



## UPDATE TO VOLUNTARY STATEMENT REGARDING IMPACTS OF COVID-19

*Relating to:*

### MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Senior Airport Revenue Refunding Bonds, Series 2016A (Non-AMT)  
Senior Airport Revenue Bonds, Series 2016C (Non-AMT)  
(collectively, the “**Senior Bonds**”)

Subordinate Airport Revenue Refunding Bonds, Series 2014A (Non-AMT)  
Subordinate Airport Revenue Refunding Bonds, Series 2014B (AMT)  
Subordinate Airport Revenue Refunding Bonds, Series 2016B (Non-AMT)  
Subordinate Airport Revenue Bonds, Series 2016D (Non-AMT)  
Subordinate Airport Revenue Bonds, Series 2016E (Taxable)  
Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019A (Governmental/Non-AMT)  
Subordinate Airport Revenue and Revenue Refunding Bonds, Series 2019B (Private Activity/AMT)  
Subordinate Airport Revenue Refunding Bonds, Series 2019C (Private Activity/Non-AMT)  
(collectively, the “**Subordinate Bonds**”)  
Base CUSIP: 603827

**Dated: February 1, 2022**

*On September 9, 2021, the Metropolitan Airports Commission (the “**Commission**” or “**MAC**”) provided an “Update to Voluntary Statement Regarding Impacts of COVID-19” (the “**September 2021 Statement**”), which described some of the impacts that the COVID-19 pandemic had, and continued to have, on passenger traffic at Minneapolis-St. Paul International Airport (the “**Airport**”) and on the Commission’s finances, and described some of the actions that the Commission had taken, and was taking, in response to the pandemic. This Update to Voluntary Statement Regarding Impacts of COVID-19 (this “**Update**”) is being furnished by the Commission to provide certain updates with respect to passenger traffic at the Airport and the Commission’s finances that have occurred since the September 2021 Statement. The filing of this Update is made voluntarily by the Commission, without an intention to provide any update to this Update or its subject matter or to file similar voluntary statements in the future. Any obligation to do so is expressly disclaimed.*

## **Background**

Over the past twenty-two months, the worldwide outbreak of novel coronavirus SARS-CoV-2 (“*COVID-19*”) has caused, and continues to cause, disruptions to domestic and international air travel. The virus has also impacted the conduct of day-to-day business in the United States and throughout the world. The United States government and governments of other countries are monitoring the virus to determine travel restrictions and warnings. The Omicron variant is causing new uncertainty in the marketplace and could potentially soften the market for travel in certain destinations. MAC continues to closely monitor the effects of the COVID-19 pandemic and is prepared to adapt as necessary.

The Commission has invested and continues to invest resources in an enhanced cleaning regimen at the Airport, including the formation of high-touch-point disinfection teams to focus on cleaning door handles, light switches, restroom fixtures, elevator call buttons, handrails, and Transportation Security Administration passenger screening tables, bins, and baggage rollers. In addition, the Commission has instituted overnight electrostatic disinfectant spraying – commonly referred to as fogging – in the public spaces of both Terminals 1 and 2 at the Airport to enhance passenger safety.

MAC continues to work with its partners to provide a Minnesota Department of Health testing site at the Airport, a free COVID-19 testing site open to the public. In addition, for the travelers, volunteers, and employees a *Wondertest* location at the Airport offers Antigen, NAAT and RT-PCR testing for a fee.

## **Enplanements**

During calendar year 2021, enplanements at the Airport decreased by 36.4% as compared to calendar year 2019. The following table shows monthly enplanements at the Airport for calendar years 2019, 2020 and 2021 and percent change from 2021 compared to 2019.

### **Minneapolis-St. Paul International Airport Enplanements 2019, 2020 and 2021 Calendar Years**

| <b>Month</b> | <b>2019</b>       | <b>2020</b>      | <b>2021</b>       | <b>% Change 2021 vs. 2019</b> |
|--------------|-------------------|------------------|-------------------|-------------------------------|
| January      | 1,385,714         | 1,472,573        | 549,637           | (60.3%)                       |
| February     | 1,323,615         | 1,438,475        | 575,313           | (56.5%)                       |
| March        | 1,778,471         | 831,321          | 882,993           | (50.4%)                       |
| April        | 1,517,998         | 70,492           | 805,280           | (47.0%)                       |
| May          | 1,662,439         | 138,760          | 1,023,836         | (38.4%)                       |
| June         | 1,827,624         | 254,312          | 1,208,821         | (33.8%)                       |
| July         | 1,918,669         | 472,528          | 1,435,263         | (25.2%)                       |
| August       | 1,915,988         | 567,563          | 1,323,396         | (30.9%)                       |
| September    | 1,629,734         | 519,169          | 1,165,077         | (28.5%)                       |
| October      | 1,699,277         | 587,602          | 1,244,927         | (26.7%)                       |
| November     | 1,486,197         | 504,130          | 1,197,837         | (19.4%)                       |
| December     | <u>1,637,654</u>  | <u>558,278</u>   | <u>1,166,953</u>  | <u>(28.7%)</u>                |
| Total        | <u>19,783,380</u> | <u>7,415,203</u> | <u>12,579,333</u> | <u>(36.4%)</u>                |

