

Massachusetts Port Authority Board Meeting

June 24, 2021



Chairman's Comments



Secretary Stephanie Pollack served as a dedicated and vital member of the Massport Board for six years

Tenure

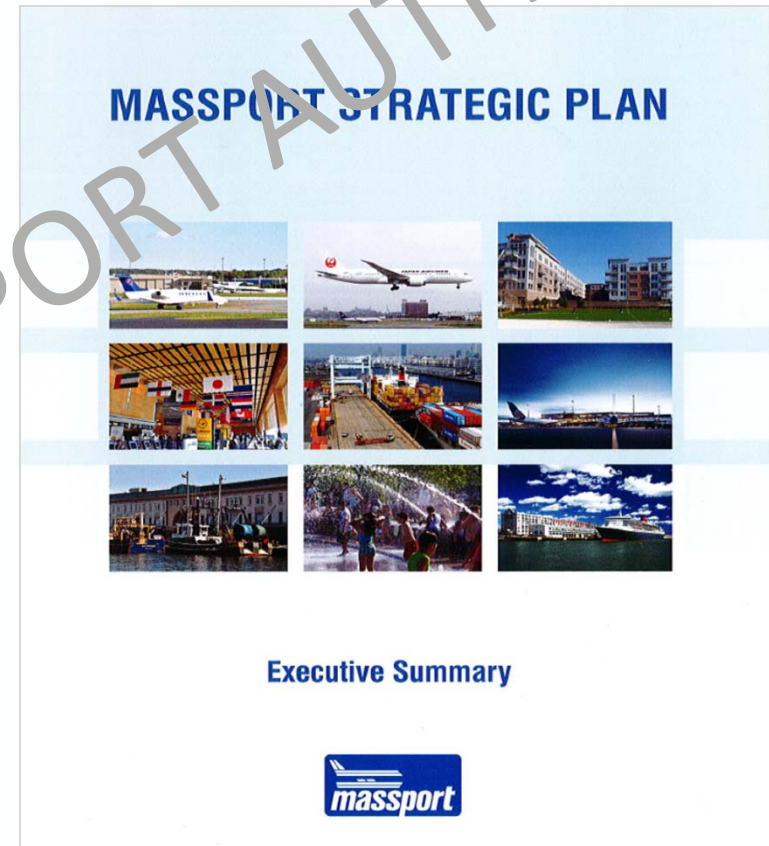
- Massport Board: 2015 – 2021
- Board Committees:
 - Chair, Human Resources & Comp
 - Real Estate & Strategic Initiatives
 - Audit and Finance



Secretary Pollack helped paved the way for the modern Massport we see today

2014 Strategic Plan Goals:

- Invest in Massport's airports
- Revitalize the Maritime Mission
- Develop and protect Massport's Real Estate assets to advance Massport's Maritime Mission
- Promote Diversity and Inclusion
- Maintain strong relationships with surrounding communities and be a good environmental steward



During her tenure, Logan Airport added new carriers and destinations in support of the Commonwealth's economic agenda

jetBlue

DELTA

spirit

FRONTIER
AIRLINES

allegiant

HAINAN
AIRLINES

CATHAY PACIFIC

KOREAN AIR

LATAM
AIRLINES

CABO
VERDE
AIRLINES

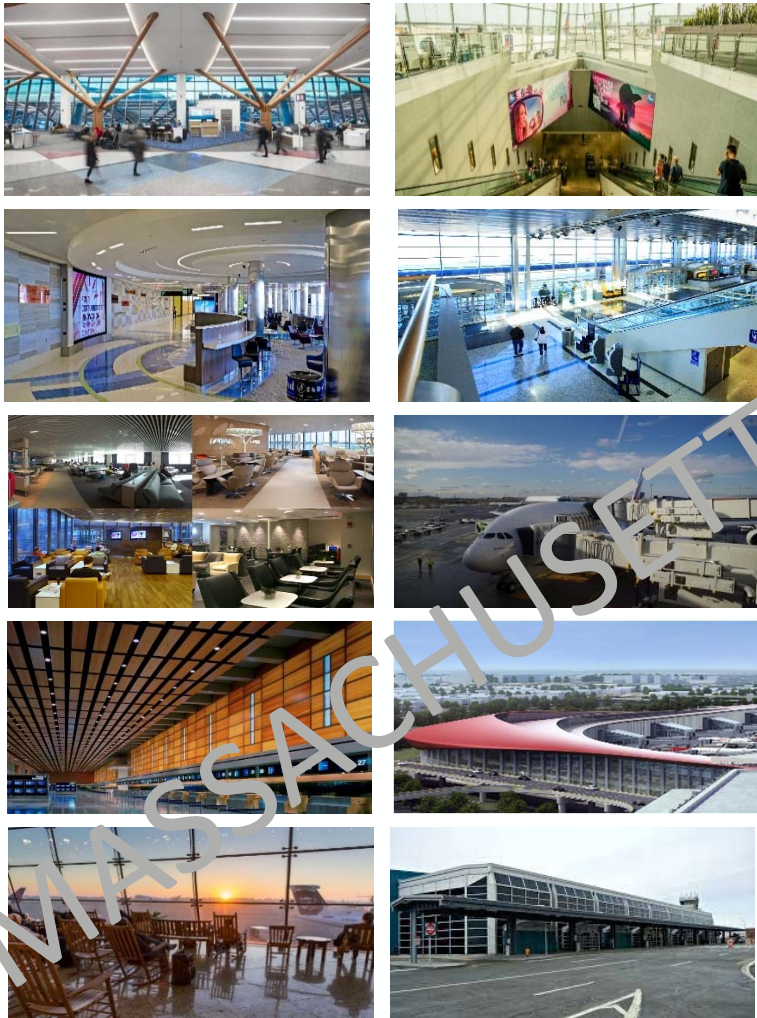
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massport

- Boston is named a **Focus City for JetBlue** and a **Hub for Delta**
- ULCCs launch flights at Logan providing **service at lower price points**
- **New non-stop service to key Asian markets** opening up business opportunities
- **Expanded international services** for the Commonwealth's large, diverse immigrant communities



She supported investments to enhance the passenger experience and position Massport's airports for the future...



- Terminal E Modernization
- Terminal B Modernization
- Terminal B to C Connector
- Roadway Improvement Project
- New TSA and CBP Infrastructure and Innovations
- Worcester Regional Airport Renewal
- Hanscom Field Projects



... And championed a multi-pronged HOV strategy to improve ground transportation access to Logan Airport

Logan Express

- Improved Back Bay LEX service
- Increased Framingham and Braintree LEX headways
- LEX marketing plan with first-in-nation ticket-to-skip incentive
- Expanded locations including North Station



Public Transit

- Silver Line Bus investments
- Blue Line service enhancements
- Expansion of water transportation service

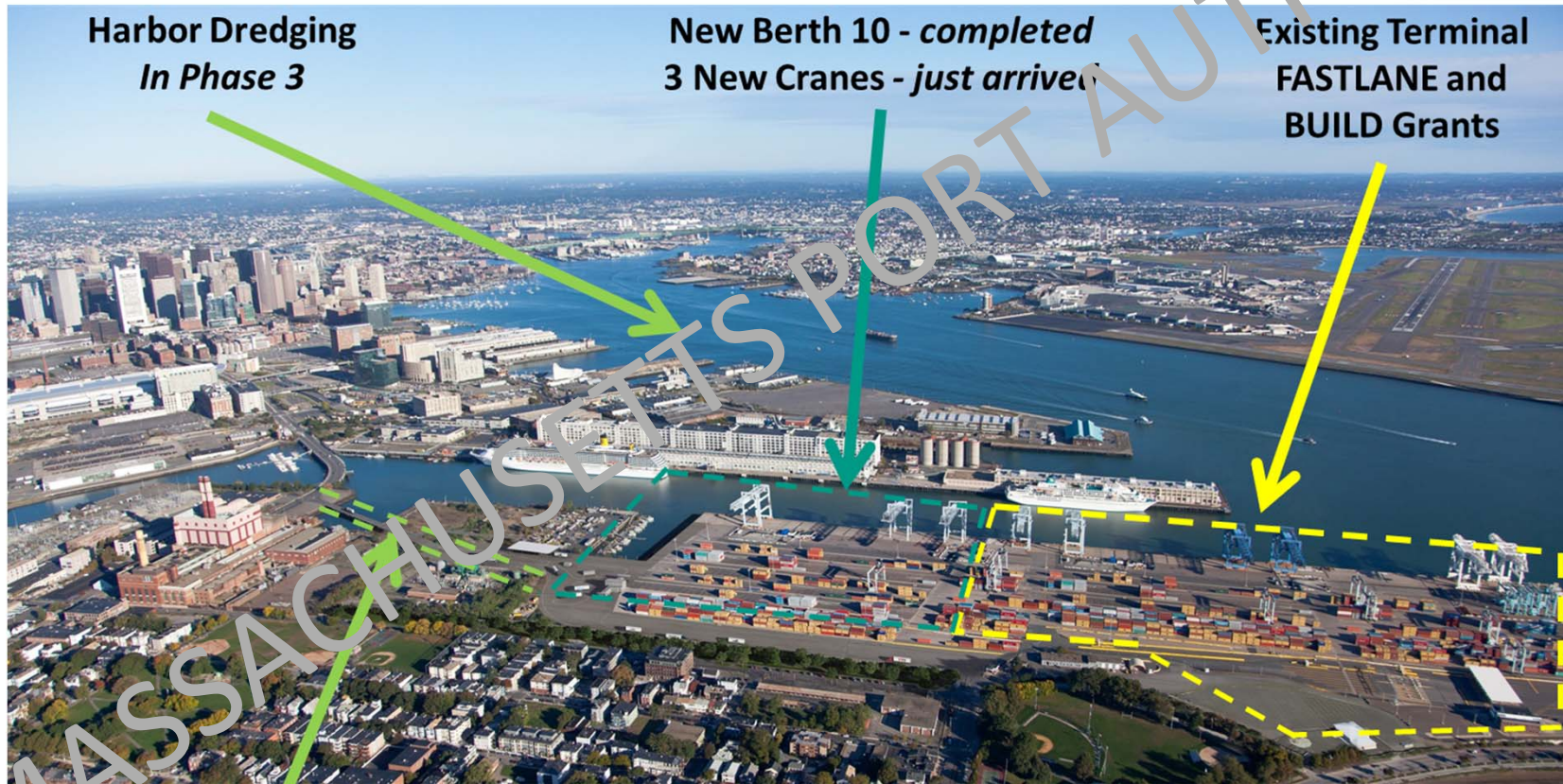


Ride Apps

- New Ride App garage for pickups and drop-offs
- New technologies to reduce deadheads
- Improved operational experience



Secretary Pollack advocated for the Revitalization of the Working Port, including significant investments in *Big Ship* capabilities...



Harbor Dredging
In Phase 3

New Berth 10 - *completed*
3 New Cranes - *just arrived*

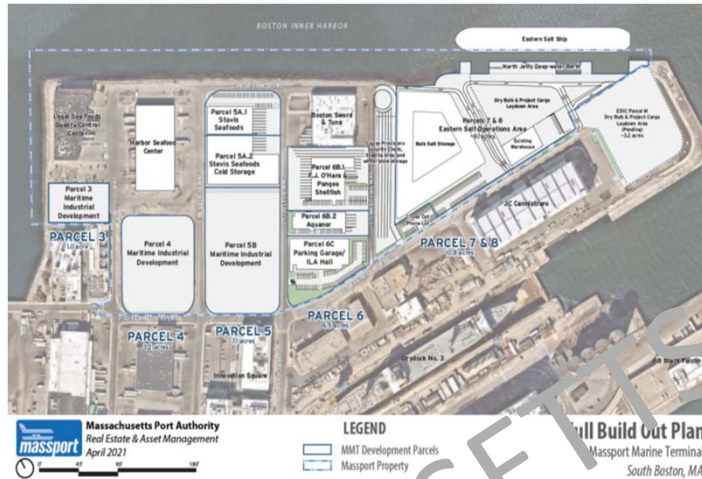
Existing Terminal
FASTLANE and
BUILD Grants

Dedicated Freight Corridor



...And support for the growth of the seafood processing industry cluster in South Boston

Development of Seafood Processing at Massport's MMT



Diverse Mix of New and Established Tenants at the Boston Fish Pier



As a member of RESI, she helped advanced major CRE projects and the *Massport Model* for Diversity...

Projects Initiated

8

- Parcel A-2
- Omni Hotel
- MMT Parcel 5/Stavis
- MMT Parcel 6/Pilot
- Commonwealth Pier
- 88 Black Falcon
- Parcel H

Shovels in the Ground

6

- South Boston Waterfront Transportation Center
- Gables Seaport
- Omni Hotel
- Boston Sword & Tuna
- Commonwealth Pier
- Roseland Buildings 5 & 6

Projects Completed

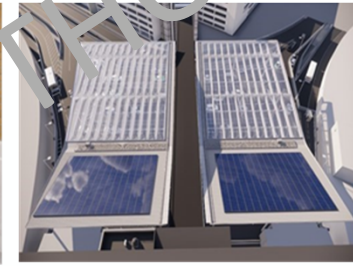
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- Roseland Buildings 5, 6, & 7
- South Boston Waterfront Transportation Center
- Boston Sword & Tuna
- Ora Seaport & Hyatt Place
- Gables Seaport



...While encouraging Massport to be a good environmental steward and neighbor to surrounding communities

Environmental Initiatives



Green Spaces



Secretary Pollack's Legacy at Massport

- I. Leadership
- II. Advance Massport's mission
- III. Strategically plan for the future
- IV. Generate resources for long-term investment
- V. Engage people to produce positive outcomes
- VI. Strengthen environmental stewardship and community engagement



Public Session



Report of the CEO

Lisa Wieland



Massport Goals

- **Maintain safe, secure and healthy facilities**
- Enhance the customer experience
- Adapt our business model and mitigate financial risks
- Embed DE&I into our organizational DNA
- Re-establish environmental leadership
- Bring about digital transformation
- Maintain strong relationships with business partners, customers, stakeholders, elected officials, surrounding communities and employees



Massport launched its third campaign since 2019 to make new drone users aware of FAA's recently updated regulations

Timeframe: April 26 – July 31

Print

- Ads in 14 local print newspapers with a circulation of over 50,000

Online

- Geo-Targeted paid ads on social media (Facebook and Instagram) and other websites w/in 10 mile radius of BOS, BED, ORH
- Dedicated page on Massport.com

Media

- Interview with local news station
- Press release

Mid-Campaign Results

- 5.1M impressions
- 1.3M reached via paid social
- 5.2K clicks generated
- 82% impressions from Boston Logan area



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A Terminal E Topping-off ceremony was held to celebrate the placing of the last structural beam for the terminal addition.



