

**Massachusetts Port Authority
Board Meeting**

October 20, 2022



Public Session

MASSACHUSETTS PORT AUTHORITY



Chairman's Comments

Report of the CEO
Lisa Wieland

The Pathways Program was created to help build a diverse workforce pipeline

The Pathways Program

Partner with local universities to provide diverse talent with:

- \$5,000 scholarships
- 13-week Summer Internships
- Employment upon graduation
- Massport mentor relationship



- **Partner:** Bridgewater State University
- **Target Area:** Aviation Management
- **Status:** Rotational program with Aviation immersion commenced May 2022



- **New Partner:** UMass Boston
- **Target Areas:** (1) Resiliency/Environmental, (2) Data Analytics and (3) Accounting/Finance
- **Status:** Three students to be selected this fall with internships starting May 2023



Jessica Amado (Massport), Catherine Cummings (BSU) and Kate Martinez (BSU)

Massport celebrated infrastructure investments at Conley Terminal and thanked our federal, state, and local partners for their support



THANK YOU

For the past decade, Massport has worked hand in hand with federal, state, and local officials to make significant infrastructure improvements to the Port of Boston. The Port can now service a new generation of container ships and provide more global connections for Massachusetts and beyond. The Port modernization enables continued flexibility, efficiency, and reliability while contributing more than \$8.2 billion in economic impact to the region.

With a deeper harbor, a new berth, and three state-of-the-art ship-to-shore cranes, these investments have delivered new services for the New England market. Direct connections now include South China, Vietnam, India, Singapore, and the Middle East. These investments are Powering What's Possible for Massachusetts and beyond—for the 15 million consumers, 2,500 businesses, and 66,000 jobs that make up the Port ecosystem.

Thank you to the Baker-Polito Administration, the Massachusetts Congressional Delegation, the Massachusetts State Legislature, the City of Boston, the International Longshoremen's Association (ILA), importers and exporters, Port partners, frontline workers, and the South Boston community for your support and partnership. Together, our common goal and common purpose have strengthened the Port of Boston's position as New England's gateway and an economic engine for Massachusetts.

port of boston 
POWERING WHAT'S POSSIBLE™



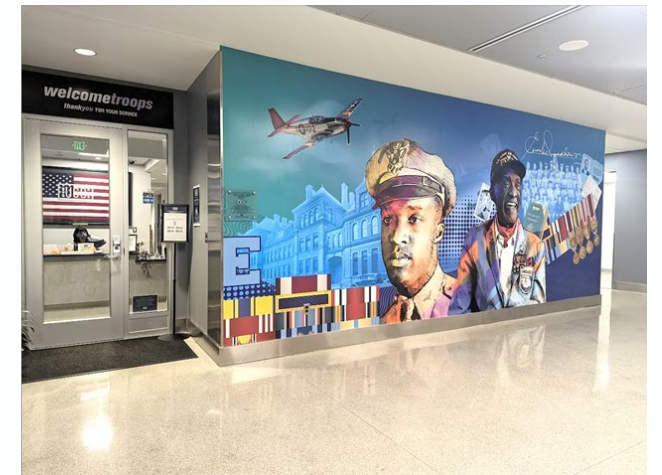
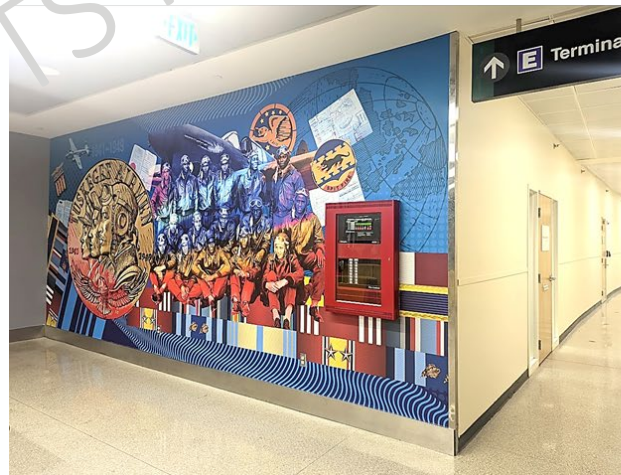
Massport broke ground on Piers Park II to create another open space that will enrich the livability and vibrancy of the East Boston community

- The 4.5-acre Piers Park II will complement the existing 6.5-acre Piers Park and future Piers Park III
- Green infrastructure elements will enhance the sustainability of the East Boston waterfront and preserve Harbor access
- The Piers Park Advisory Committee (PierPAC) and community members were extensively involved in the multi-year design process
- Board members, John Nucci and Secretary Jamey Tesler, Mayor Michelle Wu, state and local elected officials, community leaders and others were on hand to celebrate this milestone



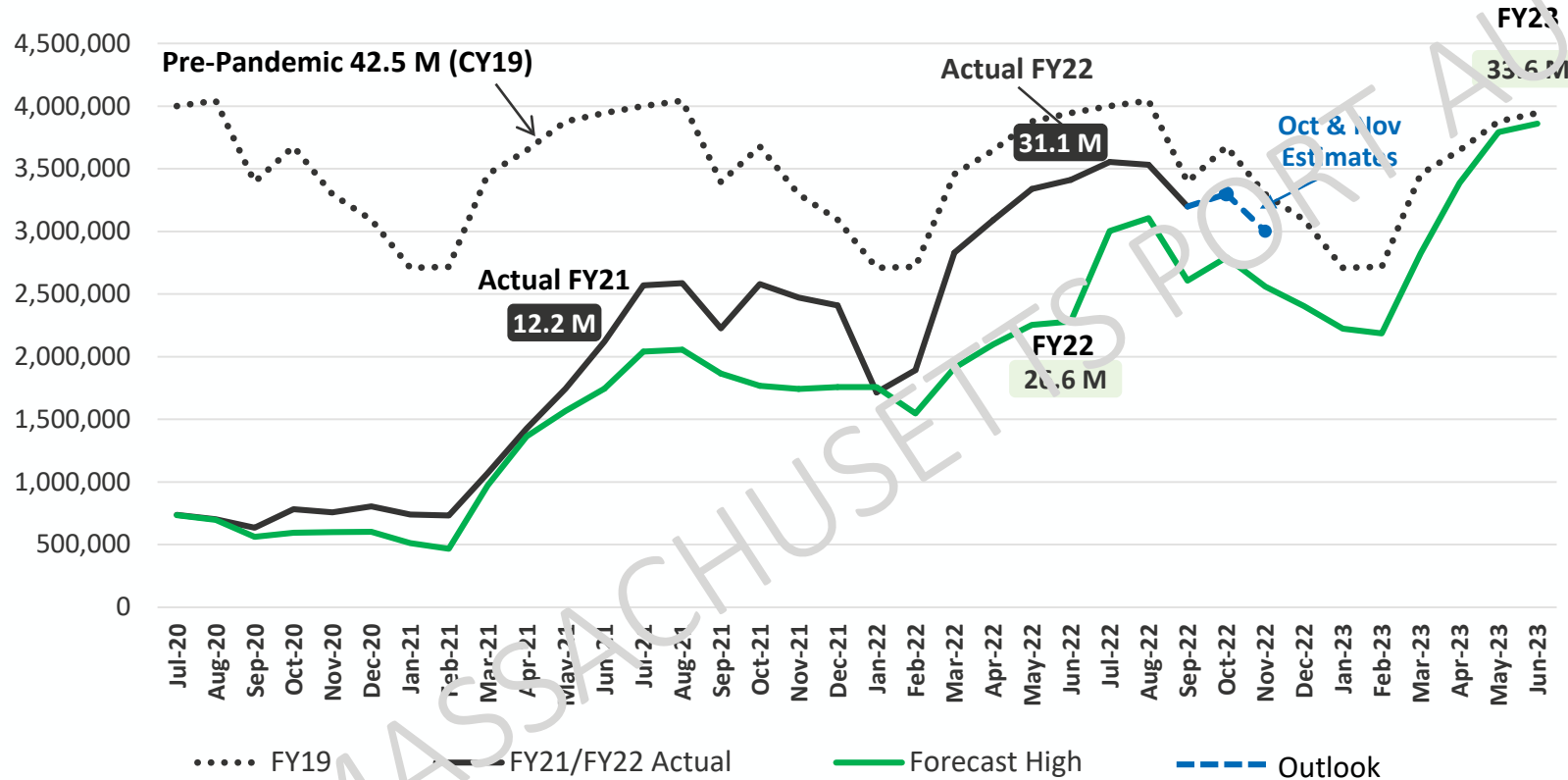
Massport and Governor Baker honored Lt. Col. Enoch O'Dell “Woody” Woodhouse and the Tuskegee Airmen at the unveiling of two new murals at Logan Airport

- The murals depict Lt. Col. Woodhouse, a Boston native, and the famed Tuskegee Airmen who served during WWII
- Murals are located outside the USO office in Terminal C, a fitting location as Woodhouse served as a USO board member for many years
- Street Theory co-owners and artists Victor and Liza Quinonez designed the murals
- Lt. Col. Woodhouse and his U.S. Army Air Force colleagues helped pave the way for desegregating the U.S. military
- At the event, Governor Baker appointed Woodhouse to the State Militia and promoted him to Brigadier General



As business travel slowly returns, Massport expects to see a typical seasonal bump for October followed by a dip in November

Forecast of Logan Passengers FY22 to FY23



Positive Trends Continue but Headwinds Looming

- Domestic business travel appears to be ticking upward
- Airlines continue to be challenged by staffing issues
- COVID-19 new variants and impacts on staffing and travel over the winter
- Ongoing conflict in Ukraine
- Possible U.S. and global economic recession looking more likely