Source: Metropolitan Airports Commission

## **Financial Condition and Liquidity**

**General.** The Commission continues to experience a decrease in revenues compared to 2019 levels because of the COVID-19 pandemic. The Commission’s revenues are mainly dependent on aviation activity and passenger traffic at the Airport, the financial performance of the concessionaires and rental auto companies serving the Airport and the overall financial health of the airline and travel industries.

**Federal Aid Related to COVID-19.** Over the last two years, the United States government has taken legislative and regulatory actions and has implemented measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), approved by the United States Congress and signed by the President on March 27, 2020, includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. The Commission was awarded approximately \$125.9 million in CARES Act funds (the “**CARES Act Funds**”), not including an additional amount increasing the federal share to 100% for federal fiscal year 2020 Airport Improvement Program (AIP) grants. The Commission has received approximately \$112.4 million of the CARES Act Funds and submitted a reimbursement request for the remaining approximately \$13.5 million in December 2021. Once the Commission receives the final \$13.5 million (expected in early 2022) it will have received all of its CARES Act Funds.

On March 13, 2020, the President declared the ongoing COVID-19 pandemic of sufficient severity to warrant an emergency declaration for purposes of obtaining disaster assistance through the Public Assistance program administered by the Federal Emergency Management Agency (“**FEMA**”). The Commission has taken appropriate measures to ensure it will be able to apply for FEMA funding at the appropriate time. The Commission anticipates receiving approximately \$3 million in FEMA funding during 2022.

On December 27, 2020, the President signed into law the Coronavirus Response and Relief Supplemental Appropriation Act (“**CRRSAA**”). CRRSAA provides \$2 billion in funds to U.S. airports and eligible concessions at those airports. The Commission was awarded approximately \$33.6 million in CRRSAA funds, including approximately \$4.1 million in concession relief. The Commission received the \$4.1 million in concession relief on December 21, 2021. The Commission submitted a reimbursement request to draw the remaining \$29.5 million of the CRRSAA funds in December 2021. Once the Commission receives the final \$29.5 million (expected in early 2022) it will have received all of its CRRSAA funds

On March 11, 2021, the President signed into law the American Rescue Plan Act (“**ARPA**”). ARPA provides \$8 billion in funds to U.S. airports and eligible concessions at those airports. The Commission was awarded approximately \$135.3 million of ARPA funds, including approximately \$16.4 million in concessions relief. To date, the Commission has not drawn any of the ARPA funds and anticipates using the funds over the next couple of years subject to the Commission’s performance in 2022 and beyond.

Additionally, on November 15, 2021, the President signed into law the Infrastructure Investment and Jobs Act (“**IJA**”). IJA provides \$15 billion in funds for airport-related projects and another \$5 billion for terminal development projects. The MAC estimates it will be eligible to receive approximately \$38 million each year for five years for airport-related projects. The MAC is reviewing the eligibility of projects and a strategy to maximize the utilization of the grant funds.

The Commission continues to evaluate and seek other available sources of state and federal aid as they become available.

***Estimated Financial Results and Availability of Funds.***

***Liquidity and Available Funds for Operations and Debt Service on Senior and Subordinate Bonds.***

As of November 30, 2021, the Commission had the following unrestricted funds and investments on hand that could be used for all operating expenses of the Commission and to pay debt service on its Senior and Subordinate Bonds.