Project Team:

- Local 7 Iron Workers
- Massport Capital Programs
- AECOM
- Luis Vidal
- Suffolk
- Beaus Atlas
- Marr Erectors



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Financial Performance: April FYTD

April Activity Highlights

- Logan passengers were 4.9% higher than forecast
- Conley processed 14% more containers than budget
- Expenses were \$2M higher than budget for the month due to OPEB restoration payments; year-to-date operating expenses are \$7M below budget

April FYTD

Revenues	\$535M
Tenant Relief	(\$16M)

Expenses	(\$585M)
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Deficit	(\$66M)
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- CARES Act funds applied to deficit



Massport was allocated \$129M of grant funding from the American Rescue Plan Act



- Airport funds to be used for operating costs, COVID-19 expenses, and debt service payments
 - Logan Airport \$127M
 - Worcester \$ 1.7M
 - Hanscom \$ 148K
- An additional \$17.8M allocated to provide rent and MAG relief to small and large in-terminal concessions
- Funds available through September 30, 2024

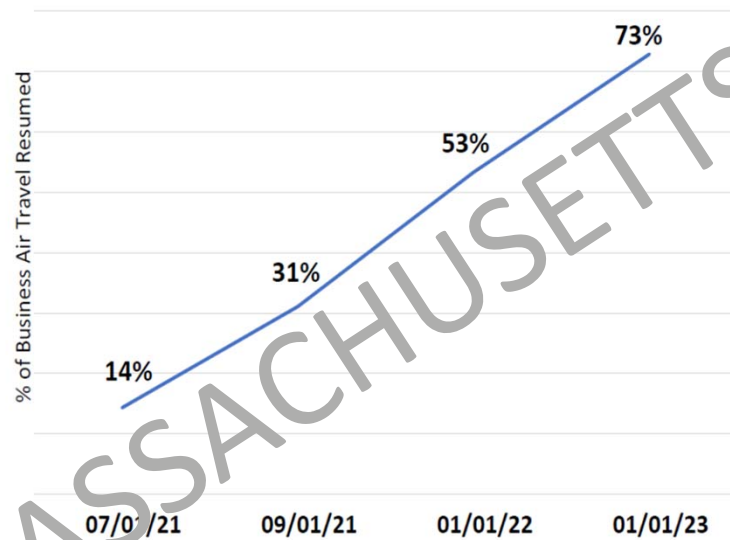


Businesses are slow to return to travel and are rethinking how often they will travel in the future



- Only 73% of pre-pandemic business travel will return by the end of CY2022

Return of Business Air Travel



Source: Massachusetts Competitive Partnership, 100 Business Survey, June 2021



The Boston Globe

Almost 40 percent of remote workers in Mass. won't be back in the office until January, at the earliest

Nearly 40 percent of remote workers may not be back until January 2022 at the earliest.

By [Chris](#) Globe Staff, Updated June 22, 2021, 3:30 p.m.

The Boston Globe

Many executives don't expect business travel to return to pre-pandemic levels for several years — if ever

By [Jon Chesto](#) Globe Staff, Updated June 17, 2021, 5:39 p.m.

- Business executives cite benefits of cutting back on travel:
 - Employee productivity
 - Cost savings
 - Environmental benefits

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Massport held its 11th Annual LGBTQ Pride Month Celebration and Flag Raising on June 10



- **Guest Speaker, Janson Wu, Executive Director of GLAD**, shared the challenges facing the LGBTQ community and the harmful effects of restrictive policies on LGBTQ youth
- Ceremony included the raising of the new Progress Pride flag
- On June 11, Massport participated in East Boston's 8th Annual Pride Flag Raising at Piers Park

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Massport issued an RFQ for consultant services to create a roadmap to net zero emissions

Key Work Elements:

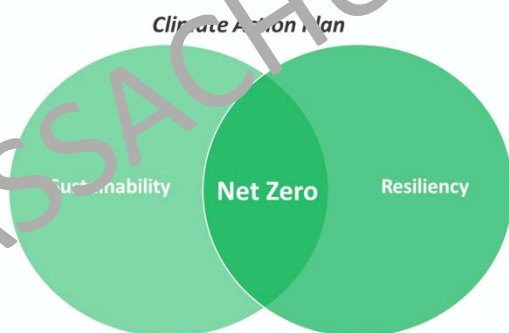
- Develop Authority-wide **Climate Action Plan**
- Confirm carbon emissions baseline and establish an Authority-wide profile
- Define implementation strategy and timeline
- Develop monitoring and evaluation reporting procedures
- Describe year-end deliverables

RFQ Timeline:

June 9	Solicitation released
June 15	Consultant briefing
June 25	Deadline for written questions
July 1	Answers to questions posted to website
July 15	Submissions due
By mid August	Select one or more consultants

Project Timeline and Deliverable:

September	Project start
December 31	Deliver "Roadmap to Net Zero"



Sustainable Skies Act introduced in the House to boost the production and use of sustainable aviation fuel (SAF)

- Calls for a tax credit for energy producers \$1.50 to \$2.00 per gallon for SAF that reduces GHGs by at least 50%
- Broad support from the aviation industry, environmental groups and fuel producers
- Reducing barriers to production would help the airline industry achieve its net zero goals
 - Global airlines: 50% from 2005 levels by 2050
 - U.S. Airlines (A4A): net-zero by 2050
- A companion bill is expected to be introduced in the Senate soon
- Massport sent letter to federal officials in April supporting tax incentives as a way to expand SAF production



US DOT Response to Massport Letter

"We support the industry's ongoing efforts to address environmental challenges and understand that high integrity SAF is critical to aviation's future." – US DOT



April 22, 2021

Lisa Wieland
Chief Executive Officer
Massachusetts Port Authority
One Harborside Drive, Suite 2005
East Boston, MA 02128-2090

Dear Ms. Wieland,

Thank you for your letter to Secretary Buttigieg dated April 28, 2021 regarding Massport's support for the aviation industry's efforts to expand the production and use of sustainable aviation fuel (SAF).

Tackling climate change is a key priority of the Biden-Harris Administration. The Department of Transportation and the Federal Aviation Administration (FAA) have identified SAF as one of the best options for near and mid-term decarbonization of the aviation industry. We support the industry's ongoing efforts to address environmental challenges and understand that high integrity SAF is critical to aviation's future.

As you are aware, the FAA has taken a comprehensive approach over many years to support SAF development and deployment through the agency's support for critical testing, analysis, and coordination activities. We conduct this work with universities via our Aviation Sustainability Center, Center of Excellence; with industry through the Continuous Lower Energy Emissions and Noise program; with a broad range of public and private stakeholders through sponsorship of the Commercial Aviation Alternative Fuels Initiative; and, with international partners at the International Civil Aviation Organization.

However, the Department of Transportation represents one piece of the bigger puzzle so we are working in close partnership with other federal agencies such as the Departments of Energy, Agriculture, Defense, the Environmental Protection Agency, and NASA, among others. Together federal agencies leverage each organization's specific capabilities and expertise in order to make SAF available as a solution for the aviation industry.

On April 7th the Treasury Department released the *Made in America Tax Plan Report*.¹ The President's plan calls for tax incentives for innovation in clean energy manufacturing, including

¹ <https://home.treasury.gov/news/featured-stories/made-in-america-tax-plan-report>

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FlyLogan Mobile App soft launch is scheduled for early next week

- FlyLogan app consolidates several Logan features into a single platform
- Provides a new way for passengers to take advantage of current and future service offerings



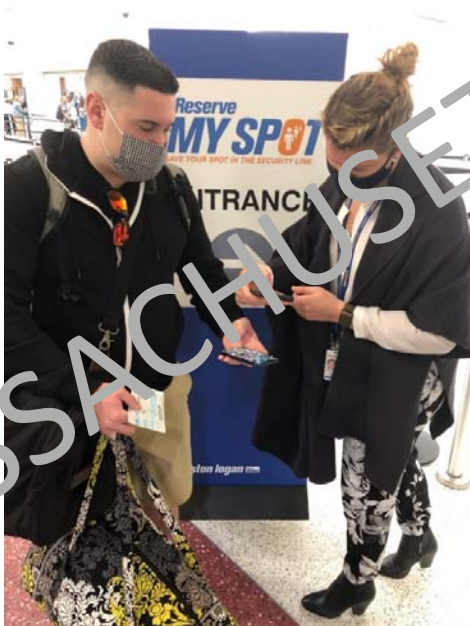
Initial App Functionality

- Flight Information
- Food Ordering and Delivery
- Virtual Live Customer Service
- Parking Reservations
- Airport Information
 - Terminal Maps
 - Accessibility
 - COVID Information
 - Ground Transportation



Virtual Queuing Pilot underway at Logan Airport

- Provide an improved customer experience by using virtual queuing that allows passengers to reserve a time or by joining a virtual line for screening at the airport security checkpoint.



- Partnering with **Accesso**, a company that has been building virtual queue technologies for amusement parks for over 10 years
- Provides certainty in the passenger journey
- Eliminates the need to stand in a crowded line to pass security
- Pilot is running at the American Airlines Counter from 4/7/21 to 7/4/21



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Massport hosted a Job Fair for our Logan Airport business partners



- 34 Logan Airport tenants participated
- Nearly 200 attendees



THE WALL STREET JOURNAL

American Airlines Cuts Some Flights to Avoid Potential Strains

Travel demand returned more sharply than expected, and too many flights can mean more difficulties when things go wrong

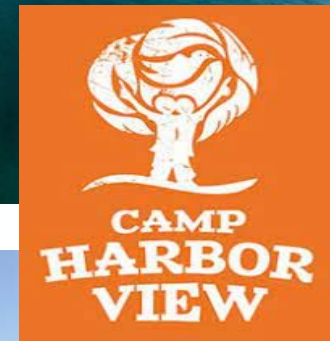


Travelers lined up at an American Airlines counter in Orlando, Fla., last month.
PHOTO: PAUL HENNESSY/SOPA IMAGES/ZUMA PRESS

- Airlines and service companies having difficulty scaling up operations to match rapid increase in demand
- American cutting 1% of planned flights for first half of July – about 950 flights nationwide
- Minimal impacts to Logan

Summer fun returns: Camp Harbor View is back

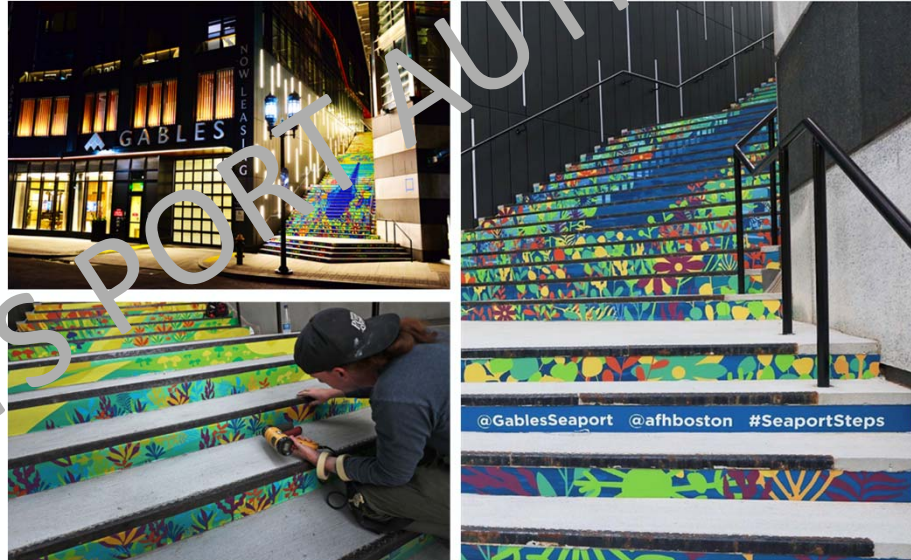
- Summer camp serving over 1,000 youth each year from Boston's underserved neighborhoods at no cost to families
- Operating since 2007 on Long Island in Boston Harbor
- Since 2015, Massport, Bay State Cruise and Seaport WTC have partnered to transport campers and supplies from Commonwealth Pier to Long Island
- In 2020, camp cancelled due to COVID
- Operating June 23 to August 20
- RE&AM, Maritime operations, and Massport police coordinate logistics with internal/external groups



Gables and Artists for Humanity (AFH) create “SeaportSteps”

Tenant installation enhances Massport public realm in South Boston

- Gables commissioned AFH for stair art project, designed by 16-year old resident of South Boston
- Public stairway, built by Gables as part of Gables Seaport apartments links Congress Street to the World Trade Center Avenue viaduct
- Since installation, location trending for selfies in South Boston
- Supports Massport’s public realm initiative to bring engaging, colorful art and dynamic, inclusive programming to its properties



On June 1, Massport Police and MSP Troop F sponsored a community outreach event in the Seaport – *Coffee with a Cop*

- The Renaissance Hotel & Starbucks hosted the event
- Officers had the opportunity to meet and connect with residents and tenants in the neighborhood
- Massport Police hope to sponsor more events to encourage positive interaction between law enforcement and the public



OneMassport: Tomorrow Massport will hold its annual business meeting and achievement awards



Report of the Director of Aviation

Ed Freni



In May, Logan Airport's passenger volume trended up but was still down 55% compared to the pre-pandemic volume

May 2021 Logan Airport Activity Summary

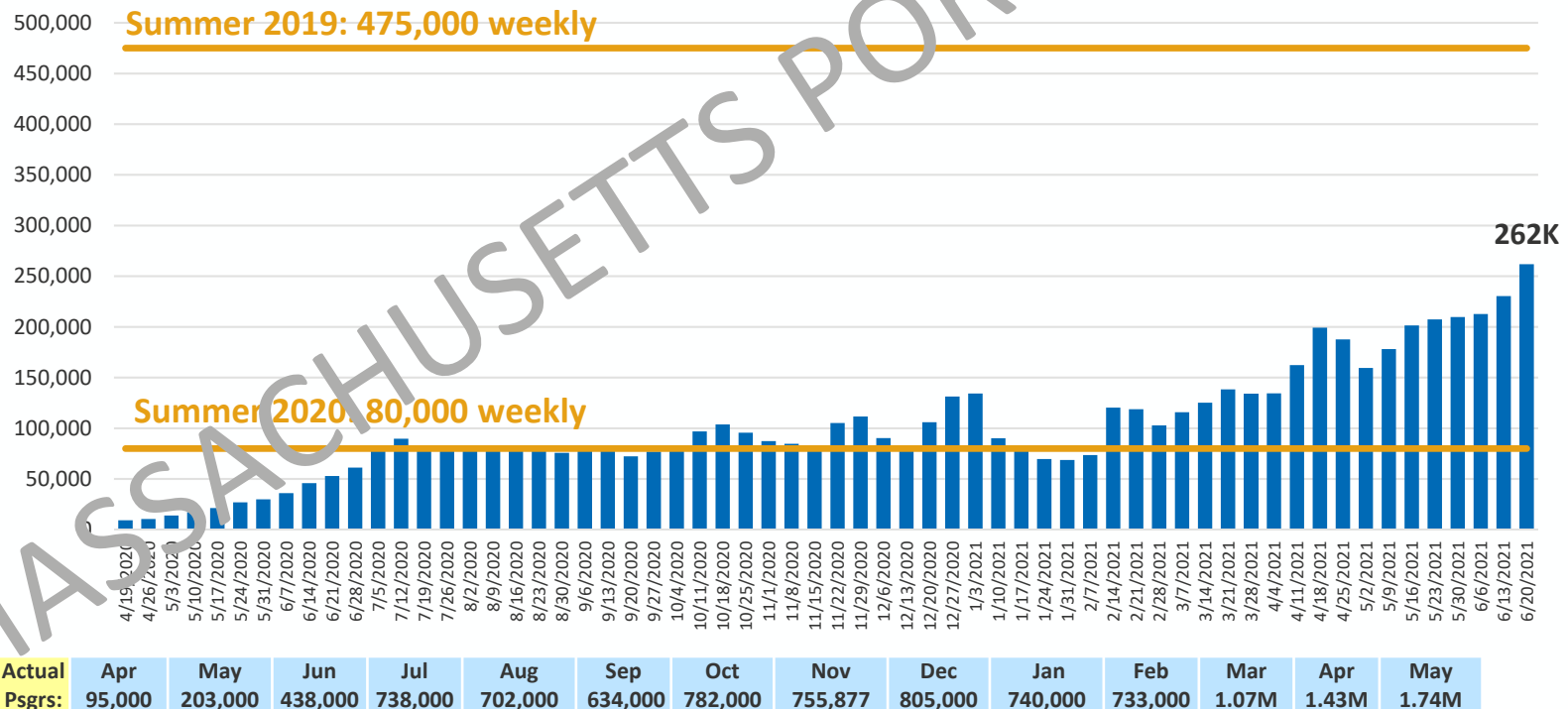
	% Change Over:			
	May	Last Year	Last Month	Pre-Pandemic (2019)
Passengers	1,744,185	758%	22%	-55%
Aircraft Operations	19,407	160%	14%	-49%