Report of the Director of Aviation
Ed Freni

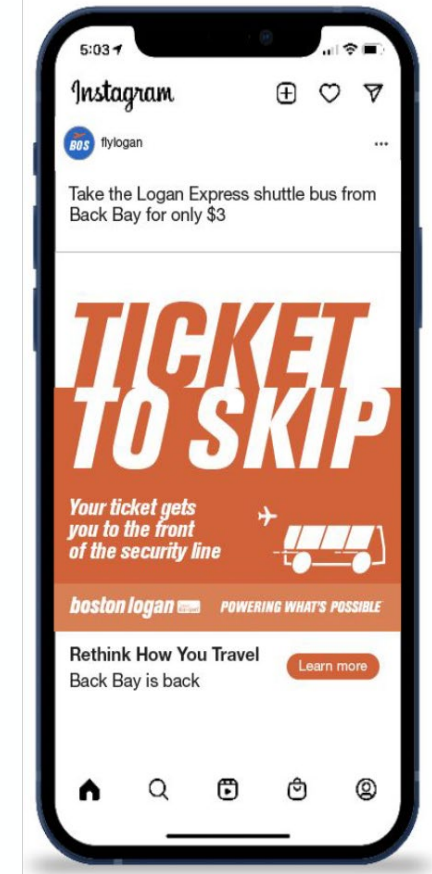
Logan Airport passenger activity levels – September 2022

Logan Activity Summary September 2022

		September	Prior Year	Pre Pandemic 2019	% Change Over 2019
Month:	Passengers	3.3M	2.2M	3.5M	-7.6%
	Aircraft Operations	34.6K	27.5K	37.3K	-7.4%
CYTD:	Passengers	26.6M	15.2M	32.1M	-17.0%
	Aircraft Operations	281.7K	181.7K	321.1K	-12.3%

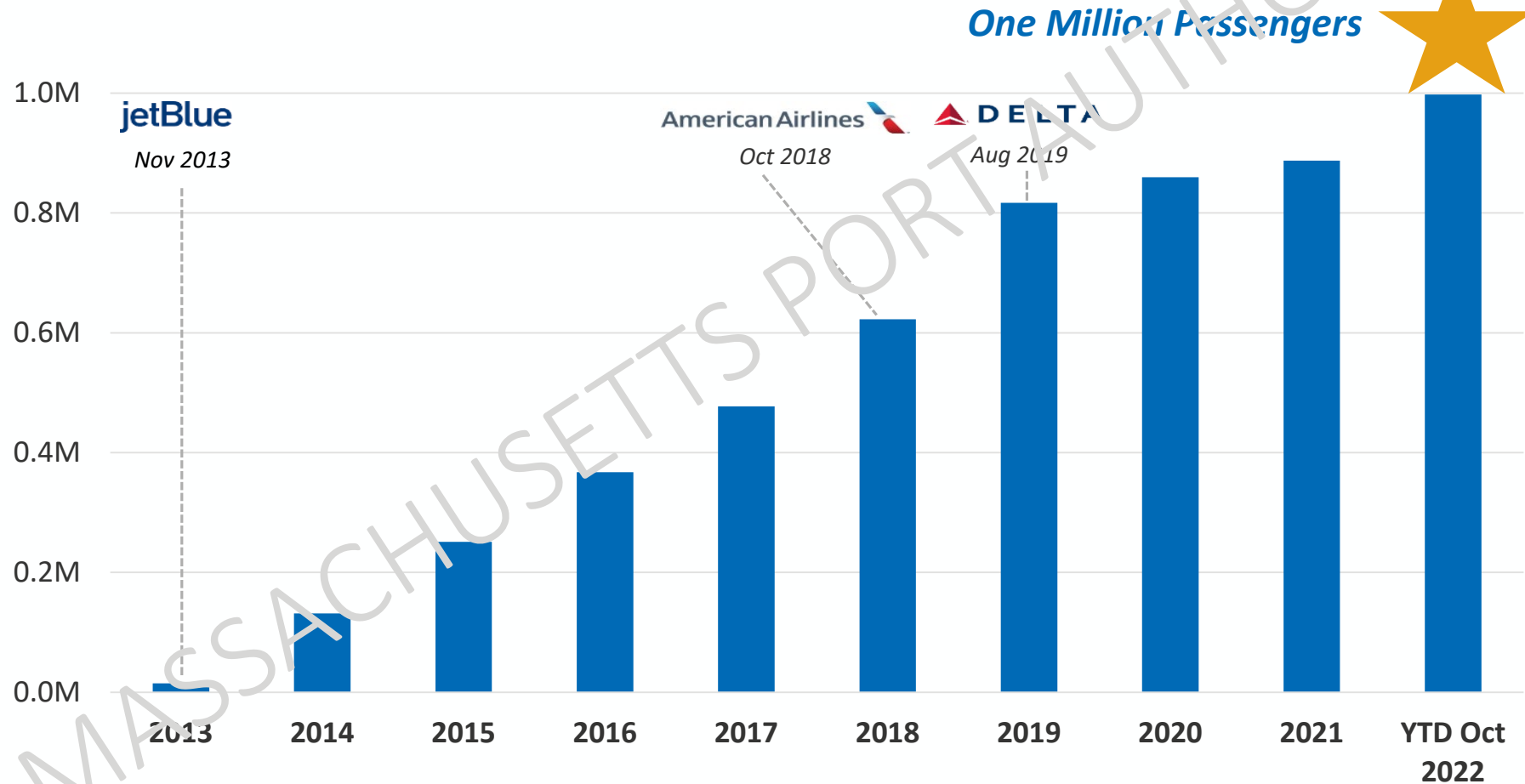
Back Bay Logan Express service was successfully restarted October 3, 2022

- Strong ridership so far (October 3 to 12):
 - 1,500+ inbound (Back Bay to Logan)
 - 1,700+ outbound (Logan to Back Bay)
- Buses scheduled every 30 minutes daily:
 - 5am-9pm inbound and 6am – 10pm outbound
- Same locations as March 2020:
 - Copley Place/Dartmouth St (across from MBTA Back Bay Station)
 - Prudential Center/Boylston St
- Same cost: \$3 to Logan and FREE service to Back Bay
- Back Bay riders receive a “Ticket to Skip” to the front of the line for TSA checkpoint screening



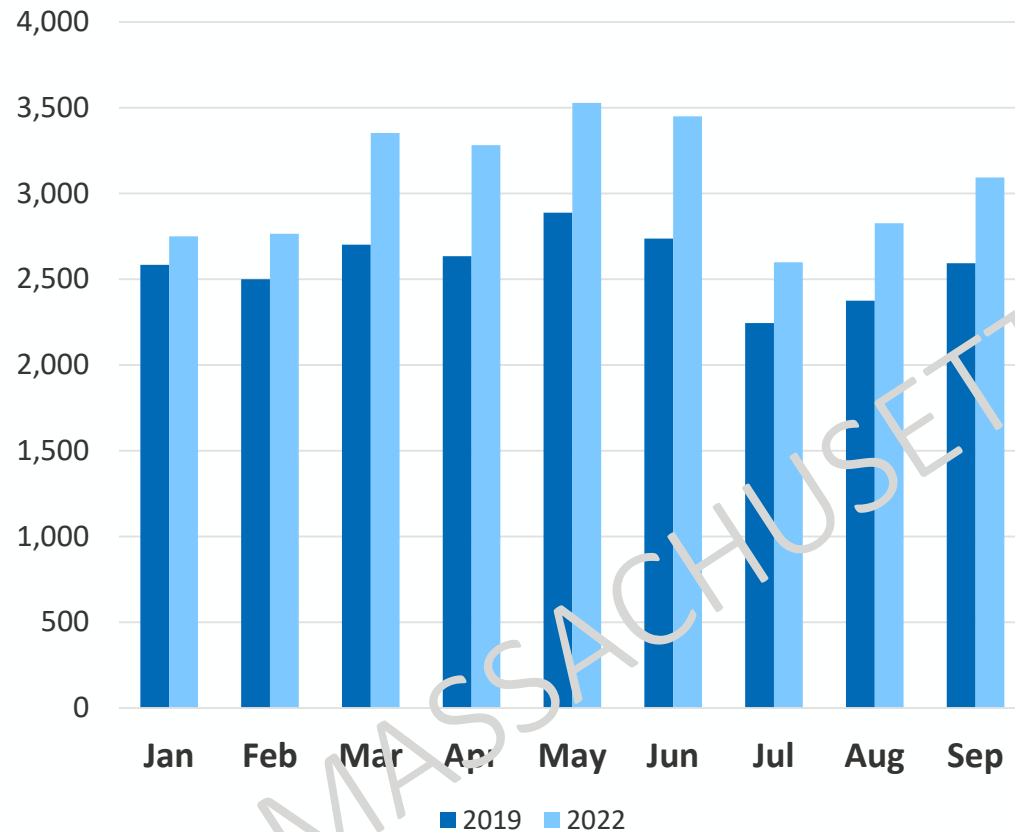
On November 1, we will celebrate Worcester's One Millionth Passenger Milestone

Cumulative Worcester Regional Airport Passengers



Hanscom jet activity remains strong and continues to exceed pre-pandemic levels

Hanscom Field
Jet Operations



September Activity:

- Jet operations up 19% compared to 2019
- Total operations down 20% compared to 2019

CYTD Activity:

