quarter financial statements, the Authority had \$693 million of restricted funds for capital projects and debt service, \$101 million of customer facility charge revenues, and \$59 million of passenger facility charge revenues, all of which may be used towards the Authority's Capital Program and debt payments. The Authority's unrestricted net position for the same period was \$204 million.

In addition, the Authority maintains a commercial paper facility of \$150 million of which \$22 million is outstanding at this time. The Authority is exploring expanding its commercial paper facility to approximately \$200 million.

The Authority is also exploring other credit programs or facilities that might be available to it, including the short term loans available from the Federal Reserve through the Municipal Liquidity Facility program implemented as part of the CARES Act.

Conclusion

While there is a strong desire for airlines to reinstate service at reduced levels this summer, it is still very uncertain as to when that might occur and how passenger demand will respond. In addition to the expectation of significantly reduced passenger demand, other variables that may affect domestic air travel include the speed at which different domestic and international geographic regions will recover as well as the potential for additional government mandated travel restrictions.

The Authority cannot predict (i) the duration or extent of the COVID-19 outbreak or another outbreak or pandemic; (ii) the scope or duration of restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings; (iii) what effect any COVID-19 or other outbreak or pandemic-related restrictions or warnings may have on air travel, cruise demand and port activity and the resulting impact on Authority revenues and expenses; (iv) whether and to what extent the COVID-19 or another outbreak or pandemic may disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport- or Port- related construction, the cost, sources of funds, schedule or implementation of the Authority's Capital Program, or other Authority operations; (v) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Authority may provide deferrals, forbearances, adjustments or other changes to the Authority's arrangements with its tenants and Airport concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Authority. Future outbreaks, pandemics or events outside the Authority's control may further reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Authority revenues.

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties, including relating to the ultimate geographic spread of the virus; the severity of the disease; the duration of the pandemic; actions that may be taken by governmental authorities to contain the outbreak or to treat its impact; the impact of the pandemic and any travel restrictions on the demand for air travel, including at the Airport, on port and cruise activity, or on Authority revenues and expenses; the impact of the outbreak

on the local or global economy or on the airlines and concessionaires serving the Airport, or on the airline or travel industry generally.

This statement contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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MASSACHUSETTS PORT AUTHORITY

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