Logan saw a 14% increase in outbound passengers last week as summer travel ramps up - still well below pre-pandemic activity

- **262,000** passengers screened last week (*w/e 6/20*)
- **Up 14%** compared to prior week
- **Down 47%** over **2019** (494,000 passengers)
- New daily pandemic high on 6/17: **42,000**

Weekly TSA Screened Passengers Since Mid-April 2020



Significant flight schedule changes at Logan Airport

Domestic

- **Southwest**
 - Kansas City (eff Nov 7) – *New*
 - Houston Hobby (eff Nov 20) – *Resumption of seasonal service*
- **Spirit**
 - Miami (eff Nov 17) – *New*



International

- **France**
 - Vaccinated US passengers welcome with negative PCR test effective June 9 – quarantine requirement removed
 - Air France to increase Paris service from 5x weekly to daily service (eff Jul 5)
- **Spain**
 - Vaccinated US passengers welcome effective June 7
 - Iberia to resume Madrid service July 1, 3x weekly
- **Qatar - Doha**
 - Increased summer schedule to daily service from 3x weekly (eff Jul 5)
- **Eastern – Belo Horizonte, Brazil**
 - Delayed service start until November 1, reporting strong advance sales

American Airlines cancels hundreds of flights due to staffing crunch and maintenance issues



- American Airlines trims its schedule by 1% through mid-July
- More flights were canceled last weekend due a combination of labor shortages, bad weather and increased customer demand after the pandemic
- Sunday June 20: 190 flights, or 3% of total flights, were canceled; about half due to unavailable flight crews
- Saturday June 19: About 4% of schedule, or 123 flights, were canceled
- **Minimal impact at Boston Logan**

Other Airlines

- Delta, United and Southwest have also canceled flights due to staffing shortfalls

JetBlue will resume services at Worcester Regional Airport starting this summer

TELEGRAM & GAZETTE

Flights to return: JetBlue to resume Worcester-Florida and Worcester-New York routes

Cyrus Moulton | Telegram & Gazette

Published 11:49 a.m. ET May 26, 2021 | Updated 4:38 p.m. ET May 26, 2021



“Our resumption of service in Worcester is just another example of JetBlue’s ongoing commitment to customers in the community and Central Massachusetts.” - Joanna Geraghty, President and CEO, JetBlue

- New York JFK service resumes August 20 with one daily flight increasing to two daily in October
- Ft. Lauderdale service resumes October 21
- JFK flights are well-timed to enable convenient connections to more than 70 JetBlue domestic and international destinations

DEPARTS	ARRIVES
ORH at 9:25 a.m.	JFK at 10:21 a.m.
JFK at 8:00 p.m.	ORH at 9:22 p.m.

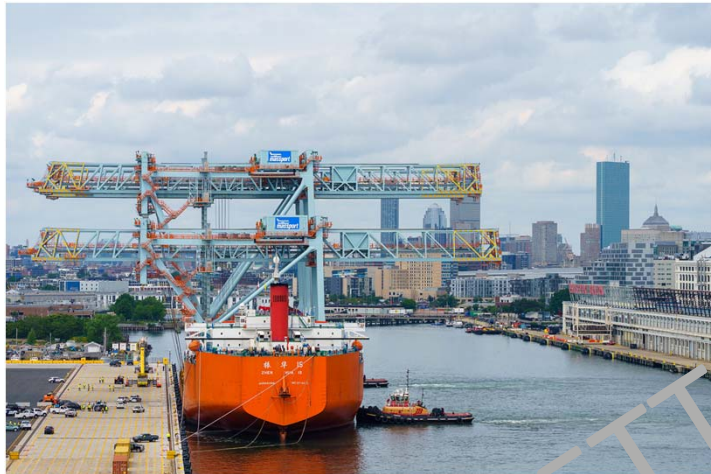


Report of the Director of Maritime

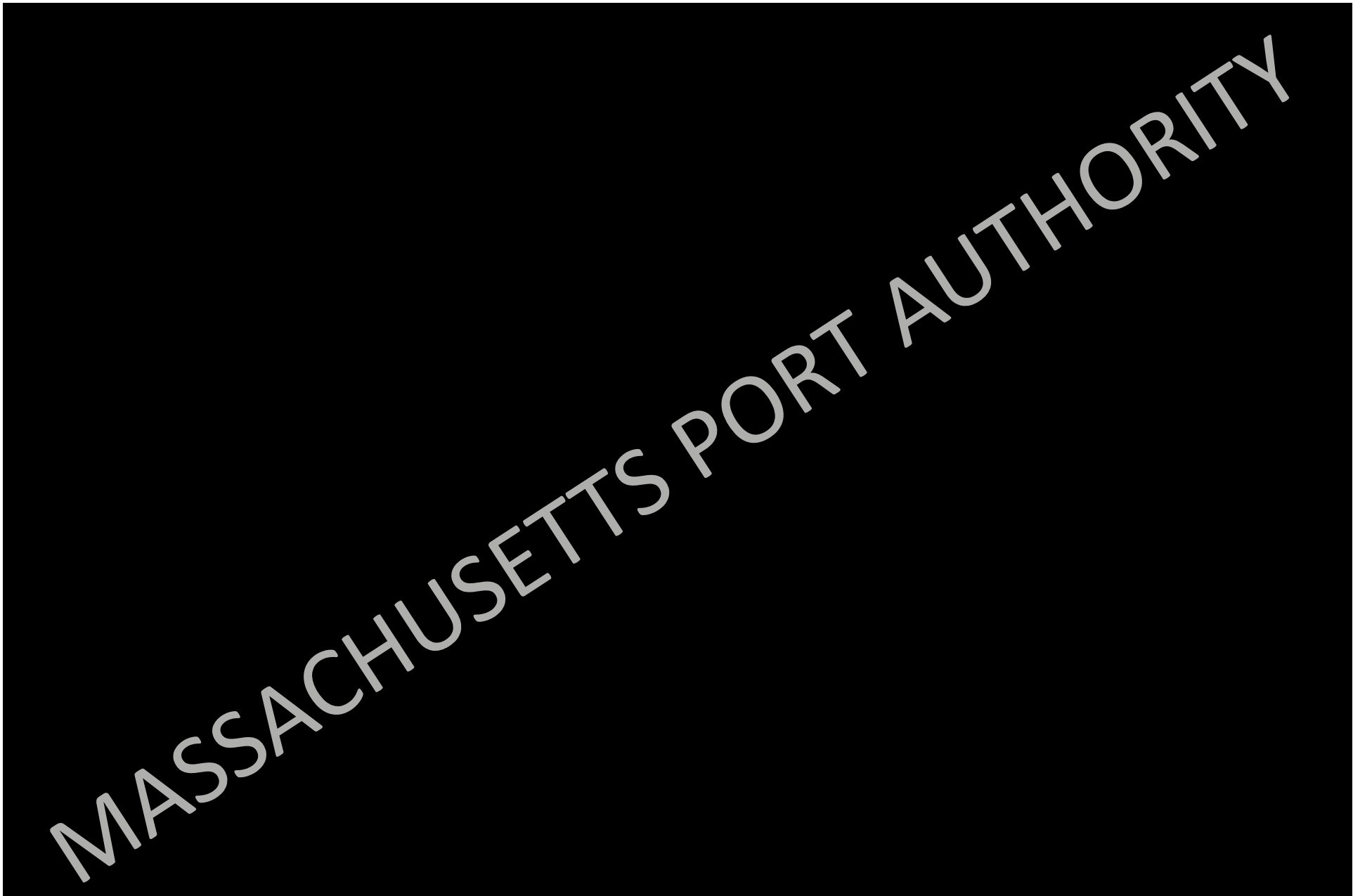
Mike Meyran



Conley Terminal's ship-to-shore cranes arrived on June 22



- 70-day transit from Shanghai to Port of Boston
- New cranes can handle ships 22 containers wide
- Commissioning including function and endurance testing to be completed by the end of September
- Larger, commemorative event being planned post-commissioning this fall



OCEAN Alliance is deploying big ships to Boston by Fall 2021

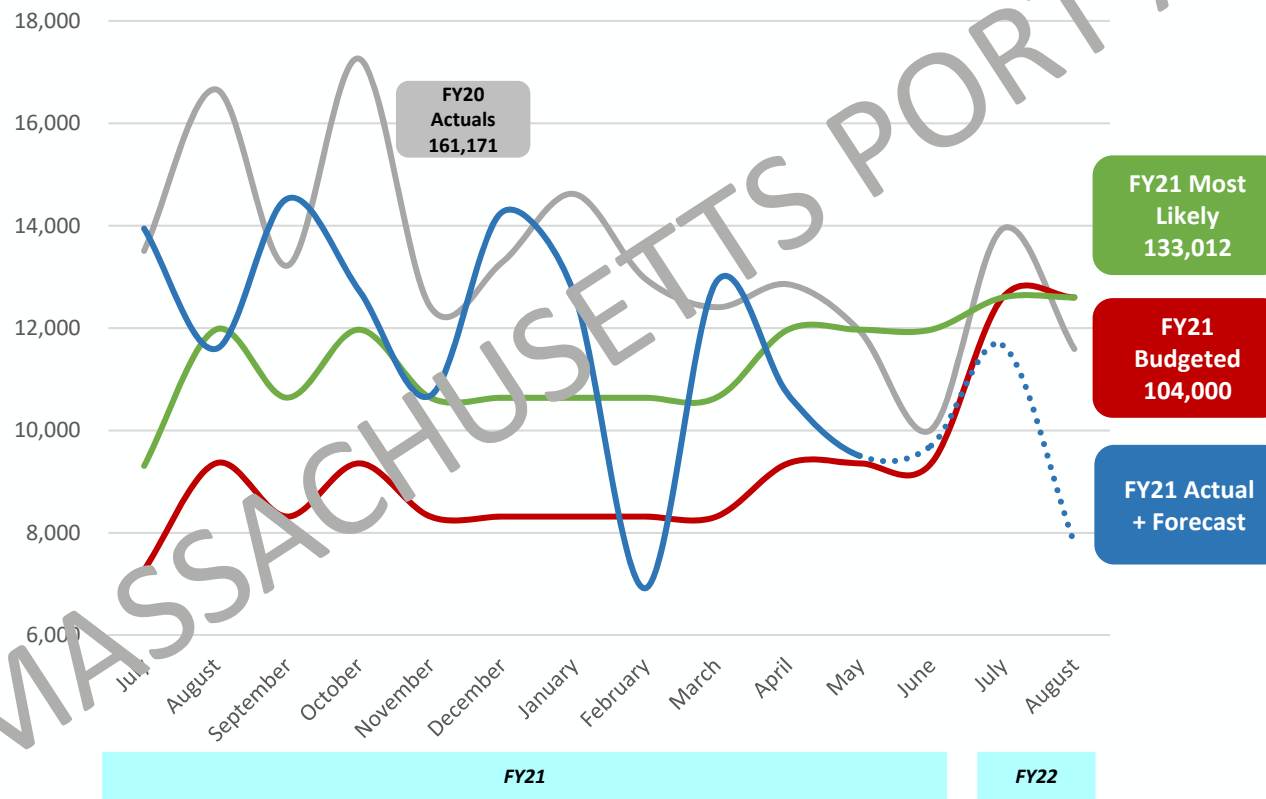


- 12,000-TEU vessels being introduced into the China to Boston rotation
- Slow rollout of E Class ships to coincide with crane commissioning
- 30% capacity added to New England market once cranes are operational later this fall
- Maritime to solicit New England shippers and OCEAN Alliance partners throughout the summer to book increased cargo this fall
 - Provide consistent updates on crane commissioning milestones
 - Remind/educate shippers and carriers that Conley remains congestion-free
 - Advocate for additional allocation to Boston as retail/e-commerce demand surges

Conley volume finished May 2021 down 19% YOY

- Conley FY21 volume is expected to finish near 141,000 containers, 26% ahead of budget

Monthly Containers – Actual and Forecast



MAY 2021 YOY

Total: -19% ↓

Imports: -19% ↓

Exports: 46% ↑

FYTD YOY

Total: -12% ↓

Imports: -13% ↓

Exports: 10% ↑

90-Day Outlook YOY

JUN
2% ↑

JUL
-16% ↓

AUG
-33% ↓



*June through August 2021 volume based on forecasted scenarios. FYTD reflect actuals as of 5.31.21

First cruise out of North America shows effectiveness of vaccines and CDC protocols, CDC lowers cruise advisory level

BUSINESS

As Cruises Resume, a Positive Covid-19 Case Doesn't Spell the End of a Voyage

Two people aboard a Celebrity ship in the Caribbean tested positive, and unlike last year when outbreaks halted trips, the cruise sailed on



Cruise lines are preparing to resume sailings starting later this month in the U.S., breaking more than a year of halts in the country.

PHOTO: CARL J. STETZ/ZUMA PRESS

- Celebrity *Millennium* sailed from St. Maarten on June 5 with 600 passengers
- Fully vaccinated cruise
- Two asymptomatic passengers tested positive
- Close contacts aboard ship tested
- Vaccinations and onboard protocols proved COVID can be managed on ships



Royal Caribbean's Launch Of Its New Megaship Just Got Sidelined By COVID Cases

June 16, 2021 - 10:00 AM ET

BILL CHAPPELL



Royal Caribbean had been set to launch the *Odyssey of the Seas* on its first cruise with passengers in early July. But positive coronavirus tests among the crew have forced the voyage to be delayed for four weeks.