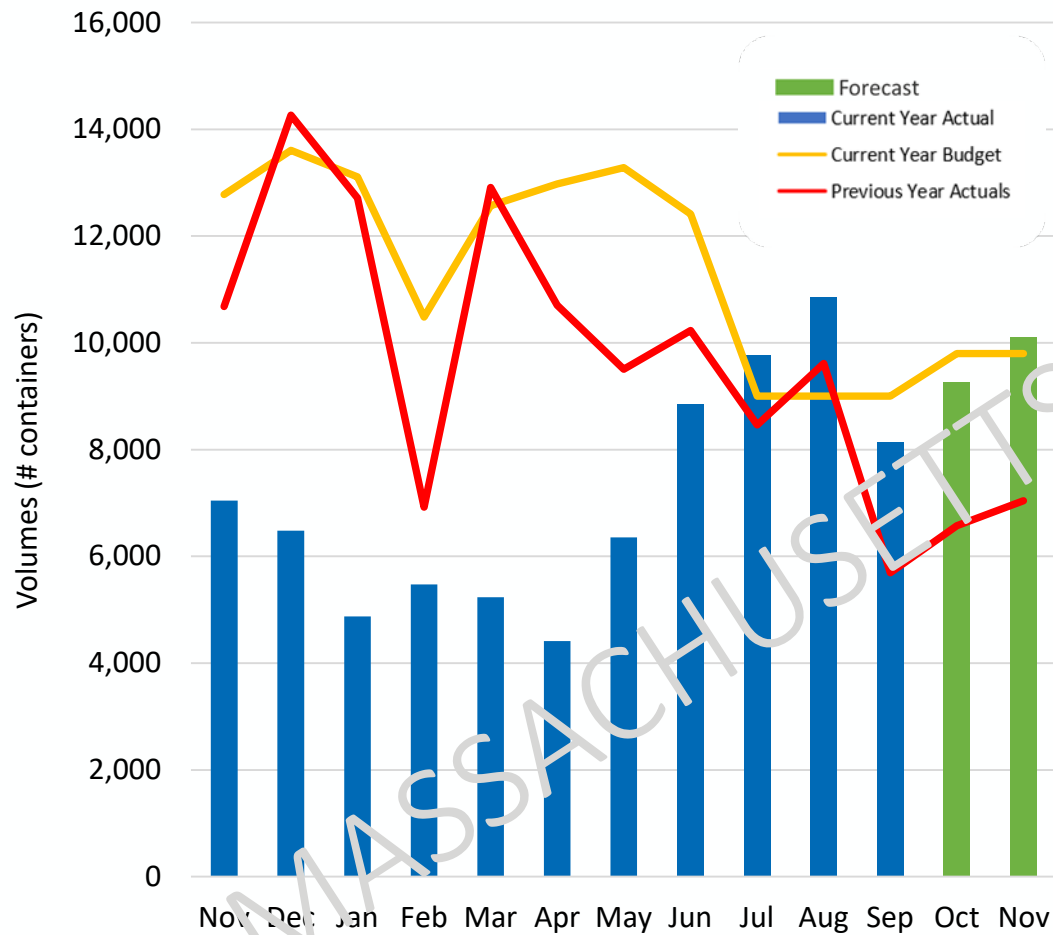
- Jet operations up 19% over 2019
- Total operations down 6% versus 2019
 - Recreational & pilot training operations continue to decline



Report of the Director of Maritime
Joe Morris

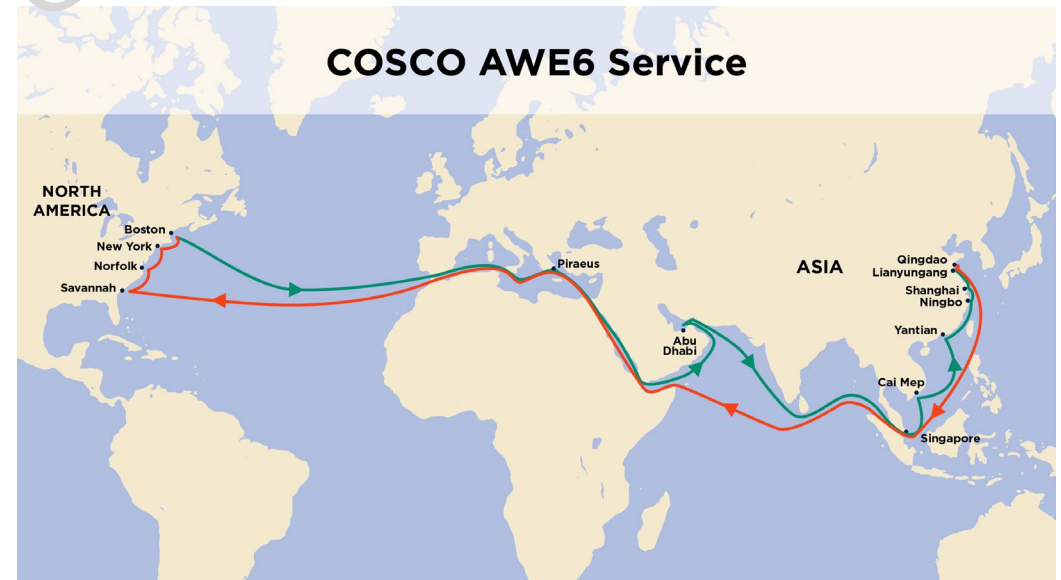
Conley Terminal handled more than 8,100 containers in September 2022

Monthly Containers - Actual and Forecast



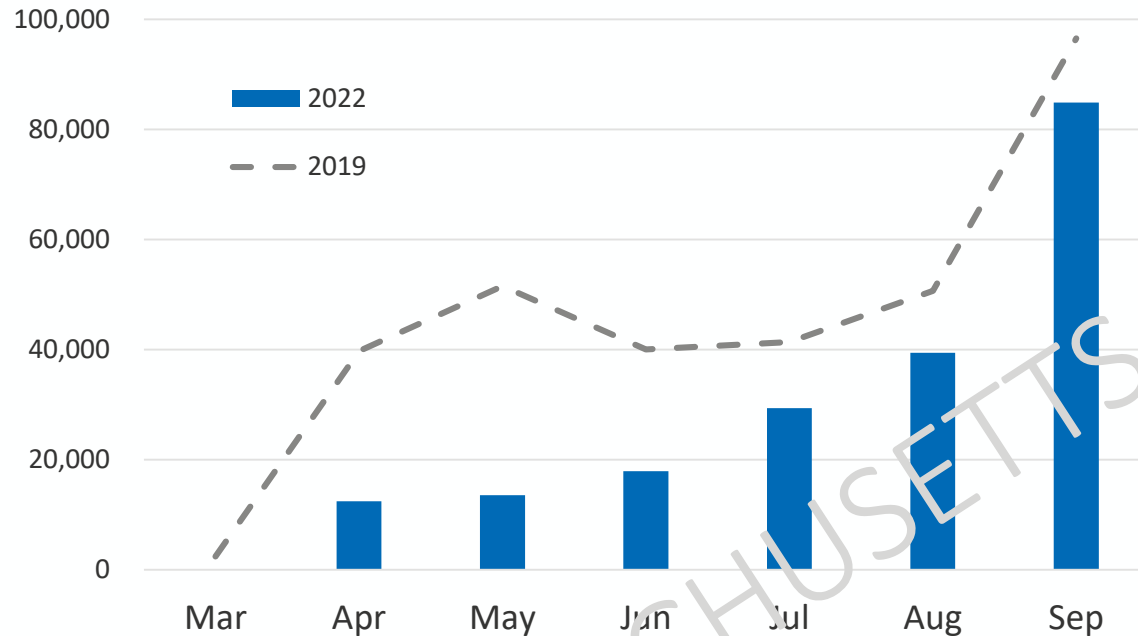
- Hurricane Fiona impacted schedules due to storm path affecting the US Southeast
- COSCO's AWE6 service arrived on October 18

COSCO AWE6 Service



Nearly 200,000 passengers have sailed through Flynn Cruiseport Boston this cruise season

**Flynn Cruiseport Boston Passengers
CYTD through September 2022**



- 39 vessels and nearly 85,000 passengers served during the month of September
- Six maiden calls and four 3-ship days
- October has 43 scheduled calls, including five 3-ship days
- Last cruise call of the 2022 season scheduled for November 15

Avg. Psgr. Sailing Capacity	47%	68%	82%	90%	95%	83%
	79% overall					

Strategic Plan

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Terminal B Customer Improvement

Dan Gallagher and Luciana Burdi

October 20, 2022

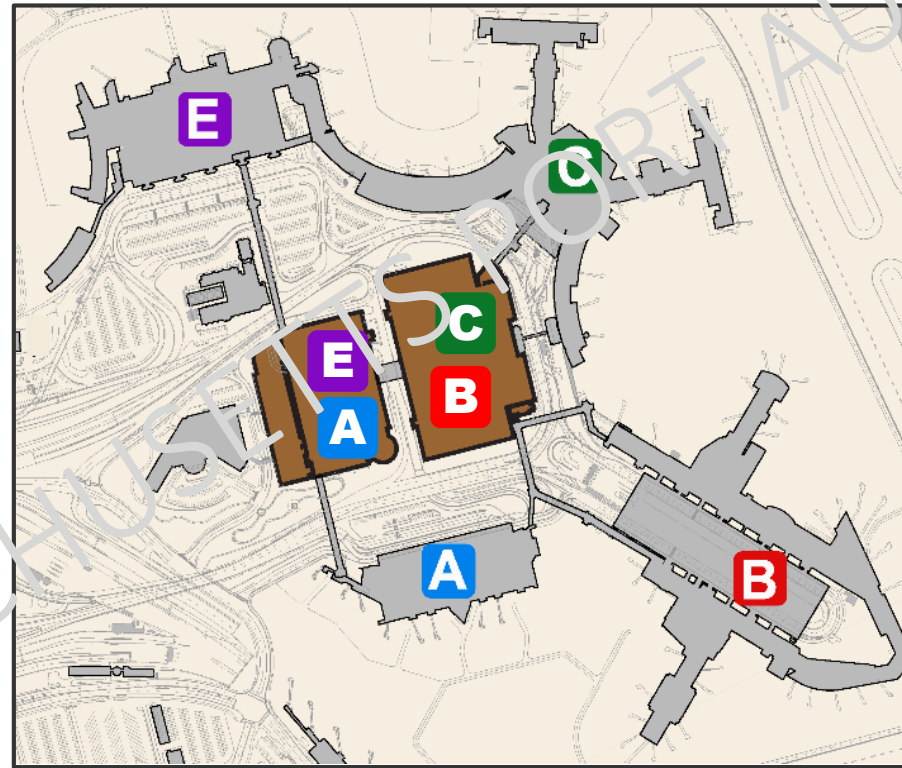


Consolidation of Ride Apps to Central Garage in 2019 responded to multiple challenges but did not provide the best customer service for Terminal B passengers

Challenges:

- Congestion
- Construction
- Capacity & Logistics

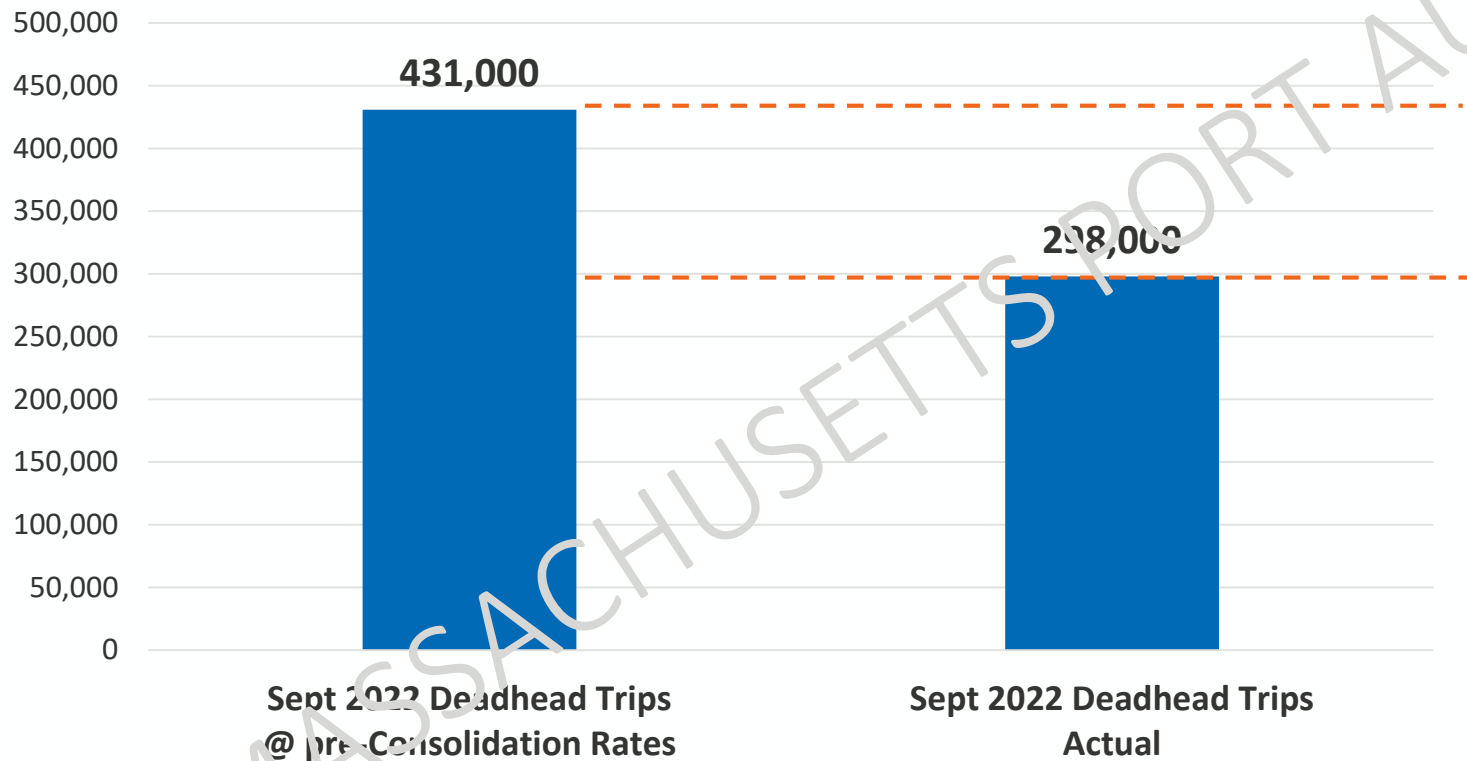
Opportunity:



- Passengers with disabilities continue to have curbside access at all terminals
- Ride App pickup and drop-off allowed on Arrivals Level (lower) curbs at Terminals A, B and E from 4:00am to 10:00am

Consolidation of Ride Apps to Central Garage aimed to reduce deadhead trips by over one million per year

Logan Airport Ride App Deadhead Trips, Pre-Consolidation to Central Garage vs Present

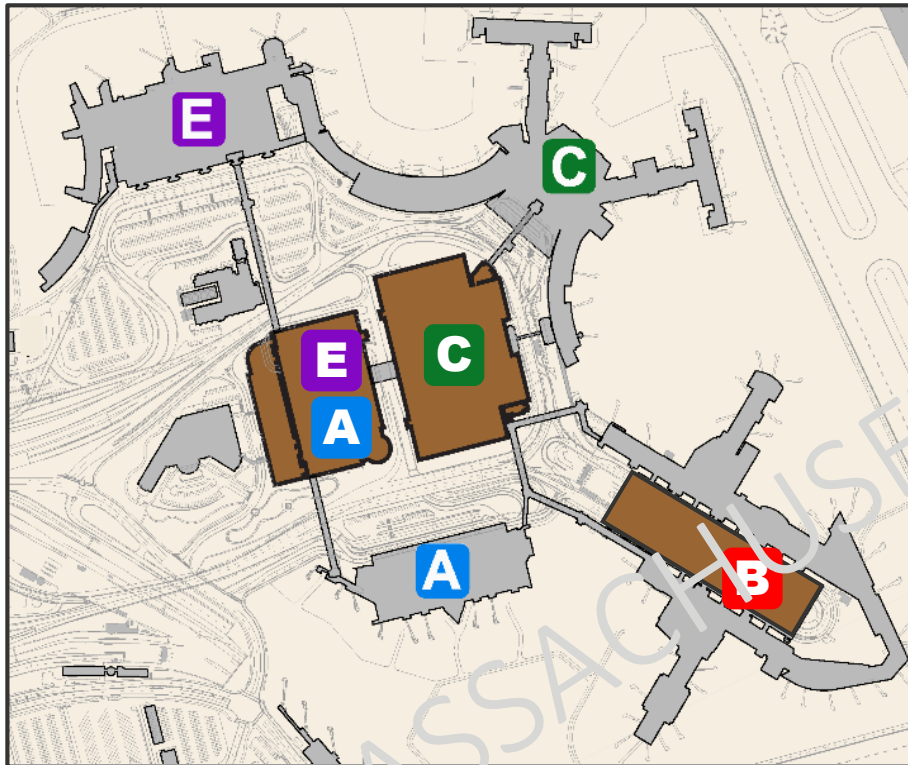


September 2022 impacts

- One-third fewer deadheads
- ≈4,400 trip reduction per day
- ≈133,000 trip reduction for month

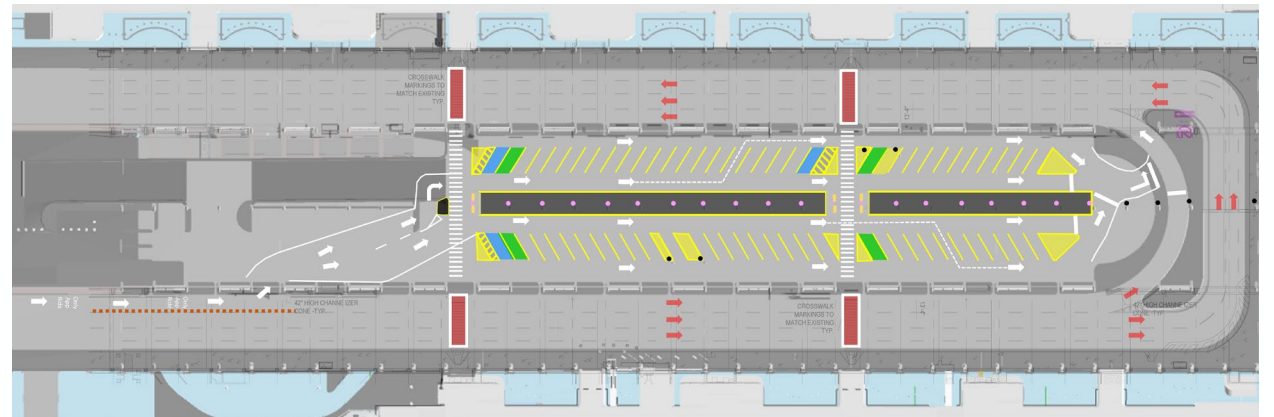
The Terminal B customer experience will be significantly improved by moving Ride App pickup/drop-off to the departures level of the Terminal B Garage

Ride App Pickup and Drop-off Locations (effective 11/16/2022)



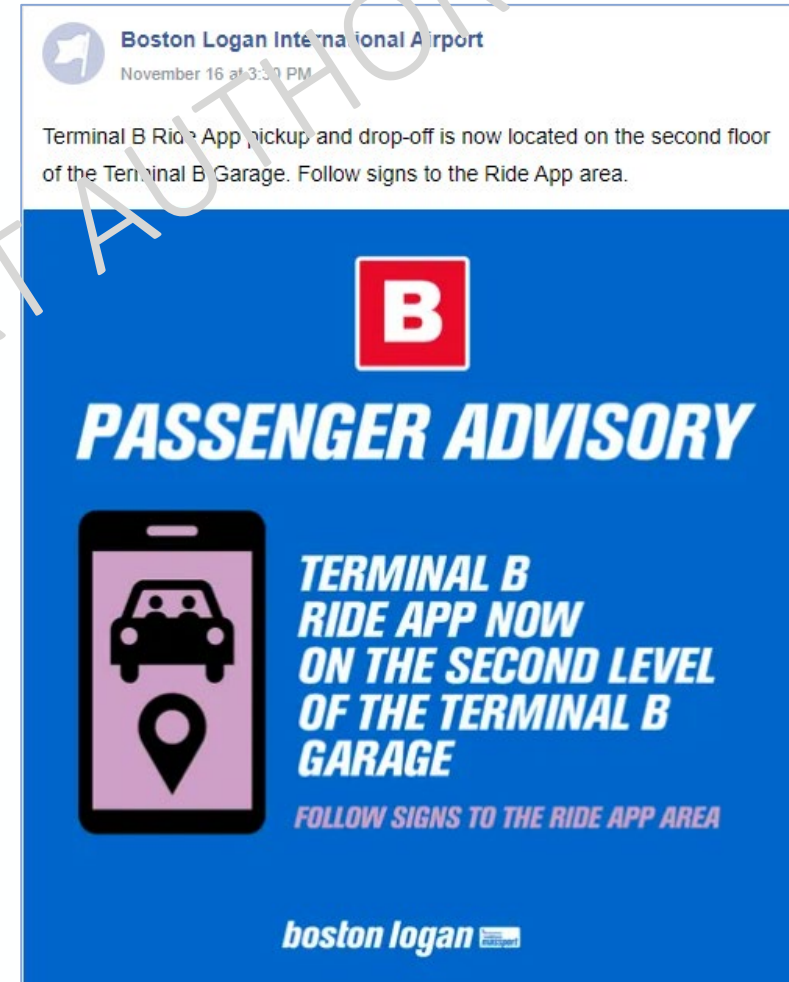
- Rematch will continue at Terminal B and all other Ride App locations
- Passenger pickup/drop-off will remain at Arrivals Level curbs for Terminals A, B and E from 4:00am to 10:00am
- Passengers with disabilities will continue to be accommodated at the Terminal curbs at all times
- **Project Timing: Wednesday, November 16**