- Royal Caribbean's new *Odyssey of the Seas* debut sailing delayed from July 3 until July 31
- Entire crew had been vaccinated on June 4
- Eight crew tested positive, six asymptomatic
- All 1,400 crew members now in quarantine
- Mandatory weekly testing protocols worked in identifying outbreak and managing spread

Flynn Cruiseport Boston plans to welcome the *Ocean Explorer* on its inaugural world sailing this fall



NEW! Charting the Eastern Seaboard: Colonial America and Cultural Capitals from Boston to Nassau - 2021
Boston • 12-night small ship cruise with Provincetown, Martha's Vineyard, Newport, New York City, Norfolk, Wilmington, Charleston, Amelia Island / Fernandina Beach • Nassau

DATES & PRICES »
All departures for this Journey are sold out
2021 2022 2023

SEND TO A FRIEND

★★★★★
Luxury

LEARN ABOUT BOSTON'S REVOLUTIONARY HISTORY IN A TOUR OF ITS MANY DISTINCTIVE NEIGHBORHOODS



- *Ocean Explorer* is a brand new passenger cruise ship operated by Vantage Travel
 - Falls below the CDC threshold of 250 passengers and, therefore, not required to meet criteria of the Conditional Sail Order
- *Ocean Explorer* Flynn Cruiseport sailings:
 - 2 turns planned in September/October
 - Boston – Nassau itinerary
 - Anticipating 120-130 passengers onboard this fall

Strategic Plan



Logan Ground Transportation Update

Dan Gallagher



Massport Strategic Priorities 2021-2025

Aviation	Maritime	Real Estate
<ul style="list-style-type: none"> Reimagined Customer Journey Adaptive Terminal E Use Terminal Connectivity Diversified Logan Operators/Airfield Land-Use Planning Asset/Area Optimization and Repurposing ORH Rebound Hanscom Operating Break-Even 	<ul style="list-style-type: none"> Full Global Connectivity & Diversified Service Mix Infrastructure Modernization Cruise Rebound Financially Self-Sustaining 	<ul style="list-style-type: none"> Asset Optimization and Diversification Expanding <i>the Massport Model</i> Growth and Support of Maritime Industries and the Seafood Cluster Public Realm and Placemaking
Authority-Wide		
<ul style="list-style-type: none"> Safety, Security & Health Financial Sustainability DE&I (Internally and Externally) Workforce Sustainability Climate Action Plan 		<ul style="list-style-type: none"> Technology Plan Operational Efficiency Transportation Access and Mobility Community Partnerships Telling our Story



Executive Summary

Challenge:

- Current high level of private vehicle pickup/drop-off and anticipated strong recovery in commercial ride share, could potentially make congestion and environmental impacts worse than pre-COVID conditions
- Restoring HOV will be critical to reducing congestion, but operating subsidies will be required
- A slow recovery of parking, traditionally dependent on business travelers, will constrain financial capacity for HOV subsidies

Opportunity:

- Massport has the opportunity to use this crisis to emerge with an agile, responsive transportation program

Recommended Strategies:

- Incentivize 0-2 trip modes
- Utilize technology and pricing structure to incentivize low-impact behavior
- Leverage pricing to better balance supply and demand
- Use data and technology to drive operational efficiency



Based on air service recovery and our goal to grow HOV we're incentivizing Logan Express

FY 2022 LEX Restoration Plan

Braintree / Framingham / Woburn / Back Bay:

- Plan will align restoration of transportation services with growing demand, recovering air service and to proactively address congestion
- Working with operators to restore 30 minute service beginning in July
- Restoration will evolve over the Q1 FY2022

Pricing Strategy:

- Establish an online discount fare: \$9 one way for suburban LEX services
 - Directly incentivize and grow HOV ridership
 - Promote online sales, in furtherance of operational efficiency

Maintain Back Bay Pricing: \$3/Free



Massport will pilot a limited online-only “Virtual Economy” parking product in Q1 & Q2

- Short-term dominance of leisure travel (90%+) suggests the need for an economy product, but Central garage parking is well below capacity
- Parking customers will become more price sensitive as COVID recovery continues and confidence and capacity in other modes grow
- Most of the mode shift will be to pickup/drop-off modes (4 vehicle trips vs. 2 trips)
- A simple \$25 discount price would divert trips from pickup/drop-off modes
- The offer will be available via online reservation only and limited in number to:
 - Promote online sales, in furtherance of operational efficiency
 - Mitigate against expected revenue downside at this price point
 - Reduce the operational risk of growing beyond parking space capacity



Recommendations for Board Action

- Create an additional fare for suburban Logan Express services, set at \$9, one way, to or from Logan, available through an online purchase (all other Logan Express fares will remain unchanged)
- Create a temporary economy rate of \$25 per day, effective July 1, 2021 through December 31, 2021, available through an online reservation and purchase (space permitting)
- Suspend the previously-voted \$3 increase to the daily rate for Central Parking (from \$38 to \$41) that was due to become effective July 1, 2021



Audit and Finance



FY 2022 Operating Budget

John Prankevicius



How are we thinking about the FY22 Business Plan?

- Business activity is improving - focus shifting towards implementing meaningful change and strategic priorities
- Authority-wide financial margins are recovering, but still short of pre-pandemic levels and self-sustainability
- Cost controls, sustainability plans, and liquidity strategies are providing budget relief and shrinking our deficits; however, federal airport aid is needed to close budget gaps
- FY22 business plan and budget are built on expected activity forecasts, with the ability to restore additional services should recovery accelerate
- The financial plan continues to invest in strategic capital assets and programming and necessary service restoration
- The plan depends on an agile, innovative, and efficient workforce to deliver excellent service to customers and business partners and to achieve strategic goals
- Full recovery to pre-pandemic activity levels and financial performance is still a few years away
 - Logan's domestic passenger volume is returning
 - Business and international travel are slow to recover
 - Conley container volumes expected to improve with commissioning of new cranes and Berth 10
 - Cruise activity is not expected to return until 2022 cruise season



Increasing business activity reduces budget gap but federal funding still required to eliminate FY22 deficit

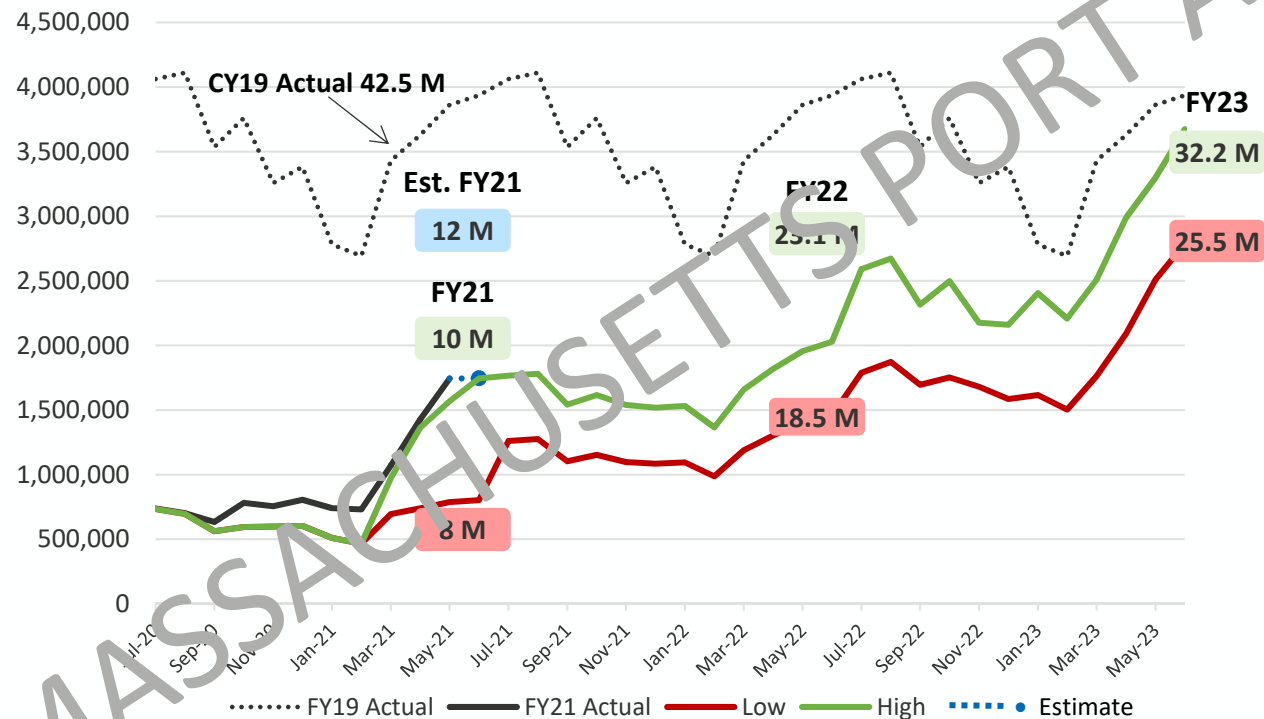
	Business Activity			Financial Plan		
	Logan Passengers	Conley Containers	Cruise Passengers	Revenue	Expense	Deficit
FY20 Budget	42 M	164,000	400,000	\$ 907 M	(\$ 907 M)	-
FY21 Budget	12.8 M	104,000	31,000	\$ 600 M	(\$ 713 M)	(\$ 113 M)
FY22 Budget	18.5 M	140,000	30,000	\$ 685 M	(\$ 725 M)	(\$ 40 M)



Logan Airport's outlook is much improved

- Business plan based on forecasts of 18.5M passengers in FY22 and 25.5M in FY23

Forecast Logan Passengers FY21 to FY23

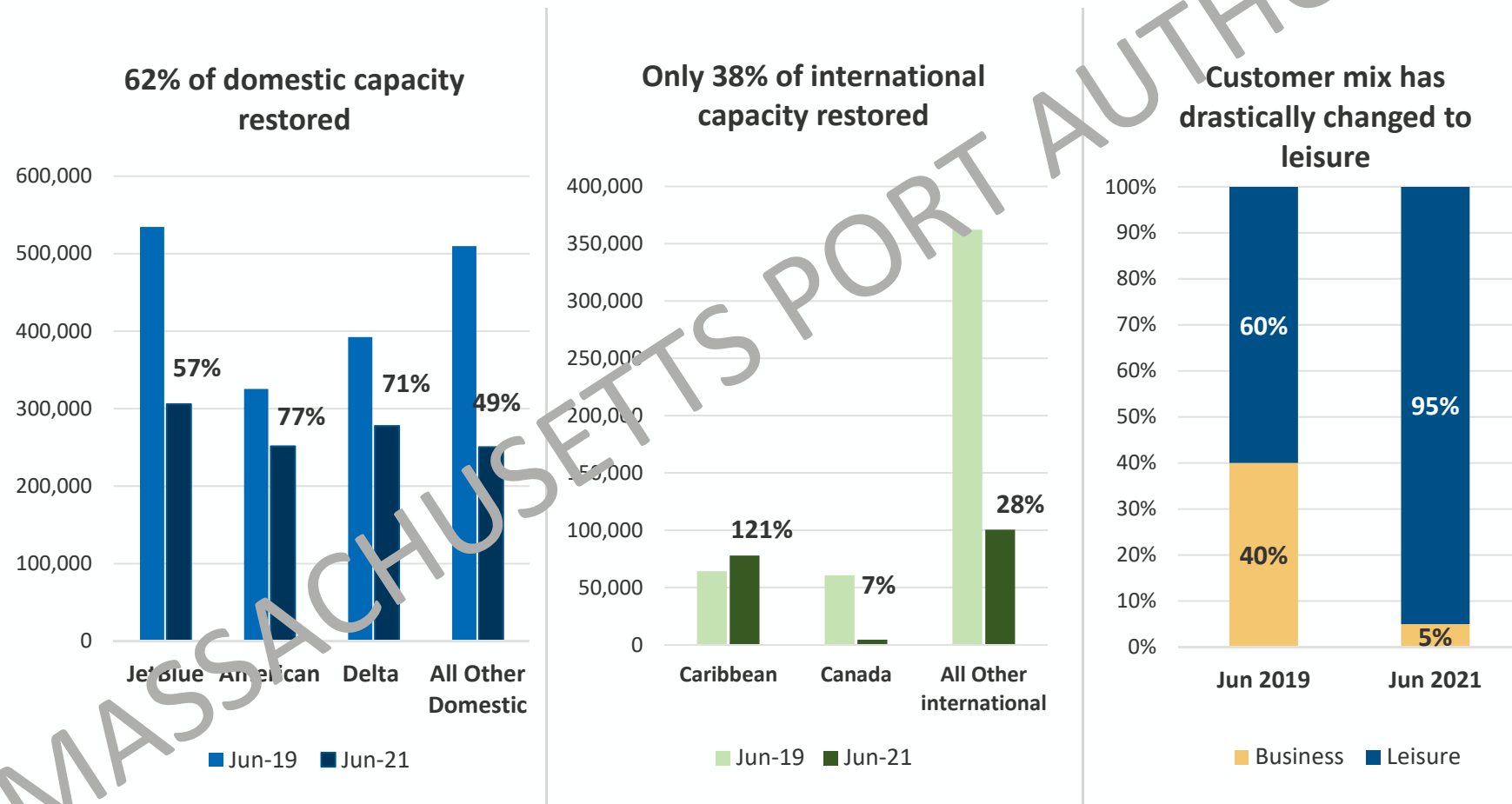


Positive Signs for Outlook

- Economic outlook remains strong
- Increased confidence to resume activities with high vaccination rates and easing of COVID-19 restrictions
- Business re-openings continue
- Month over month growth in air travel
- Airlines restoring high demand services for the summer



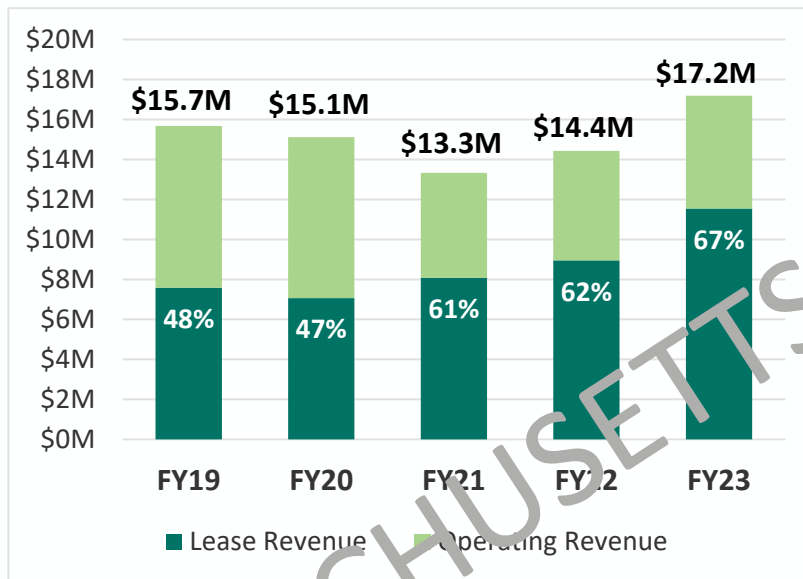
Airline domestic capacity is returning much faster than international traffic, a hindrance to full recovery



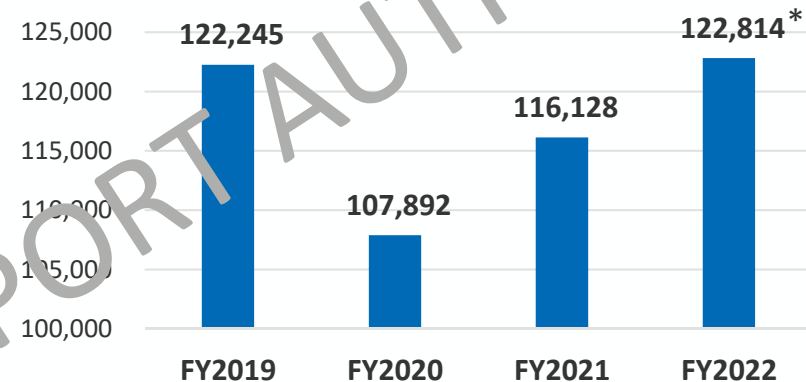
Source ADI: June 2019 vs June 2021, published May 25, 2021

Hanscom Field operations have rebounded to near pre-pandemic levels; new ground leases will push Hanscom towards break-even

**Hanscom Revenue Sources
Operations vs. Long-Term Leases**



Hanscom Operations



Highlights

- Although total operations are recovering, the recovery is dominated by leisure travel consistent with the national trend
- This shift in use has resulted in lower operationally driven revenue
- However, new ground leases continue to generate a greater portion of Hanscom revenue, thereby providing for a more stable revenue base



* Forecast for FY22

JetBlue returns to Worcester Airport, a positive step towards recovery



Air Service Highlights

- Worcester to New York JFK service resumes August 20, one daily flight
- Additional services in October:
 - JFK service increases to 2 daily flights
 - Ft. Lauderdale service resumes October 21
- Revenue and expense adjustments needed to reflect restored JetBlue service



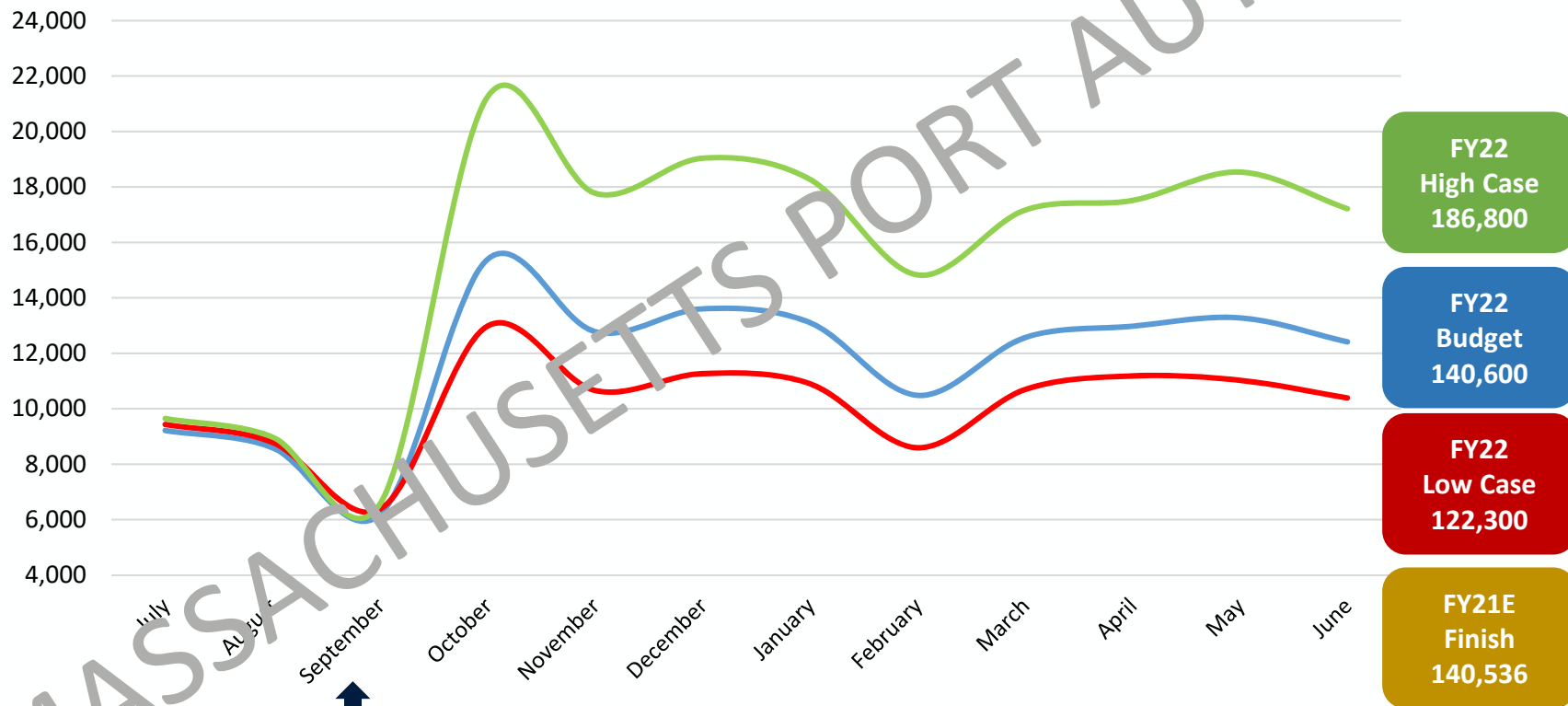
General Aviation Highlights

- The ORH FBO will begin the demolition of the condemned Amity Hangar and prepare the site for additional aircraft parking
- Work will also commence on the site selection and design of a new 20,000 square foot aircraft hangar



Conley Terminal Container Forecast – 140,000, up 30% from FY21 budget; new berth and cranes will add to container volumes

Forecast Container Volume by Month

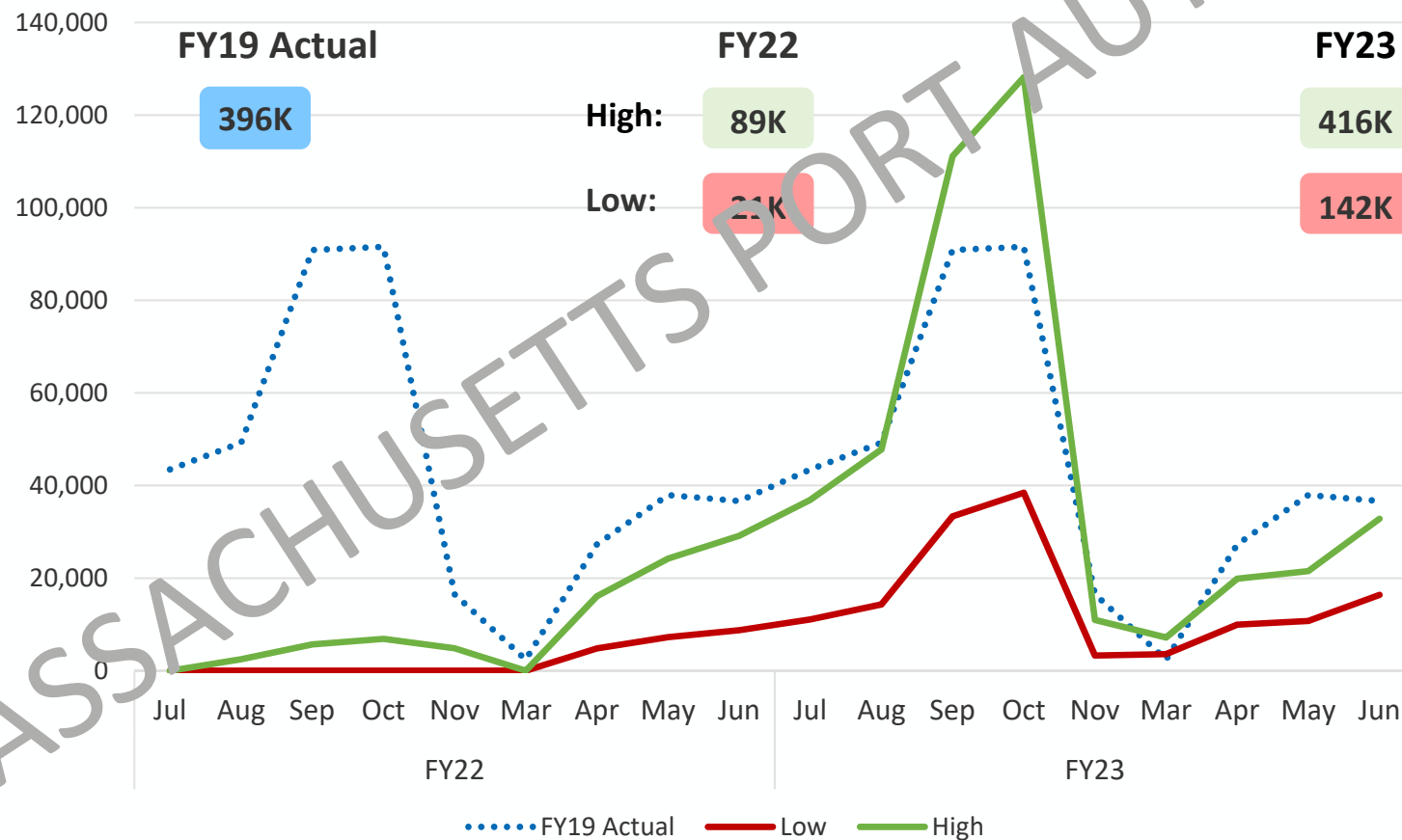


Commissioning of New Cranes and Berth 10



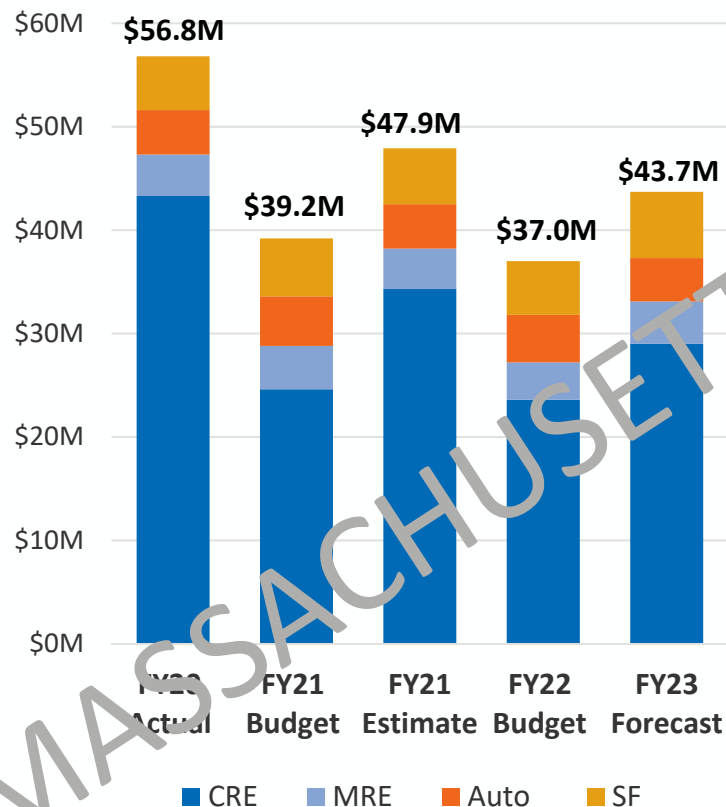
Cruise activity expected to return in FY23

Forecast Cruise Passengers FY22 to FY23



Massport's real estate portfolio is relatively stable; hospitality and parking continue to be impacted by COVID 19 pandemic

Real Estate Revenues
Actual and Forecast



Commercial Real Estate

- OMNI Hotel opens / rent increases (late summer)
- 401 Congress Street lease execution / construction starts / rent commences (late 2021)
- New Oxford / Papp's subtenants / increased percentage rent
- Gradual recovery in SBWTC parking revenues, including agreements with new SB tenants – Eddie Merlot's, SB Health Center

Hotel room rent / percentage rent reductions

- *Park Lane not expected to meet the threshold for parking percentage rent payments*
- *Reduced Liberty Wharf percentage rent*

Maritime Real Estate

- Constitution Marina annual escalations
- Boston Harbor Shipyard and Marina additional rent for marina slips, retail, fuel, percentage rent

Seafood & Autoport

- Addition of Serco office rent at Fish Pier
- Autoport annual increased base rent
- *Decrease in Fish Pier parking revenue*
- *Decrease in Exchange Conference Center percentage rent due to reduced event schedule*

* *Italics* denote areas of particular COVID 19 impact



FY22 Massport revenue budget is \$685M, an \$85 million improvement over FY21 from increased business activity

	FY21 Budget	FY22 Budget	Change	% Chg	Notes
Total Massport	\$ 600M	\$ 685M	\$ 85M	14%	
Logan	\$ 487M	\$ 557M	\$ 70M	13%	<ul style="list-style-type: none"> • Commercial Parking + \$20M • Rental Car MAG revenue + \$13M • Terminal Concessions + \$ 9M, Advertising + \$3M, Commercial service + \$ 3M • Airline Landing Rates + \$ 11M • Terminal Rates - \$2M lower from cost containment • Bus/Limo/Taxi/Ride App/Shuttle Bus + \$6M • LEX fare box revenue + \$4M
Hanscom	\$ 12M	\$ 14M	\$ 2M	17%	<ul style="list-style-type: none"> • Fuel Flowage \$500K • New hangar space rent + \$500K • Pine Hill upfront ground rent amortization \$1M
Worcester	\$ 1.5M	\$ 1.5M	-	(0%)	<ul style="list-style-type: none"> • Return of JetBlue keeps revenue flat



FY22 Massport revenue budget is \$685M, an \$85 million improvement over FY21 from increased business activity

	FY21 Budget	FY22 Budget	Change	% Chg	
Total Massport	\$ 600 M	\$ 685 M	\$ 85 M	14%	
Maritime	\$ 60 M	\$ 75 M	\$ 15 M	25%	<ul style="list-style-type: none"> • Conley revenue up \$15M due to 36K increase in container volume • Cruise revenue down by \$0.6M due to 33% reduction in passengers (31,318 to 20,846) • Autoport up \$0.4M due to CPI lease escalation • Seafood flat versus prior year
Real Estate	\$ 29 M	\$ 28 M	(\$ 1 M)	(3.5%)	<ul style="list-style-type: none"> • Ground/Land rent down \$1.4M due to lower percentage rent from Seaport Hotel/Garage and Renaissance Hotel • Parking revenue up \$0.3M versus prior year from opening of Omni Hotel
Investment Income	\$ 10 M	\$ 10 M	-	-	



FY22 Expense Plan

Federal Funds

- Use available funding to preserve jobs, assist business partners, restore HOV and pay bondholders

Cost Containment

- Continue to execute sustainability plans and maintain cost controls

Liquidity Strategies

- Provide budget relief allowing for an increase in capital investment

Restoration of Services

- Restore services to keep pace with expected demand recovery

Recovery Reserve

- Establish a reserve to restore additional services if business activity exceeds forecasts

Business Partner Support

- Continue some assistance to airline partners and tenants to stabilize the Massport ecosystem during recovery



Cost Containment: \$132 M in cost savings enacted since start of pandemic to offset revenue losses from lower business activity

FY 22 Workforce savings	\$ 24 M	\$32M
FY 22 Department spending reductions and cost containment	\$ 5 M	
FY 22 Pension reduction from strong investment returns	\$ 3 M	

Logan Airport Business Activity Adjustments

Reduce/Suspend bus services (LEX, Back Bay, Airport Shuttle Buses, North Station)
 Decrease in Logan Facilities supplies, services and repairs due to less volume
 Consolidate Logan Parking facilities and eliminate Ride App bag check/wheelchair
 Reduce overtime to mission critical functions

\$ 40 M

Maritime & Real Estate Business Activity Adjustments

Stevedoring, Overtime Services & Supplies, streamlined SBWTC ops

\$10 M

Adjustments to Workforce/Employee Benefits

Hiring freeze (55 current vacancies), additional attrition, and voluntary leave
 Suspend 457 match, sick time accruals and charitable giving match

\$ 21 M

Defer FY21 Retiree Health Care Payments to OPEB Trust

\$ 16 M

Reduce Professional Fees, Lower Vendor Rates, and Eliminate Travel & Other Expenses

\$ 13 M

\$100M



Liquidity Strategies: Five transactions continue to provide debt service relief and capital funding for FY22 ...