Terminal B Departures Level (Upper)



Massport has a comprehensive communications plan to make Terminal B passengers and Ride App drivers aware of the changes

- Coordinating messaging with Airlines and Ride App companies (Uber/Lyft)
- Social media/online messaging
- Updated signage
- Volunteers and staff to assist passengers and drivers



The image shows a social media post from Boston Logan International Airport dated November 16 at 3:31 PM. The text of the post reads: "Terminal B Ride App pickup and drop-off is now located on the second floor of the Terminal B Garage. Follow signs to the Ride App area." Below the post is a blue sign with a red square containing a white letter 'B'. The sign reads "PASSENGER ADVISORY" in large white letters. To the left of the text is an icon of a smartphone displaying a car and a location pin. To the right of the icon, the text reads "TERMINAL B RIDE APP NOW ON THE SECOND LEVEL OF THE TERMINAL B GARAGE" in white, followed by "FOLLOW SIGNS TO THE RIDE APP AREA" in smaller white letters. At the bottom of the sign is the "boston logan" logo.

Safety and Security

MASSACHUSETTS PORT AUTHORITY

Hanscom Field Emergency Response Exercise

Hank Shaw and Sharon Williams

October 20, 2022



Hanscom Field undertook a multi-agency emergency response exercise

- Hanscom Field and Massport Fire-Rescue successfully conducted the triennial FAA-required full scale exercise with over 200 participants on October 4
- **Critical Objectives:** (1) Communications/Notifications; (2) Staging/Response; (3) Unified Command; and (4) EMS/Triage
- **Scenario:** Simulated Boeing 737 airplane crash during landing; blown tires; collapsed landing gear; 60+ souls onboard with mixed injuries

Partnerships:

- First triennial exercise at Hanscom to incorporate local law enforcement agencies
- 50+ Massachusetts Maritime Academy cadets served as role players allowing first responders to treat and triage victims with simulated injuries
- Manchester-Boston Regional Airport supported with exercise evaluation

Massport Participants:

- Hanscom Operations
- Massport Fire-Rescue
- Massport Care Team leadership
- Several Massport departments
- State Police

External Participants:

- Hanscom Air Force Base Fire Department & Security Forces
- Fire/law enforcement: Bedford, Lincoln, Lexington & Concord
- Armstrong Ambulance
- Action Ambulance



Training Update

Hank Shaw

October 20, 2022



National Intelligence Manager-Maritime visits Massport

Michelle Green and representatives from the Office of the Director of National Intelligence (ODNI) discuss intelligence sharing and maritime risks

Focus: To advance maritime intelligence integration, information sharing, and awareness to foster unity of effort to protect the U.S., its global interests, its allies, and its partners

- Cyber
- Terrorism
- Espionage
- Emerging threats

Purpose of the Port of Boston visit:

- Gain a better understanding of the intelligence sharing infrastructure
- Facilitate collaboration and dissemination
- Gather best practices to share with other maritime ports and partners

Visit and key takeaways included:

- Tour of Massport maritime facilities and seaport
- Proactive efforts to build and maintain partnerships and collaboration across maritime stakeholders
- Weekly maritime security meetings
- Strong connections with state/city fusion centers and direct engagement with federal partners including: Coast Guard, DHS I&A and CISA, CBP, and FBI



Preparedness training continues as a focal point across the Logan community

Hilton-BOS hosted active shooter awareness and response training

- **Run, Hide, Fight** – Both in the airport and hotel environments
- **See Something, Say Something** – Immediate reporting of incidents or activities out of the norm and where to report
- **Insider Threat** – Review indicators of “potentially” violent behaviors or threats, encourage reporting of suspicious behaviors within the workplace
- **Logan Airport ASHE Plan** – Unified Command, airside assembly, terminal evacuations, traffic management, emergency communications and trauma kits
- **Recent Incidents** – Events in San Diego, Dallas, and Las Vegas were reviewed to incorporate lessons learned

Emirates Airlines and partners exercise airline crash response

- Table Top Exercise brought together stakeholders to discuss roles and responsibilities
- Command and control structure of an ‘in the water’ aircraft incident
- Traffic control management and airport access for employees/victim families
- EOC activation, media staging and interface with Unified Command
- Family Assistance Centers - temporary site in terminal, CARE Team at the Hilton, transition to Airline GO Team upon arrival
- Anticipated follow-on investigation with initial FBI response and hand-over to NTSB



Human Resources, Diversity and Compensation

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Item 4. Director of Aviation Term

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Item 5. Chief Security Officer Term

Real Estate and Strategic Initiatives

Massport Marine Terminal Parcel 5A

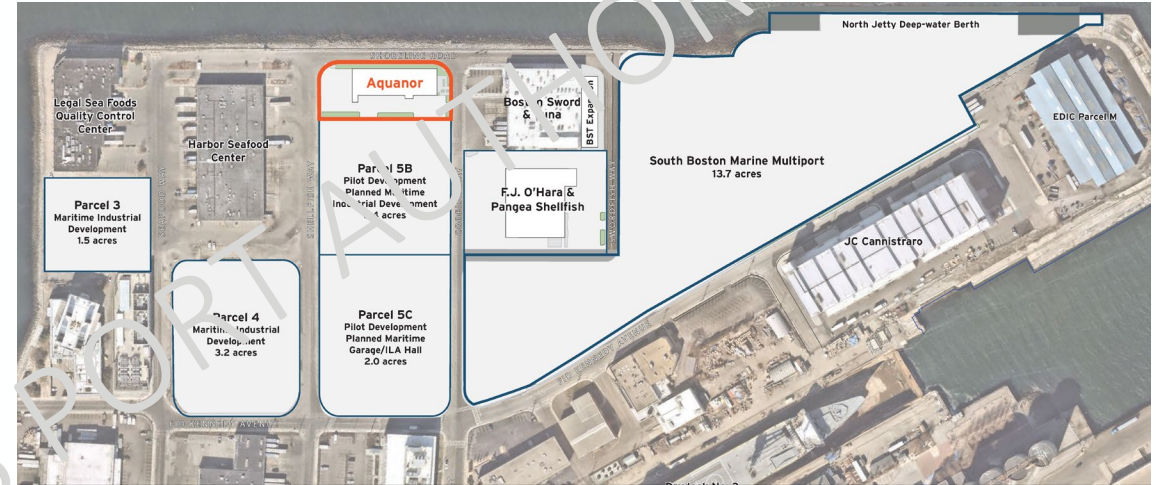
Andrew Hargens

October 20, 2022



Extending the Outside Closing Date for Aquanor Marketing will provide time to finalize project financing for Parcel 5A development

- Pilot Development has advanced plans for a 28,000-square foot seafood processing and distribution facility for Aquanor Marketing, Inc.
 - State-of-the-art plant
 - Multi-generation seafood company relocating from Widett Circle
 - Strengthens the South Boston seafood cluster centered at the MMT and keeps maritime industrial jobs in Boston
- Pilot and Aquanor have navigated more challenging financing requirements and rapidly escalating construction costs
- Outside Closing Date extension will allow adequate time to secure project financing
 - 6-month extension requested from October 31, 2022 to April 30, 2023



Massport Marine Terminal Parcel 6B

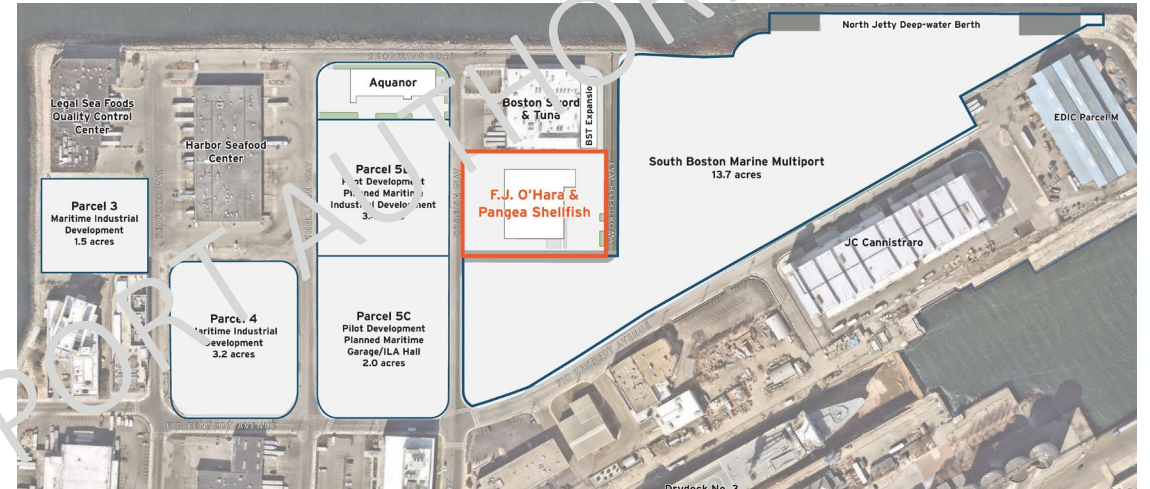
Andrew Hargens

October 20, 2022



Extending the Outside Closing Date for the proposed O'Hara/Pangea development will provide flexibility to respond to RFMP completion schedule