\$ 35M debt restructuring savings in FY22 will provide budget relief, pay-go capital investment, and capacity to pursue federal infrastructure grants that require local matching funds

1. April 2020 – \$258M Direct Placement with Bank of America

- \$29M NPV savings and \$25M of budget relief in FY 20

2. July 2020 – \$66M Rental Care Center Debt defeasance

- \$66M pay down of tax exempt debt reduced debt expense to match expected reduction in rental car transactions

3. October 2020 – \$200M Commercial Paper Program Expanded

- New \$200M letter of credit to expand commercial paper program for capital program short term funding needs

4. February 2021 – \$287M Refunding Bond Sale

- Provides approximately \$30M in budgetary relief in first two years

5. March 2021 – \$406M New Money Bond Sale



And capital funding that allows Massport to continue advancing essential strategic projects

Logan Modernization

- Terminal E Modernization (4 gates)
- Terminal B to C Roadways Improvements
- Terminal C Optimization and B-C Connector
- Terminal C Canopy and Upper Deck
- Logan Airfield and Terminal Fueling Improvements

Worcester

- Runway & Taxiway Pavement Rehabilitation

Maritime

- New Berth 10 and Cranes at Conley Terminal
- FASTLANE Program (Conley Terminal Modernization)

Technologies & Innovation

- Mobile App
- Virtual Queuing
- E-Ticketing
- Digital Signage (50%)

Environmental Sustainability

- Logan Shuttle Bus Midlife Rebuild
- Landside/Airside Electric Vehicle Charging Stations
- Central Heating Plant Upgrade

Terminal E Phase 1



Terminal B to C Roadways



Terminal B to C Connector



Conley Cranes



Service Restoration: 5.5% increase in expense budget to meet business demand and restore OPEB liability payments

1. Logan Airport Business Activity Increases

Woburn and Back Bay LEX restored, Framingham and Braintree frequency increased
On Airport Shuttle Bus frequency restored to 50% of pre-pandemic levels
Elevator, escalator, walkways, and passenger loading bridges service contracts
Terminal cleaning frequency adjusted for higher passenger level
Re-open Terminal B and Economy Parking when demand returns

\$ 23 M

2. Maritime's Conley Terminal 36K Container Volume Increase

\$ 3 M

3. Workforce/Employee Benefits

Unemployment Insurance
Previously bargained wage adjustments
Limited restoration of suspended employee benefits

\$ 7 M

4. Property and Other Insurance Premium Budget Adjustment

\$ 2.5 M

5. Other: Moran Annex lease, IT server maintenance, new Diversity programs

\$ 2 M

6. Restore OPEB Liability Payment Budget in FY22

\$ 15 M

Total: \$ 52.5 M



Massport will continue making community investments next year as activity begins to recover from pandemic losses

Community Investment by Year	2018	2019	2020	2021	2022
% of total budget	4.6%	4.5%	4.5%	5.4%	5.3%
Investment made each year	\$22.3M	\$23.2M	\$22.3M	\$23.6M	\$23.3M

FY 2022 Budget for Community Investment

- PILOT Payments to City of Boston \$19.8M
- PILOT Payments to Winthrop \$1.65M
- Chelsea Agreement \$600K
- Community Summer Jobs Program \$525K
- East Boston Neighborhood Health Center Agreement \$270K
- Charitable Contributions Program \$250K
- South Boston Foundation Payment \$150K
- Scholarships \$50K
- East Boston Civic Partnerships \$40K

Total Community Investment \$23.3M



Recovery Reserve: A 5% reserve provides flexibility should business demand accelerate

1. FY 22 Financial Plan is built using conservative forecasts
 - Logan's passenger demand could accelerate if international travel restrictions are eased and business travel returns sooner
 - New Conley Terminal cranes and berth may accelerate container volumes, surpassing forecasts as shipping industry adapts to port congestion
2. Additional service restoration, added frequencies, or contract adjustments may be needed to keep pace with demand
3. Higher inflation could also challenge some budget assumptions
4. Federal infrastructure matching funds likely to be needed to capitalize on new investment opportunities brought on by further federal stimulus
5. Should business activity be below forecast, the reserve protects against revenue loss and helps mitigate further disruptive actions for adjustments



FY22 expense budget is \$725M, an increase of 1.7%, and is balanced using \$40M of Federal funding to close the gap

FY20 Budget		FY21 Budget	FY22 Budget	Change
\$907 M	Operating Revenues	\$ 600 M	\$ 685 M	\$ 85 M
\$529 M	Operating Expenses	\$ 444 M	\$ 450 M	\$ 6 M
	Logan	\$ 327 M	\$ 335 M	
	Hanscom	\$ 14 M	\$ 14 M	
	Worcester	\$ 14 M	\$ 11 M	
	Maritime	\$ 71 M	\$ 72 M	
	Real Estate	\$ 18 M	\$ 17.5 M	
\$15 M	OPEB	\$0 M	\$ 15 M	\$ 15 M
\$363 M	Capital Expenses	\$ 234 M	\$ 225 M	(\$ 9 M)
\$ 189 M	Debt Service	\$ 149 M	\$ 130 M	
\$ 274 M	PayGo	\$ 85 M	\$ 95 M	
\$ 0	Other	\$ 35 M	\$ 35 M	-
	Massport Recovery Reserve		\$ 35 M	
	Tenant Sustainability Plan 2021	\$ 35 M		
\$ 907 M	TOTAL EXPENSES	\$ 713 M	\$ 725 M	\$ 12 M
FEDERAL FUNDING REQUIRED		\$ 113 M	\$ 40 M	



Business partner support continues through the pandemic

1. Logan Airport Airlines TACCR Support (FY21)

- \$28M of revenue out of original program of \$43M will be deferred and collected over 36 months with interest through the TACCR program

2. Terminal E – International Activity Fees (FY21)

- \$18M of revenue recovery will be deferred and collected from annual true-ups until fully recovered

3. Logan Airport Terminal Concessions (FY22)

- Continue waiver of Minimum Annual Guarantee (MAG) requirements
- MAG waiver will be offered based upon passenger volume and business activity

4. Renew Logan International and Worcester Airport Incentive Programs

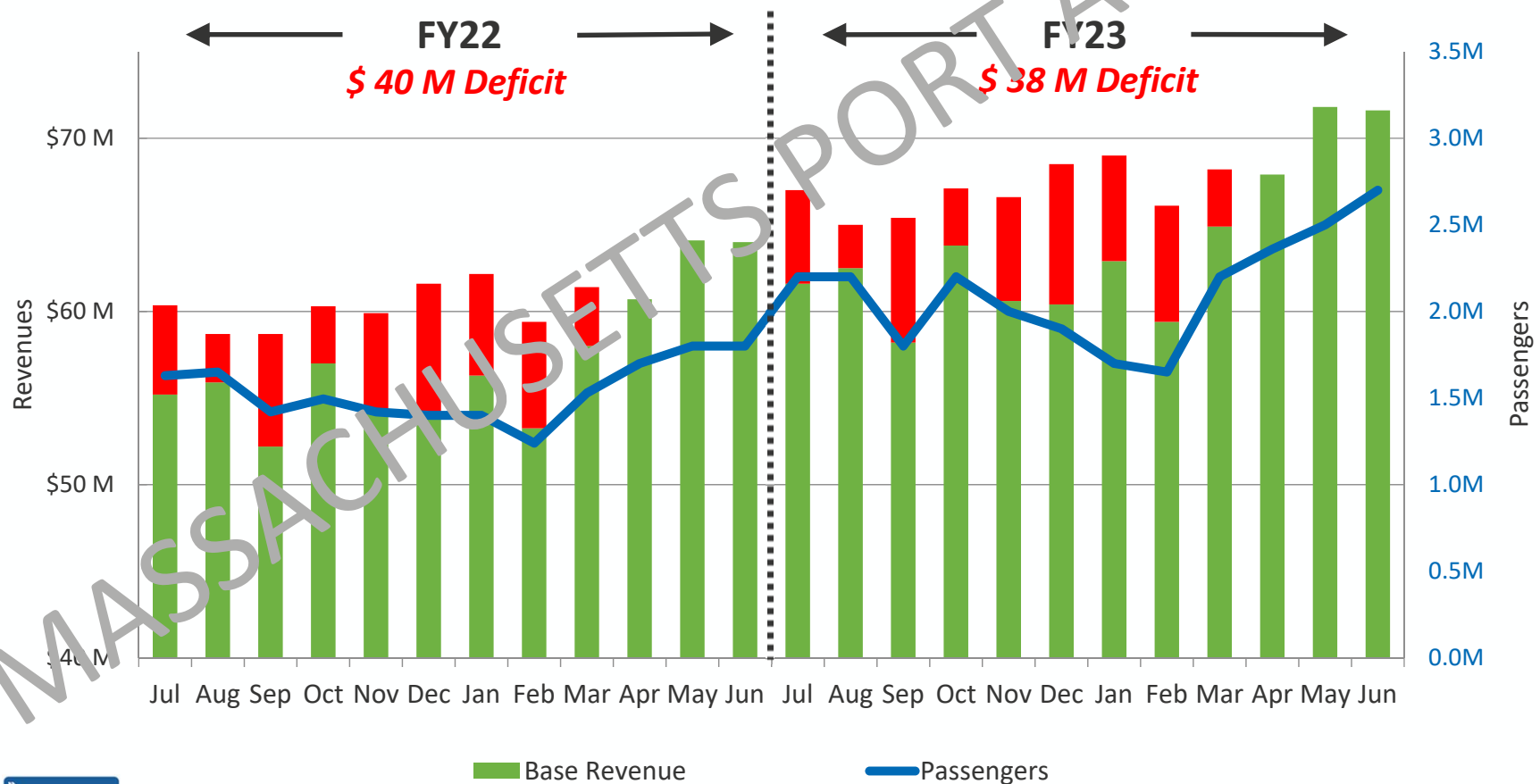
- Logan International and Worcester Airport Incentive Programs will expire in CY21

5. Worcester Airport Parking free with JetBlue service



Two-Year Outlook: Budget will be balanced using federal aid through FY24

- FY22 – 7M increase in Logan passengers reduces financial gap by \$73 M
- FY 23 – 5M additional Logan passengers increases revenue performance; however, expiration of debt restructuring program offsets revenue improvement



Risks and challenges to achieving Massport's strategic initiatives

1. COVID-19/World Public Health

- Variants
- Seasonal resurgence
- New pandemic

2. Inflation

- Construction/operating costs
- Real estate
- Interest rates

3. Slow International Travel Recovery

- Unilateral travel requirements
- Uneven vaccine distribution globally

4. Structural Change in Business Travel

- Permanent decline in business travel
- Discretionary revenue impacts

5. Climate Change/Environment

- Regulation
- Infrastructure investment needs

6. Large Construction Next 3 Years

- Operational impacts

7. Workforce

- Recruitment and retention
- Evolving value proposition

8. Cyber Breach/Ransomware Attack

- Business interruption

9. Changing Customer Behaviors

- Airport access modes
- Time spent in airport

10. Technology

- Autonomous vehicles
- Urban Air Mobility (UAM) –eVTOLs

11. Traffic Congestion

- On-airport
- Gateways

12. Government Policies

- Immigration & borders
- Business regulation
- Political paralysis/transitions

13. Maritime Challenges

- Changing shipping and cruise industries
- Truck access
- Land use pressure

14. External Shocks and Threats

- Active shooter/terrorist attack
- Extreme weather incident



NEXT STEPS: Board Votes

- Approve FY22 Business Plan and Budget:
 - FY22 Operating Budget and Funds Flow
 - Maritime Department Tariff Rates and Container Incentive Programs Renewals
 - Logan Express HOV Incentive Program
 - Logan Commercial Parking Rates
 - Tenant Sustainability and Recovery Plan
 - Agreement with the City of Chelsea
 - Logan Rates and Charges
 - Hancom Rates and Charges
 - Worcester Rates and Charges



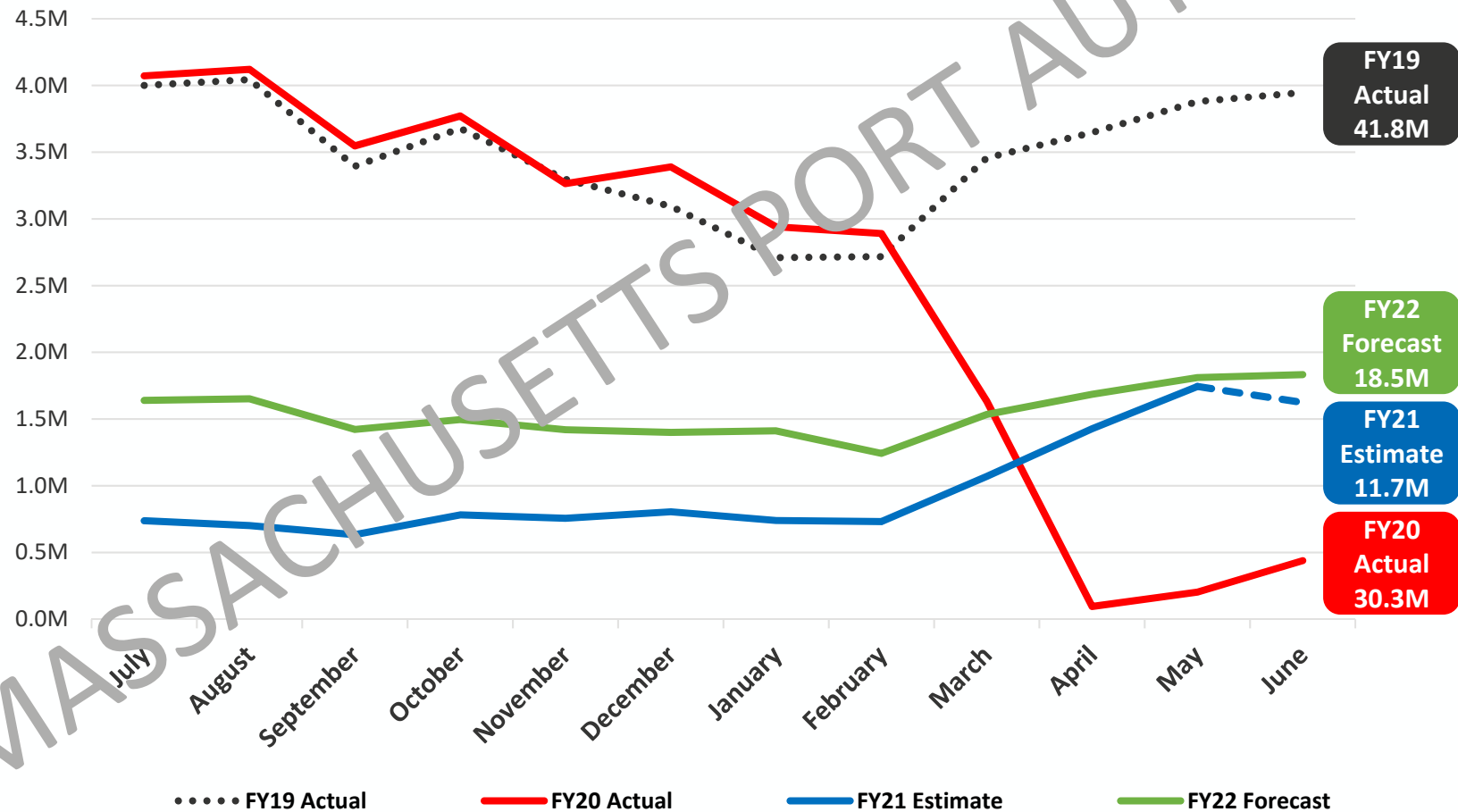
Estimated 2021 Rates and Charges True-Up Preliminary 2022 Rates and Charges

Dan Gallagher



Total Logan Airport Passenger Activity FY2019 - 2022

Actual and Forecast Passengers



FY 2021 Rates Budget and Activity Performance to Date

FY 2021 Rates and Charges Budget Performance (9 month actual / 3 month budget):

- Original 2021 Rates budget was **\$43M lower** than 2020 Rates
- Cost containment strategies exceeding plan, potentially saving an additional **\$6.7M**
- Estimated **\$50M+ reduction in 2021 rates budget**

Activity Performance (11 months actual / 1 month budget):

- Baggage fees continue to trend above forecast by 35%
- Landing fees trending above forecast by 12%
- Prolonged and widespread constraints on international travel resulted in significantly lower Terminal E activity than forecast.
 - Check-in Fee activity: **-53%**
 - Intl. Outbound Fee activity: **-55%**,
 - Intl. Inbound Fee activity: **-17%**