- Pilot Development and Marcus Partners are collaborating on a 35,000-square foot seafood facility for F.J. O'Hara & Sons and Pangea Shellfish Company
- O'Hara and Pangea are relocating from 310 Northern Avenue in the Raymond L. Flynn Marine Park (RFMP)
 - Marcus intends to redevelop 310 Northern Avenue and is providing significant financial support to the F.J. O'Hara/Pangea project
 - Marcus cannot proceed until the Marine Park Master Plan Update is fully permitted – expected in 2023
- Outside Closing Date extension needed for Parcel 6B
 - 12-month extension requested from December 31, 2022 to December 31, 2023
 - Commencing in January 2023 until lease execution



Audit and Finance

MASSACHUSETTS PORT AUTHORITY

MarketPlace Logan, LLC Terminal E Lease Amendment

Dan Gallagher

October 20, 2022



As per Lease, Massport offered new Terminal E concession premises (approximately 40,000 sf) to MarketPlace to lease and develop

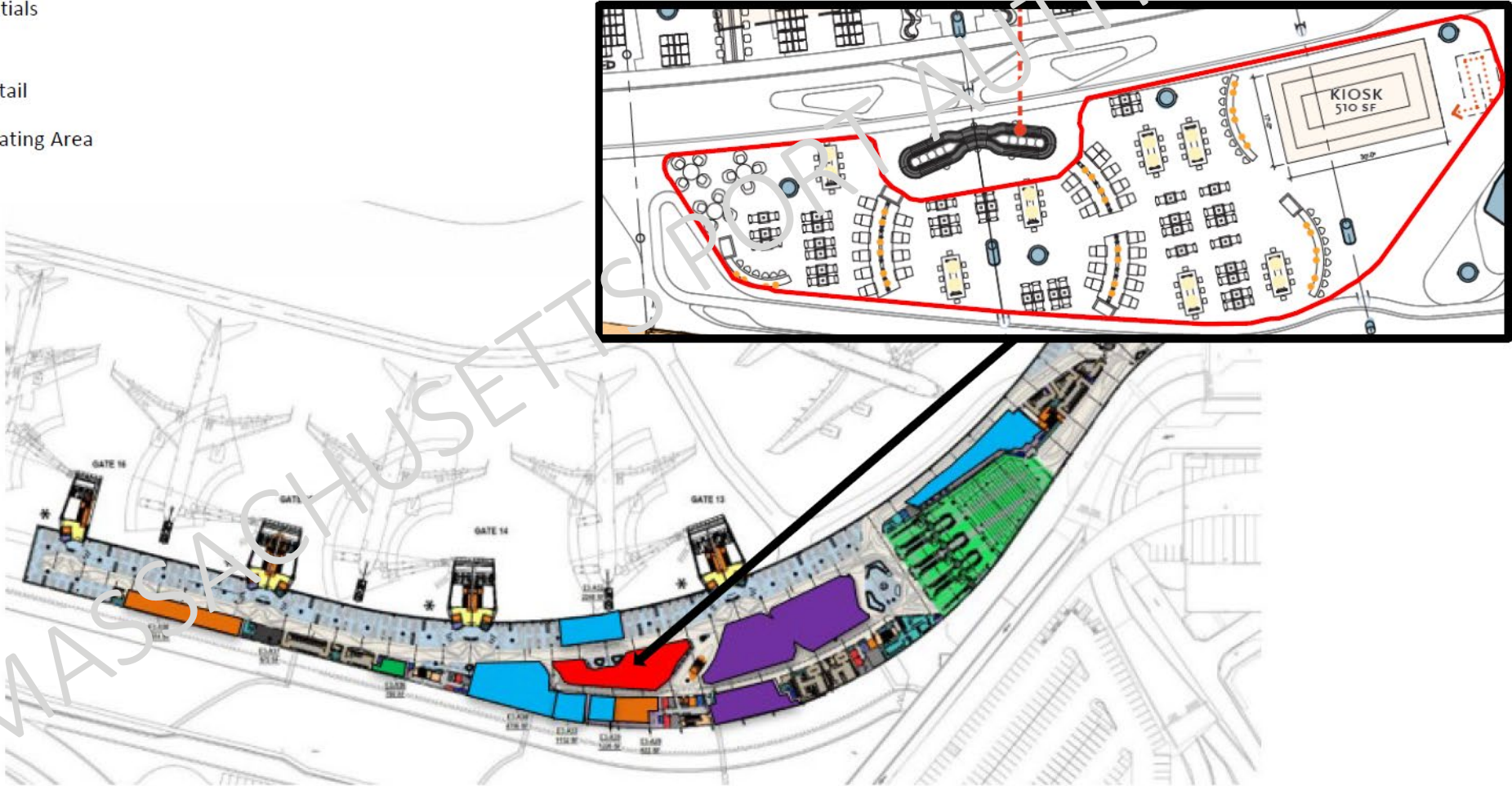
- MarketPlace has a Right of First Refusal to lease concession space at the Airport; Massport offered MarketPlace the New Terminal E concession premises
- Staff and MarketPlace negotiated amendment to Lease based on exercise of Right of First Refusal
- MarketPlace is in negotiations with a number of operators for potential concepts

Proposed Concession Program:

- Includes 11 Units (15,000 sf Food & Beverage, 20,000 sf Retail/Duty Free, 5,000 sf Support Space):
 - 6 Food & Beverage (1 Restaurant, 2 QSR, 1 Coffee, 2 Bars)
 - 2 Newsstands
 - 1 Specialty Retail
 - 2 Duty Free Units (majority of space open design)
 - Food Court Seating (to support Coffee Concept and 2 QSR Units) and Support Space

Terminal E Modernization Project – Food Court Seating Area

- Food & Beverage
- Travel Essentials
- Duty Free
- Specialty Retail
- Common Seating Area



Staff Recommendation

Staff recommends that Board approve a lease amendment to the Food & Beverage, News, Duty Free & Specialty Retail Concession Lease with MarketPlace to incorporate negotiated terms based on exercise of Right of First Refusal:

- Addition of the new Terminal E concession premises to the Lease
- Documentation of MarketPlace's investment of \$3 million plus its cost of capital
- Adjustment of MarketPlace's concession payment to Massport in recognition of MarketPlace's investment in the new concession premises
 - Not to exceed \$3 million plus cost of capital
- Waive per enplanement MAG for international enplanements in Terminal E for the earlier of three years or upon enplanements reaching 2019 levels

Peabody Logan Express New Short Term Lease

Dan Gallagher

October 20, 2022



Staff is recommending a 6-month term extension (January 1- June 30, 2023) as negotiations continue on a final location within the mall footprint

- Massport resumed hourly Peabody Logan Express service in February from a new location at the Northshore Mall
- The Northshore Mall offers passengers easy access from Route 128, I-95, Route 1 and other local roadways
- The new location is contributing to Peabody ridership exceeding pre-pandemic levels



Runway Realty Ventures (RRV) Land Swap and Access Agreement

Dan Gallagher and Sharon Williams

October 20, 2022



Massport Strategic Priorities 2025

Aviation

- Reimagined Customer Journey
- Adaptive Terminal E Use
- Terminal Connectivity
- Diversified Logan Operators/Airfield Land-Use Planning
- **Asset/Area Optimization and Repurposing**
- Worcester Rebound
- **Hanscom Operating Break-Even**

Maritime

- Full Global Connectivity & Diversified Service Mix
- Infrastructure Modernization
- Cruise Rebound
- Financially Self-Sustaining

Real Estate

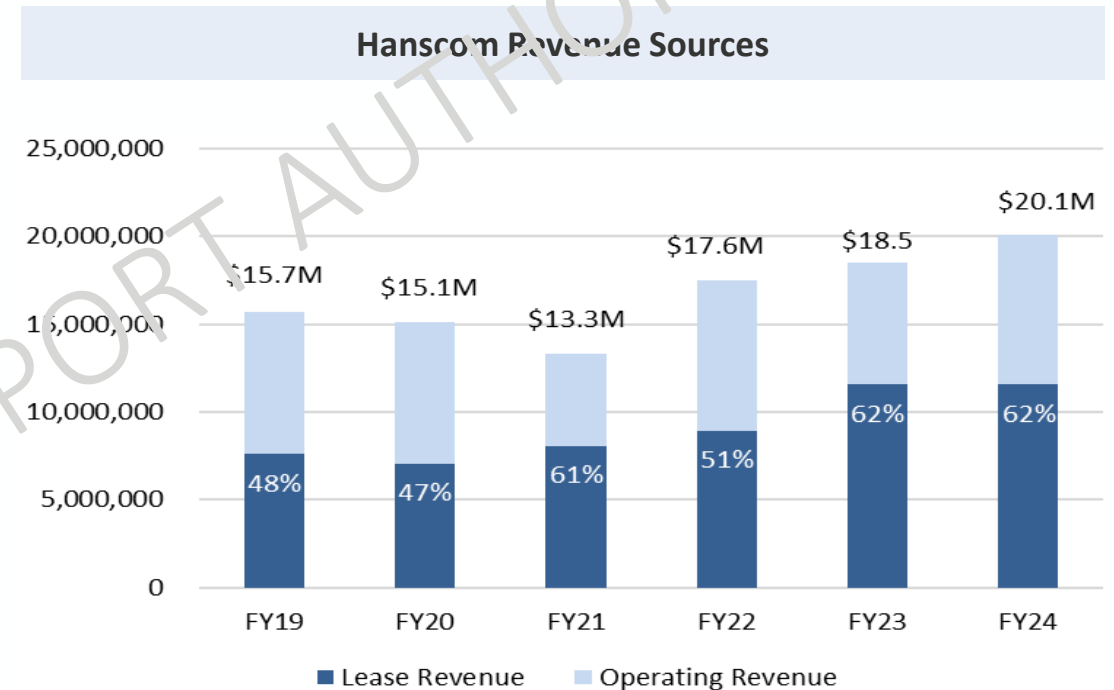
- Asset Optimization and Diversification
- Expanding the *Massport Model*
- Growth and Support of Maritime Industries and the Seafood Cluster
- Public Realm and Placemaking