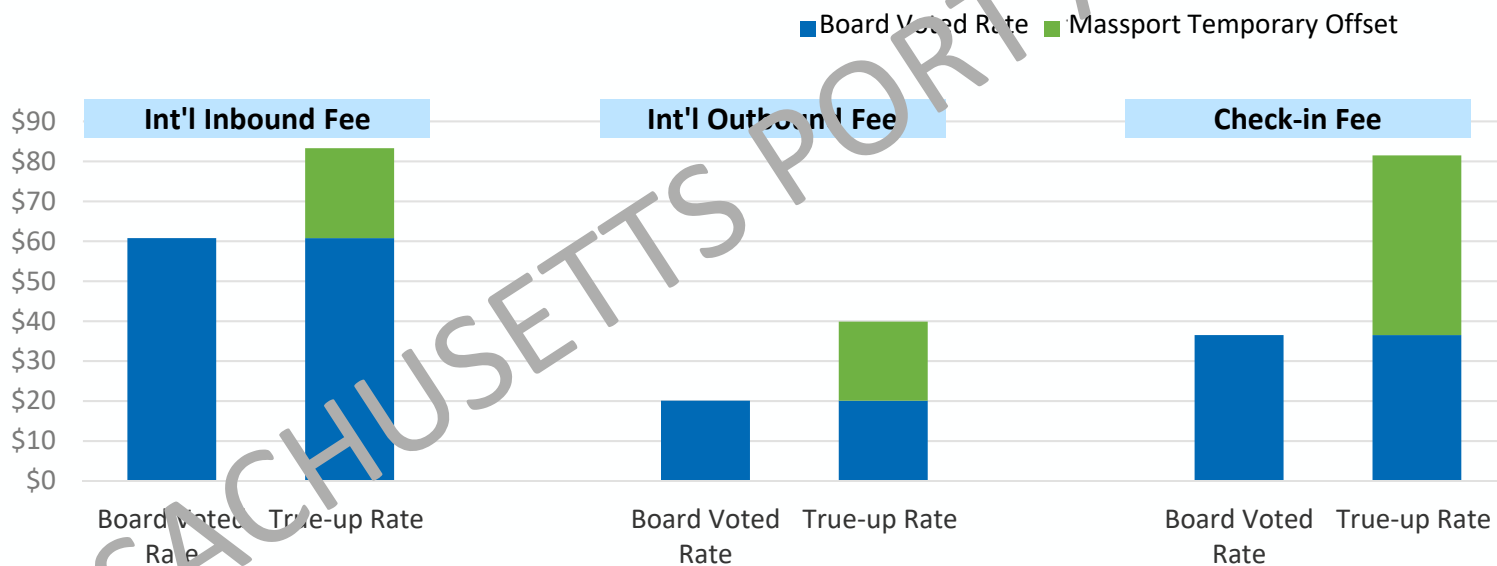
FY2021 Rates and Charges	Activity Forecast (000)	Board Voted Rate	Est. Actual Activity (000)	True-up Rate	True-up Estimate (millions)
Check-In	343	\$36.50	144	\$81.47	\$6.7
International Inbound	517	\$60.77	373	\$83.26	\$7.6
International Outbound	381	\$20.08	168	\$39.87	\$3.3
				TOTAL	\$17.6



FY 2021 True-Up & Temporary Offset

FY 2021 International Activity Fee True-up

- Recommend temporary offset of the FY 2021 International Activity fee true-up amount (est. \$18M)
- This balance would be recovered in subsequent year(s)



Repayment Process:

- FY 2021 rates based on current passenger trends
- Airlines to repay FY 2021 offset through FY 2022 true-ups (and beyond) as activity exceeds forecast



TACCR Program Summary and FY2021 True-up

- The Temporary Airline Cost Center Relief (TACCR) program was created to offset certain 2021 rates and charges
- The TACCR program was not to exceed \$43M
- Due to lower than forecast international passenger activity, the estimated TACCR amount to be applied for FY2021 is \$28.3M

	Total TACCR Amount	TACCR Cap	Balance
Check-in	\$1.5	\$4.0	\$2.6
International Outbound	\$7.1	\$9.3	\$2.2
International Inbound	\$1.0	\$2.4	\$1.5
Baggage Fee	\$0.0	\$0.0	\$0.0
Landing Fee	\$18.8	\$27.2	\$8.4
TOTAL	\$28.3	\$43.0	\$14.7

- The remaining available TACCR funds (\$14.7M) will be applied towards the FY2021 offset



FY 2022 Rates and Charges Overview

FY2022 Rates and Charges Budget Plan

- Restoration of certain services, aligning resources with air service recovery = **additional expenses \$9.2M**
- Debt restructuring benefit for FY2022 Rates = **\$8M of savings**
- Total estimated FY2021 YOY Rates budget estimate = **over \$6.4M of savings**
- Continue to align resources with demand without compromising health and safety

FY2022 Activity Forecast

- Total passenger volume will increase roughly 7 million, from 11.7M to 18.5M
- International passenger activity will increase, however remain roughly 80% below pre-COVID levels
- Landed weight recovery will lag other passenger related activities as load factors increase on existing flights

Description	FY2022 Forecast	FY2021 (11 M Actual/ 1M Forecast)	FY22 vs FY2021	FY2019 Actuals	FY2022 vs FY2019
Passenger	18.5M	11.8M	58%	41.9M	-56%
Landed Weight (1K #)	14.5M	11.4M	28%	26.5M	-45%
Baggage Count	5.5M	3.4M	62%	10.5M	-48%
International Inbound Count	658K	373K	76%	3.0M	-78%
International Outbound Count	426K	168K	153%	2.3M	-82%
Terminal E Check-in Count	383K	144K	166%	2.1M	-82%



Preliminary FY2022 Budget Rates

Description	2021 Board Voted Rate	FY2022 Proposed Rate	Variance
Terminal A	\$170.50	\$169.54	-1%
Terminal B	\$160.46	\$152.32	-5%
Terminal B Pier B BHS Facility	\$8.49	\$8.71	3%
Terminal C - Main	\$227.35	\$216.19	-5%
Upper Piers B & C	\$132.70	\$127.66	-5%
Lower Piers B & C	\$74.99	\$71.58	-5%
Lower Pier A	\$117.22	\$113.57	-3%
Upper Pier A	\$122.03	\$118.39	-3%
Terminal E			
Type I	\$126.42	\$121.10	-4%
Type II	\$129.41	\$124.10	-4%
Type III	\$139.92	\$134.60	-4%
Landing Fees Field Rate per 1,000 #	\$12.30	\$8.54	-31%
Baggage Screening Facility Fee	\$6.37	\$3.01	-53%
Terminal E Passenger Fees per Psgr			
Inbound International Fee (FIS)	\$60.77	\$46.46	-24%
Outbound Passenger Fee	\$20.08	\$17.29	-14%
Common Use Check-In Fee	\$36.50	\$31.49	-14%



Annual Insurance Program

John Prankevicius



FY22 Massport Annual Insurance Program

- The annual insurance assessment is a requirement for the Authority's 1978 Trust agreement
- Albert Risk Management, the Authority's independent insurance advisor, certifies to the Trustee that:
 1. The Authority's FY22 insurance and risk management program is properly structured
 2. The program is cost effective given the Authority's complex risk profile
- The Authority's insurance risk profile consists of:
 - High Limit/Layered Program for Liability coverage and Property Insurance
 - Moderate to high Retention levels
 - Limited/Specialty Insurance Market
 - Structure is designed to protect the Authority, and Bond holders, from catastrophic loss
- FY 22 Insurance Program will be approximately \$9.0 M, a 5% increase over last year



FY22 Massport Annual Insurance Procurement Summary

- **PROPERTY COVERAGE:** \$500M limit, \$1M retention, plus 10% on next \$50M per occurrence
 - Negotiated multilayered program with 5% premium increase
- **AVIATION LIABILITY:** \$500M limit, retention of \$250K per policy aggregate
 - Negotiated favorable renewal, increase in premium is 1.5%
- **MARITIME LIABILITY:** \$100M limit, retention of \$25k per occurrence
 - Renewal emerging from two-year flat quote and new assets (cranes and berth) increased premium \$94K
- **EXCESS WORKERS COMPENSATION:** unlimited, retention of \$1.0M per occurrence
 - FY22 bid yielded no competitive quotes

Insurance	FY 21	FY 22	Variance
Property	\$5,705,619	\$6,000,000	\$294,381
Airport liability	\$1,249,325	\$1,268,325	\$19,000
Maritime liability	\$345,075	\$439,500	\$94,425
Automobile liability	\$698,774	\$688,351	(\$10,423)
Excess WC	\$429,907	\$562,725	\$132,818
Others	\$51,329	\$50,615	(\$714)
Total	\$8,480,029	\$9,009,516	\$529,487



Safety and Security



COVID-19 International Travel Updates

- The European Union (EU) **COVID-19 Passport** begins July 1
 - Free mobile app provides digital proof via QR code
 - “Warm-up” month; 12 EU countries using the pass
 - Allows travel throughout Europe without the need to quarantine or test for COVID-19
 - Passport is available for those who have been fully vaccinated with an approved vaccine, those with a negative test result, and those with proof of recent recovery from the disease
 - Individual member states have discretion to make exceptions
 - Data remains on the certificate and not stored/retained by visited countries



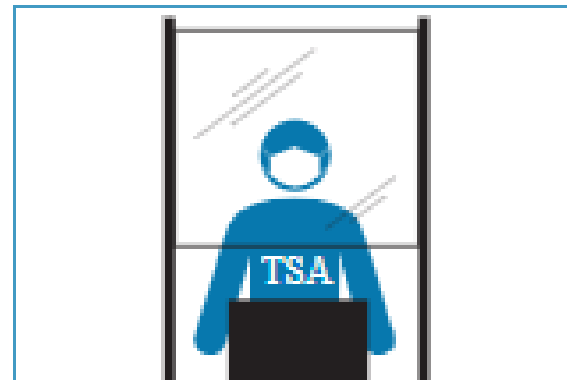
Notable Updates:

- Travel to **France and Spain** for fully-vaccinated travelers from the EU, UK, and US **reopened in early June**
 - EU plans to gradually remove all restrictions for American tourist
- The US and UK announced the creation of a task force that aims to reopen travel between the two countries as soon as possible
- Border closure for US/Canada extended through July 21; no final decision made on the permanent lifting of restrictions



CDC revising outdoor mask policy for transportation hubs

- CDC announced on June 10 that it will amend its **Face Masks Order and Frequently Asked Questions (FAQ)** to not require wearing a mask in outdoor areas of conveyances or while outdoors at transportation hubs
- Until the order is officially amended, CDC will exercise its discretion to not enforce mask requirements outside
- TSA updated its FAQ to align its mask requirements with the new CDC guidance
- Masks are still recommended for individuals who are not fully vaccinated
- Massport issued a Tenant Advisory alerting the airport communities to the change



TSA hiring additional staff to meet needs nationally

- TSA is experiencing staffing shortages nationwide and has implemented several stop-gap measures
 - Utilizing administrative volunteers
 - Increasing overtime
 - Canceling days off
 - \$500 monthly bonuses
- Over the past few months, TSA Boston has conducted recruiting events and job fairs at Logan
 - Hiring both full and part time Transportation Security Officer positions
 - \$1,000 sign-on bonuses
 - Hopes to meet its staffing goal by the end of the summer
 - Nationally, TSA has hired approximated 50% of its hiring goal of 6,000
- Despite a resurgence of travel at Boston Logan, TSA is able to meet current demand with minimal operational impacts



The Washington Post

TSA asks office staff for help, offers bonuses and mandates overtime to keep airport checkpoints moving



Travelers line up to go through a TSA checkpoint at Orlando International Airport before the Memorial Day weekend. (John Raoux/AP)

By Ian Duncan
June 9, 2021 at 7:00 a.m. EDT

Facilities and Construction



Construction Trends

Assessing Impacts to Massport

Luciana Burdi



The Construction Industry is experiencing significant delays in material deliveries and pricing increases

What are the causes?

- The COVID-19 pandemic forced shutdowns and workforce reductions at manufacturing plants creating a shortage of construction material, equipment and/or parts
- Shortage of truck drivers and difficulties re-hiring workers
- Rising diesel prices
- Imported materials are subject to increased tariffs
- Natural disasters compounded the situation:
 - February 2021 Texas “Big Freeze” affected a number of manufacturing heating and cooling plants
 - Record Pacific Northwest wildfires affected lumber production
 - Canada’s beetle infestation destroyed 15 years of lumber supplies in British Columbia (a major supplier for the U.S.)

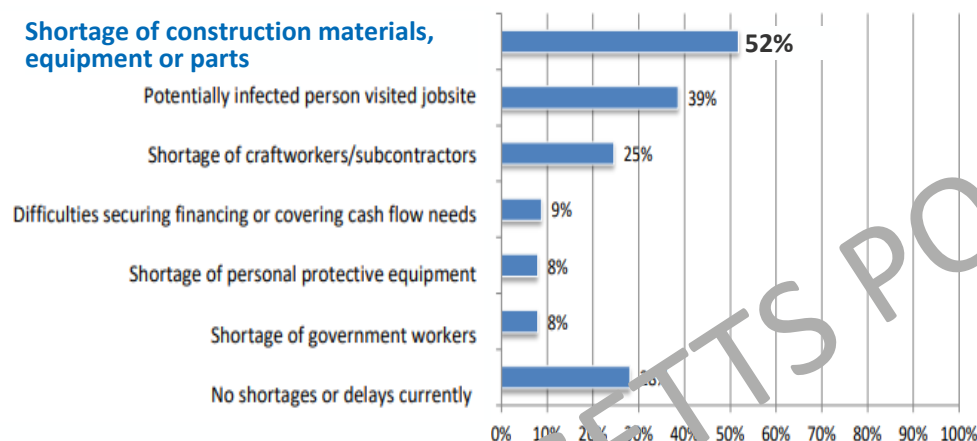


Contractors reporting shortages and rising prices for key new construction inputs

Association of General Contractors Survey - Northeast Results

1. Are you currently experiencing any project delays or disruptions due to the following (mark all that apply):

Shortage of construction materials, equipment or parts

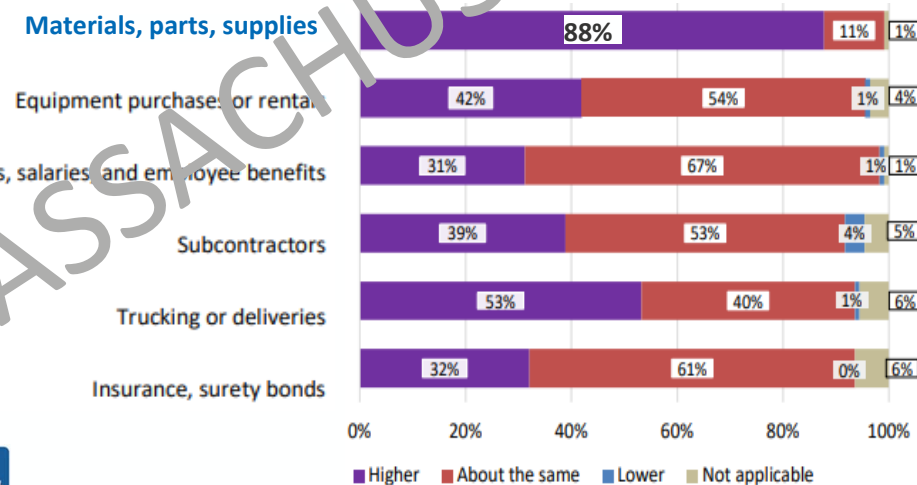


Reasons for Delays:

Backlog or shutdowns at foreign producers	52%
Delays at ports	29%
Rail or trucking delays from ports to delivery point	38%
Backlogs or shutdowns at domestic producers	95%