Authority-Wide

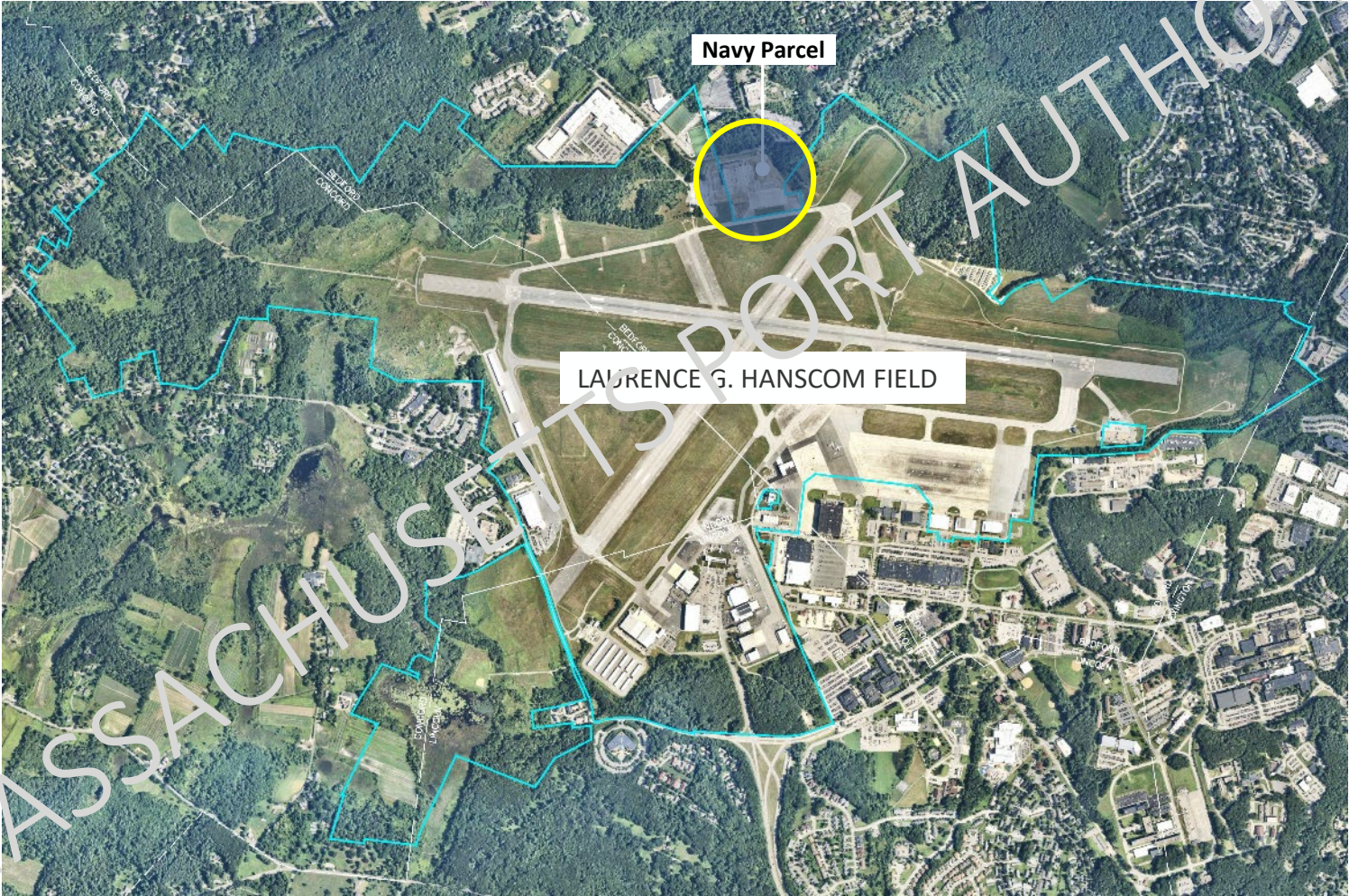
- Safety, Security & Health
- **Financial Sustainability**
- DE&I (Internally and Externally)
- Workforce Sustainability
- Climate Action Plan
- Technology Plan
- Operational Efficiency
- Transportation Access and Mobility
- Community Partnerships
- Telling our Story

Overview of Hanscom Field and Strategic Objectives

- Hanscom Field is the region’s premier full-service general aviation airport serving the diverse flying needs of Massachusetts-based businesses, educational institutions, professional and collegiate sports, air ambulance, and private flyers
- It plays a critical role in the regional aviation system as an FAA-designated general aviation reliever for Logan Airport
- Massport’s long-term strategy for Hanscom Field is to:
 - Facilitate developments compatible with Hanscom Field’s aviation mission
 - Enhance revenue generation so that Hanscom is break-even and less reliant on fluctuating operational activities



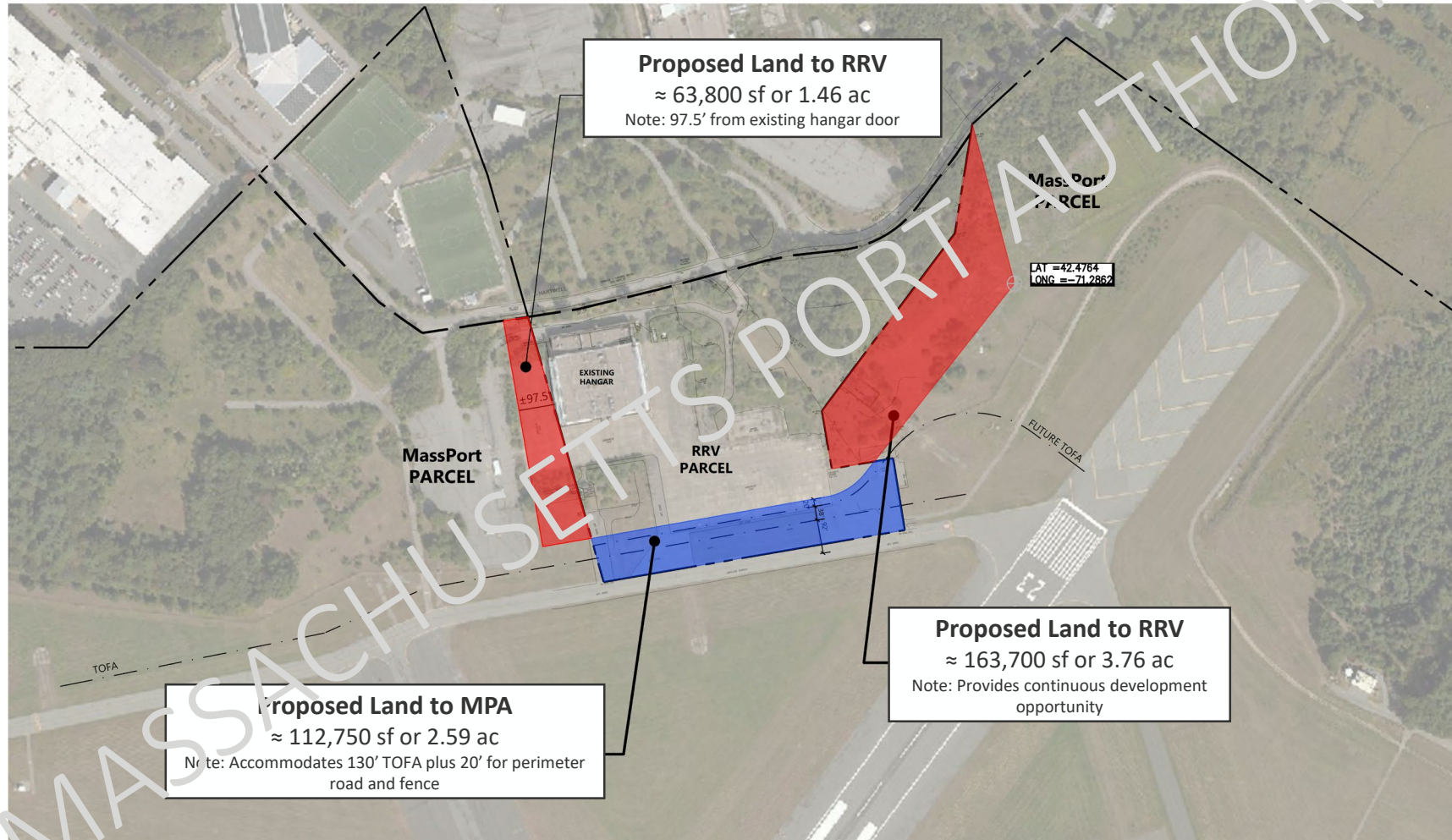
Hanscom Field – Former Navy Parcel



Background

- Runway Realty Ventures (RRV) acquired a parcel of land, located immediately adjacent to Taxiway Romeo, through a GSA public auction
- RRV subsequently approached Massport with a request to exchange Massport-owned land located east and west of the Navy Hangar parcel for land owned by RRV
- RRV also desires to gain access to Hanscom Field and is interested in entering into a through-the-fence agreement (“**TTF Agreement**”) with Massport that would permit RRV and aircraft owned or leased by its tenants to taxi their aircraft from the Navy Parcel “through-the-fence” to Hanscom Field
- There are several prerequisites and conditions before entering into the Land Swap and TTF Agreement
 1. **Land swap**
 - Highly regulated FAA approval process
 - Will require approvals from Board and the FAA
 - Disposition of original airport property requires Governor’s consent as per Massport’s Enabling Act
 2. **TTF Agreement**
 - Permitting off-airport users access to the physical airfield
 - Highly regulated FAA approval process
 - Requires fees, rents, operating rules and regulations to be equal to similar on-airport tenants