3. How have your costs changed for the following items from one year ago?

Materials, parts, supplies



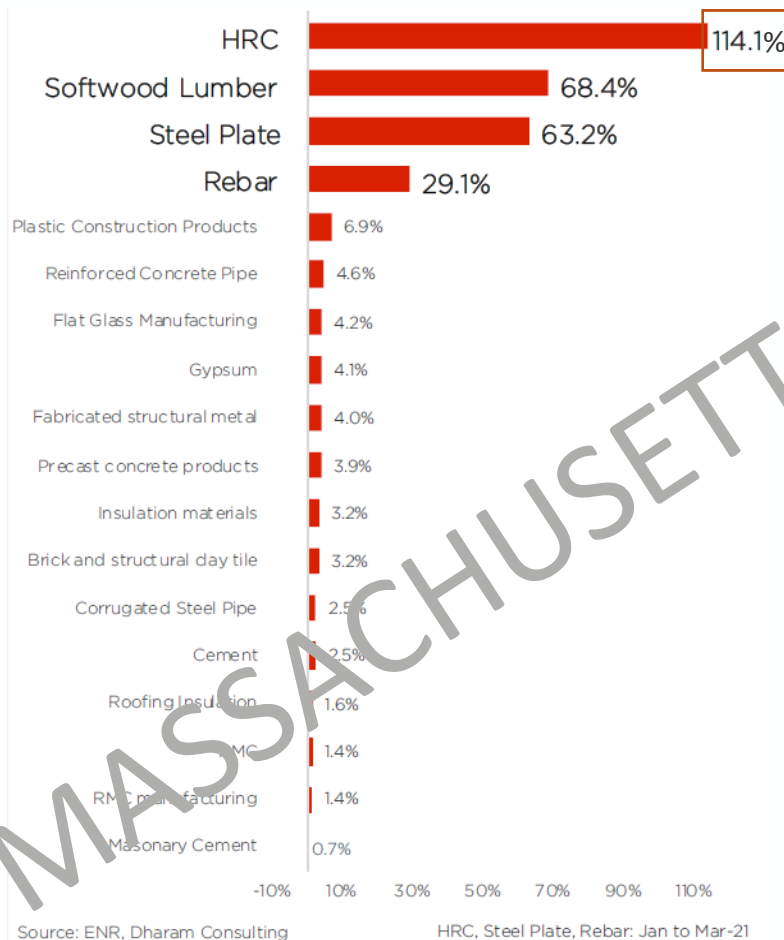
- Northeast survey results consistent with national trends



Source: AGC survey April 2021

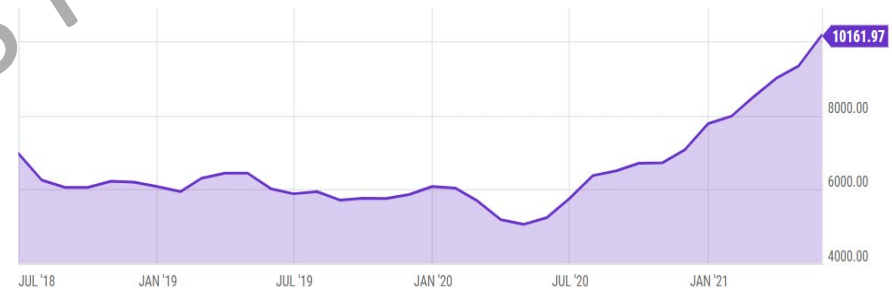
Building material prices are rising across the board, but steel and lumber have seen the greatest increases since summer 2020

Construction Material Prices (12/2020-2/2021 vs 12/2019-1/2020)



- Hot-rolled coil (HRC) prices initially fell from **\$582/ ton** pre-Covid-19 (February 2020) to \$489 in April 2020, but then rose to **an all-time high of \$1,050/ ton in June 2021**

2-Year Copper Price Indicator

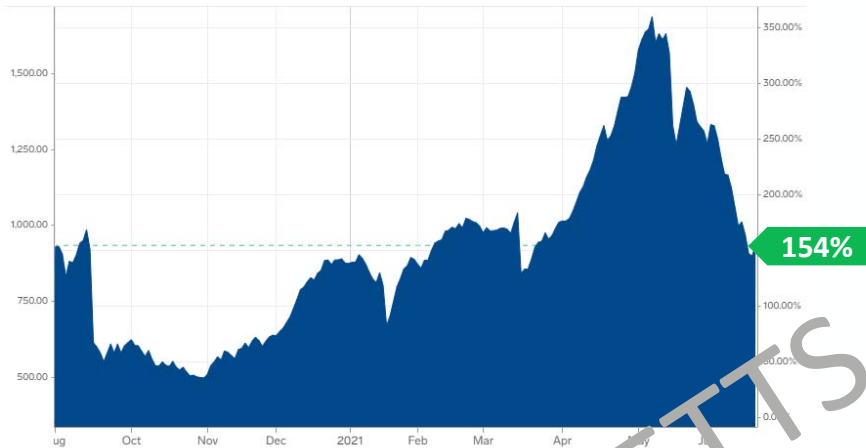


- Current copper prices are the highest in a decade impacting, most notably, MEP (Mechanical, Electrical, Plumbing) products
- Global Copper prices have passed the **\$10,000/ton in May 2021**, up 31% this year and up 94% compared to a year ago



Source: Dharam Material Price Trends, April 2021

Although lumber prices are decreasing, they still remain 154% above the lowest price point as of June 2021

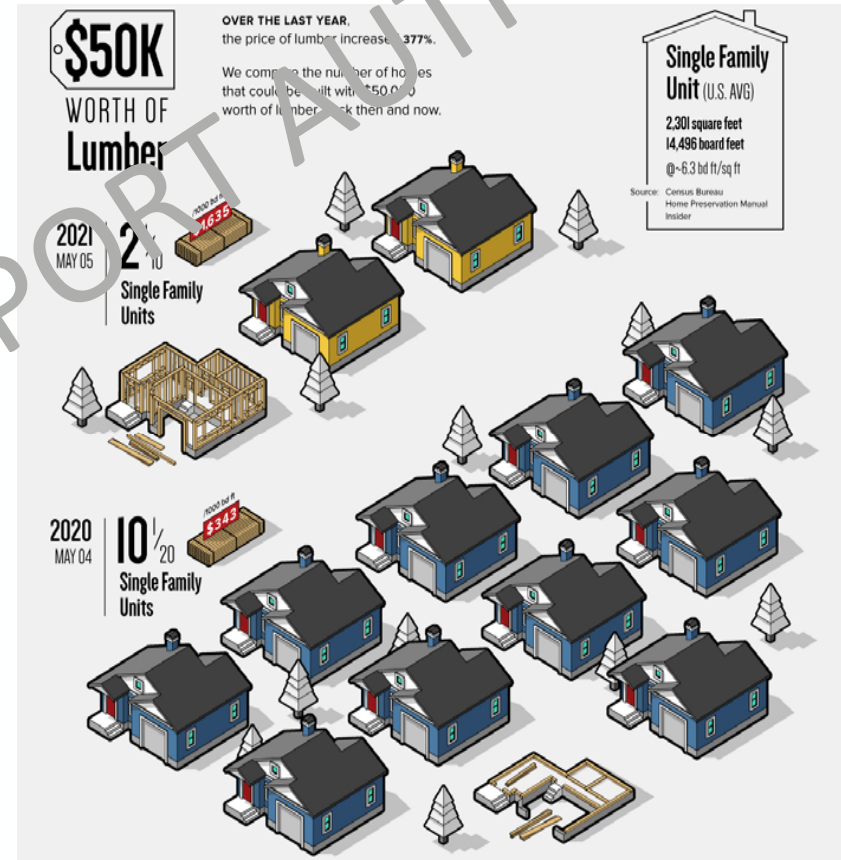


Source: Market Business Insider

enu Search **Bloomberg** Sign In

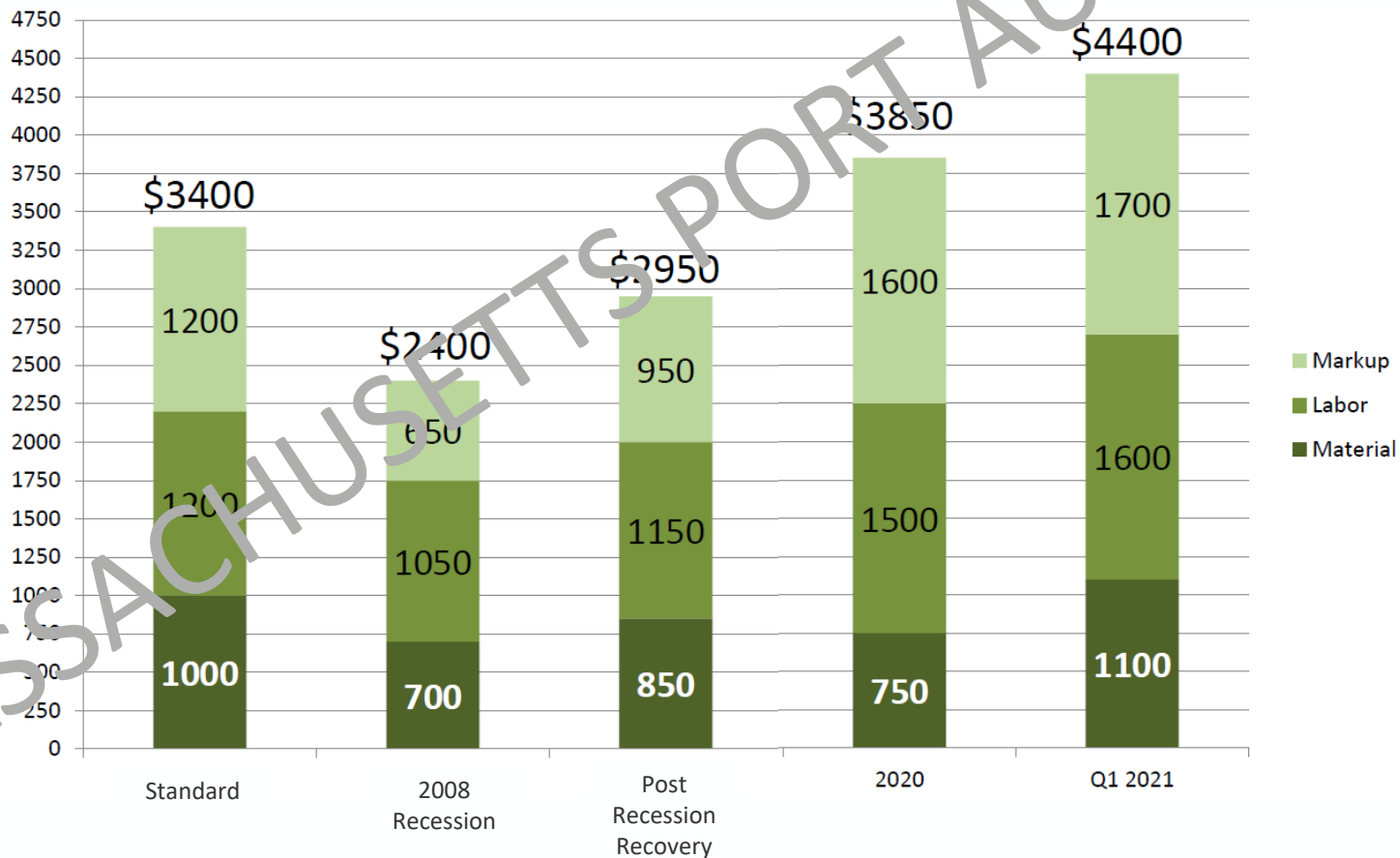
Markets
Sky-High Lumber Prices to Drop by Year-End, Analyst Says
 By Breanna T. Bradham
 April 20, 2021, 2:05 PM EDT

ENRMidAtlantic
 Summer Shaping Up as Homebuilders Face Sky-High Lumber Prices June 3, 2021
 Richard Korman, Stephanie Loder, and Scott Van Voorhis



The high cost of raw materials drives an adjustment in material pricing composition

The Structural Steel Pricing model below is an example of how the pricing model has adapted to the market conditions



Source: Vermeulens, Massachusetts Building Congress Presentation: Escalating Construction Costs 5-27-2021

Projected raw material prices coupled with long lead times, indicate that recovery is not immediately imminent

- Although raw material pricing will recover over time, owners will continue to see an increase in overall cost of work

MATERIAL LEAD TIMES		
Material	1/1/2021 (WEEKS)	5/1/2021 (WEEKS)
Steel Joist	12	30
Custom AHU's	10	28
Generators	15	24
Steel Deck	12	20
Mineral / Rock Wool	1	22
Energy Recovery Units	10	18
Switchboards	5	18
PVC Conduit	1	14
Aluminum	5	12
Aluminum Copings	3	12
Glass	6	10
Joint Compound	1	4
Gypsum wall Board	1	4

ADDITIONAL MATERIAL PRICE INCREASES	
Critical Material	Additional Potential 2021 Increase*
Roofing Membranes	20%
Lumber	15%
Gypsum Wall Board	15%
Glass	12%
Generators	10%
M/E/P Equipment	7%
Structural Steel	5%

- Contractors will seek to recover incurred losses:
 - Additional Contractor Overhead Costs (GCs/GRs)
 - Additional Consultant Fees (Construction Administration & Resident Engineering)
 - Potential operational impacts from delays resulting in additional cost

6%
Escalation
SINCE JANUARY 2021

4%
Additional Escalation
THROUGH DECEMBER 2021

Expected Labor Shortage
Q3/Q4 & Beyond



Source: Consigli Market Outlook: June 2021

Massport projects in construction and/or ready to bid might be affected by rising material prices and delays in deliveries

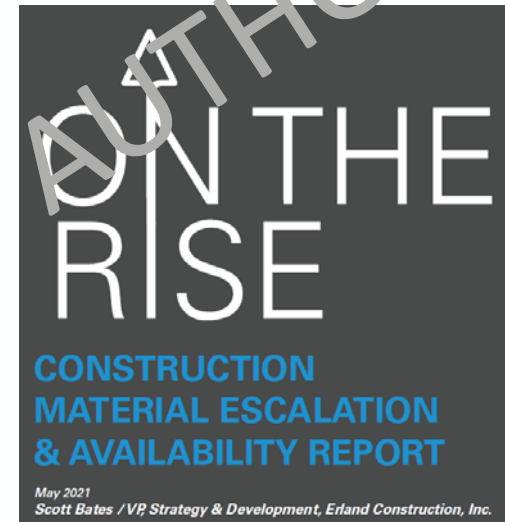
Capital Programs is estimating a potential risk of cost increase due to material pricing and availability:

- Over 54 Massport projects are currently in construction/bidding process (FY21)
- The FY21-23 Capital Program includes \$291M of construction expenditures in FY22
 - This includes 50 projects, some of which have not yet started.
- Major ongoing CM-at-Risk projects: Term. E Mod., Term. C Canopy, Term. B-C connector
- Major projects projected to be bid in June/August 2021 timeframe:
 - Berth 11 & 12 Backland Area Pavement Repairs (July 2021)
 - Crane Painting Program (June 2021)
 - Site Utilities, Prep for 5th Tank (August 2021)
- Several “shovel-ready” projects are currently on hold as a result of COVID-19 deferments
- Additional “shovel-ready” projects were deferred pending grant funding, but construction estimates do not factor in material escalation, i.e. Framingham Logan Express



Capital Programs continues to evaluate ways to mitigate risks to Massport

- Updating the new Capital Program estimates to include impact due to material escalation
- Strategically evaluating “shovel ready”, deferred, and ongoing projects
- Re-evaluating contractual language to ensure lowest possible risk to Massport
- Strategically moving forward with buyout of scope so as to mitigate risk due to pricing volatility
- Evaluating potential schedule impacts
- Mitigating any potential claims resulting from material price increases
- Collaboratively working with design teams to broaden range of manufacturers and products
- Evaluating the option to pre-purchase long lead materials and equipment through Massport’s Purchasing Department



“Owners need to factor in the new inflationary reality and support expedited procurement, appropriate adjustments to design, the potential for delayed completion dates due to material availability, and the potential impact on project budget to accommodate or work around these impediments.”