Land Swap



Land Swap Process

- Per FAA guidelines, all surveys and appraisals were completed for all involved parcels to establish legal descriptions and value
- Based on FAA-approved appraisals, the value of Massport's parcels exceeds the value of the RRV parcel by \$930,000; RRV shall contribute \$930,000 to the cost of a vehicle service road on Hanscom Field and complete construction of the service road
- RRV will be responsible for all costs associated with the design, permitting and construction of a taxi lane from the Navy Parcel to Hanscom Field, as well as any modification to the perimeter fence or other required infrastructure

Access Agreement (Through-the-fence)

- Access Agreement will require FAA approval and will be void if land swap not completed
- Proposed use of the Navy Parcel will be for General Aviation hangar use with possible Museum (Navy Hangar)
- **Term:** 20 years, plus four five-year options, subject to FAA approval
- **Access Fee:** In accordance with FAA guidelines, staff is proposing a rate of \$3.25 per square foot per year (comparable to similarly situated tenants) and applies to square footage of the Navy Parcel in connection with aeronautical use
- RRV will be assessed any other fees and charges on a non-discriminatory basis in accordance with standard rates established by the Authority from time to time for all similarly situated tenants leasing hangar space at Hanscom Field

Staff recommendation

- Staff recommends that the Board authorize staff to execute and deliver a land swap agreement and take all steps necessary to complete the land swap and execute and deliver an airport access agreement with Runway Realty Ventures, LLC, in accordance with the vote and term sheet presented to the Board

Independent Audit

Massport FY22 Audited Financial Statements

John Prankevicius

October 20, 2022



FY 2022 Financial Statement Highlights

- Ernst & Young (EY) issued a **“clean (unmodified) opinion”**, no material weaknesses
- The Authority’s financial position benefited from Logan Airport’s 31.1 million passengers, an emphasis on expense controls, and a measured approach to service restoration
- **FY 2022 Highlights:**
 - ✓ Revenue was **\$828M, 25% higher than prior year**
 - ✓ Expenses increased only **1.5% to \$722M (including depreciation expense)**
 - ✓ Operating income was **\$106 million, or 13% of revenue, reversing last year’s 8% loss, and was used to finance the FY2022-FY2024 Capital Program**
 - ✓ The Authority’s **Balance Sheet (Net Position) increased 10%**, aided by grants, non operating revenues and operating income
 - ✓ **Cash flows increased 17%** as collections increased, business activity improved, and costs were controlled

FY 2022 Revenues were \$828M, 25.1% above prior year

- **Logan Airport: \$712.5M, a 36.2% increase, or \$189M**
 - Passenger volume drove variable based revenues higher
 - Parking revenue **up \$98.7M**, Concessions **up \$60.4M**, rental car revenue **up \$16M**, Ground Transportation revenues (LEX, Ride App, other) **increased \$5.3M**
 - Airline Rates & Charges increased \$12M, or 4%, to reflect expenses adjusted to meet passenger demand
- **Hanscom produced \$22.9M in revenue, up 25%, or \$4.6M**
 - More operations drove activity based fees higher. Ground rents benefited from new leases
- **Worcester Airport generated \$2.3M in revenue, up 28%, or \$.5M**
 - Landing fees, terminal rents, and fuel flowage increased with the return of commercial service
- **Maritime: \$54.2M, a 32% decrease from lower container volume**
 - Conley generated \$40M, \$29M less than the year prior
 - Flynn Cruiseport reopened for business in FY 2022, resulting in \$1.7M of revenue, and maritime real estate added \$1.1M in revenue
- **Real Estate: \$36.1M, \$1.7M or 4.5% decrease from prior year**
 - Parking and other revenues increased \$5.0M while rental revenue decreased \$7M to account for one time transaction rent

FY 2022 Expenses increased only 1.4%, to \$722M

- **Logan expenses were \$251M, a \$23M increase** was necessary to restore service and match passenger demand
 - Terminal expenses increased \$12M to address added cleaning frequencies, increased elevator/escalator use, and facility maintenance
 - On-airport Shuttle bus and LEX added \$6.2M in expenses to accommodate increased ridership
 - Energy expenses increased by \$6.7M from more terminal operating hours and higher energy costs
- **Worcester and Hanscom expenses were \$20.4M, a \$3.2M increase** due to restoration of commercial service and increased operations
- **Maritime & Real Estate expenses were \$64.5M, down \$3.2M** from reduced container volumes, offset by SBWTC parking operations and development review expenses
- **G&A and Other Expenses were \$65.5M, down by \$16.7M, or 20%**
 - G&A expense was down \$3.3M as a result of reduced headcount; technology investments and professional fees were higher
 - Pension and OPEB expense were \$15M lower due to strong investment returns
- **Depreciation expense increased \$4M, or 1%, to \$320M**

Operating Income turned positive at \$106M, or 13% of revenue, compared to a \$49M loss in FY 2021

<i>(in Millions)</i>	FY22	FY21 (Restated)	\$ Change	% Change
Revenue	\$828	\$662	\$166	25.1%
Expenses	<u>(\$722)</u>	<u>(\$711)</u>	<u>(\$11)</u>	<u>1.5%</u>
Operating Income/(Loss)	\$106	(\$49)	\$155	316%
Non Operating Income, net	\$103	\$104	(\$1)	(0.9%)
Capital Contributions	<u>\$57</u>	<u>\$62</u>	<u>(\$5)</u>	<u>(8%)</u>
Change in Net Position	\$266	\$117	\$149	127%

- **Non Operating Income was \$103M for the year, a \$1.0M decline**
 - PFCs, CFCs, and Interest Income were up \$52.6M
 - Federal Cares Act and CRSSA accruals were \$115.5M, down \$5.6M
 - Lease interest income recorded was \$36.7M, up \$7.0M
 - Interest expense on bonds and leases paid increased \$7.4M
 - Rising interest rates resulted in a \$60M fair value loss on investments
- **Capital Contributions from federal & state grants totaled \$57M, down \$5.3M, as major grant-funded projects at Logan and Worcester were completed**

FY 2022 Balance Sheet influenced by the GASB 87 new lease accounting requirements

Total Assets of \$8.8B increased \$1.0B, or 13.2%

- \$533M in lease receivables from five new or amended lease transactions
- \$276M increase in capital assets placed into service in FY 2022
- \$248 million increase in investments made by the Authority

Total Liabilities of \$3.7B increased \$156M, or 4.4%

- \$166.2M increase in long-term lease liabilities primarily from MMT amendment
- Accounts payable increased \$45.3M from over-collections of airlines fees
- Bonds payable decreased (\$26.6M) from the pay down of Commercial Paper program

Deferred Inflows of Resources increased to \$2.275B, up 35%

- Deferred revenue from leases increased \$567M from five new or amended leases
- Deferred gains from Pension and OPEB investments increased \$27.5M

The Authority's Net Position grew by \$266.0M, or 10.0%, to \$2.9B

- Non-operating income of \$103M, Federal/State Capital Contributions of \$57M, and the Authority's operating income of \$106M contributed to the change in net position

The Authority's cash liquidity position improved 17.4%

Analysis of the Authority's Cash Flow Statement: Net Cash increase/(decrease) (in Millions)

	<u>FY22</u>	<u>FY21</u>	<u>Change</u>	<u>Observations</u>
Operating Activities & Airport Relief	\$552	\$297	\$255	<ul style="list-style-type: none"> • 19M more Logan passengers
Capital & Financing Activities	(\$375.5)	(141.2)	\$234.3	<ul style="list-style-type: none"> • Cash used for capital project expenses and debt payments • No FY 2022 bond sale
Investing Activity	(\$98.5)	(\$201)	(\$102.5)	<ul style="list-style-type: none"> • Cash generated from operations was invested
Net Cash Increase/(Decrease)	\$77.8	(\$45.3)	\$123.1	<ul style="list-style-type: none"> • Improved liquidity

17.4% increase in cash collections, higher business activity, and controlled costs

Accounting for leases – what does this mean ?

Governmental Accounting Standards Board Statement No. 87 (“GASB 87”)

- The value of eligible Massport lease agreements will now be recognized on our financial statements (Balance sheet)
- Value is derived by calculating the Net Present Value (NPV) of the **cash lease payments received (or expensed) over the life of the agreement**
 - Lease software used to perform this calculation has been beneficial
- The NPV of each agreement is amortized equally over the life of the agreement to determine the **annual lease** revenue (or expense) to be recognized each year on Massport’s Income Statement
- A new Lease Interest Income account was added to Massport’s income statement
 - Lease interest income is calculated using the NPV of the entire contract balance multiplied by Massport’s borrowing rate at the measurement date of the contract
- The sum of a contract’s annual cash lease payments (expense) received under the agreement will equal the total lease revenue and lease interest income recorded on Massport’s income statement

Conclusions

- **Clean (unmodified) audit opinion** from EY and Davis Kelly team
- **Accounting staff did an excellent job implementing the new GASB 87 Lease Standard and meeting the September 30 deadline**
- Massport's financial performance improved as the public's propensity to travel increased; we also continued our costs controls and restored service, where needed, to keep pace with demand
 - The team reversed last year's losses and the income was used to fund the FY2022-FY2024 Capital Program
 - The Authority's Balance Sheet (Net Position) increased 10% from various non operating revenues, capital contributions, and income that is being used for capital asset investment
 - The Authority's liquidity position increased 17% as cash flows from collections increased, business activity improved, and costs were controlled
- First quarter performance for FY 2023 is ahead of plan, providing a buffer against global, economic, and interest rate risks

Assent Agenda

MASSACHUSETTS PORT AUTHORITY