**Unrestricted Cash and Investments**

|  |                  |
|--|------------------|
| Cash and investments                           | \$167,028,611    |
| Cash designated for capital projects           | 26,956,502       |
| Operation and Maintenance Reserve Account      | 106,251,681      |
| Other  | <u>1,139,147</u> |
| <i>Total Unrestricted Cash and Investments</i> | \$301,375,941    |

In addition to the unrestricted funds and investments, the Commission had the following restricted funds and investments on hand (or held by the bond trustees) as of November 30, 2021:

**Restricted Cash and Investments (excluding Customer Facility Charges)**

|  |                  |
|--|------------------|
| Passenger Facility Charges                         | \$35,707,855     |
| Bond proceeds held by Trustees – Construction      | 110,539,537      |
| OPEB Trust Fund                                    | 77,744,129       |
| Line of Credit – Construction                      | 3,027,326        |
| Debt Service Funds held by Trustees – Debt Service | 8,058,565        |
| Debt Service Reserve Funds held by Trustees        | 114,947,891      |
| Police Funds                                       | <u>2,199,226</u> |
| <i>Total Restricted Cash and Investments</i>       | \$352,224,529    |

On September 3, 2021, the Commission entered into a credit agreement with CN Financing, Inc. (a subsidiary of City National Bank), which provides the Commission a \$150 million revolving line of credit for a three-year term. The Commission expects to use the revolving line of credit to provide interim financing for capital projects. As of the date hereof, the Commission had drawn approximately \$113 million on the CN Financing revolving line of credit.

**Fiscal Year 2022 Budget**

On December 20, 2021, the Commission adopted its budget for the year ending December 31, 2022 (the “***Fiscal Year 2022 Budget***”). In the process of developing the Fiscal Year 2022 Budget, the Commission engaged in numerous industry discussions regarding the projected impacts of the COVID-19 pandemic on the aviation industry and the Airport. The revenues and expenses included in the Fiscal Year 2022 Budget assume that enplanements at the Airport will be approximately 15.8 million. This represents a 22.7% increase from the estimated Fiscal Year 2021 enplanements and a 20% reduction from the enplanements for the year that ended December 31, 2019.

Following are some of the key components of the Fiscal Year 2022 Budget:

2022 Adopted Budget Targets:

- The Commission will maintain a coverage ratio of at least 2.4x on the Senior Bonds and an overall coverage ratio on the combined Senior and Subordinate Bonds of at least 1.4x.
- The Commission will maintain a minimum of a six-month Operating Fund Reserve.
- The Airline Cost Per Enplaned Passenger (CPE) will be in the lower one-third of large hub airports.
- The budget will have the financial resources to operate the Commission's system of airports, meet its debt service obligations, and fund its reserves and capital requirements.

Operating and Non-Operating Budget Summary:

- Operating and non-operating revenues are budgeted to be \$381.9 million (an increase of \$42.1 million or 12.4% compared to the Fiscal Year 2021 Budget).
- Airline revenues are budgeted to be \$132.1 million (an increase of \$0.9 million or 0.6% compared to the Fiscal Year 2021 Budget). Much of the increase is attributable to the passenger activity forecast and higher operating expenses related to airfield and terminal costs. Airline rates and charges were reduced to align overall costs with those that were budgeted in 2021. This will be accomplished by reducing airfield and ramp cost centers by \$5.7 million and terminal credits in the amount not to exceed \$5.3 million. MAC expects to seek reimbursement in the amount of \$11 million from ARPA funds to offset these adjustments.
- Non-airline revenues are budgeted to be \$228.6 million (an increase of \$28.4 million or 14.2% compared to the Fiscal Year 2021 Budget). The increase includes \$6.5 million in terminal concessions revenue reflecting the increasing passenger activity forecast and expecting full minimum annual guarantee (MAG) rents in 2022. In addition, parking revenue is budgeted to increase \$17.1 million due to the increasing passenger activity forecast.
- Non-operating revenues are budgeted to be \$21.2 million (a net increase of \$12.9 million compared to the Fiscal Year 2021 Budget). The increase in non-operating revenues includes \$11 million in grant reimbursements from the ARPA grant. The grant reimbursement will ensure that airline rates and charges are held consistent with 2021.
- Operating expenses are budgeted to be \$215.0 million (an increase of \$20.5 million or 10.5% compared to the Fiscal Year 2021 Budget). The increase in operating expenses as compared to the Fiscal Year 2021 Budget include the following:
  - A \$6.5 million increase of personnel expenses related to hiring approximately 30 additional people (positions previously frozen in 2021) and salary adjustments;
  - A \$0.7 million increase for additional security related services based on the 2022 enplanement forecast;
  - A \$1.6 million increase in utilities based on the 2022 enplanement forecast;
  - A \$1.6 million increase in various service agreements;

- A \$2.2 million increase in cleaning-related activities based on the 2022 enplanement forecast;
- A \$1.7 million increase in building maintenance based on the 2022 enplanement forecast; and
- A \$1.7 million increase in airline incentives in 2022 to grow and enhance air service.

**2022 to 2024 Capital Improvement Program**

The 2022 to 2024 Capital Improvement Program (CIP) was adopted on December 20, 2021. The CIP includes over \$1 billion in projects. Additional details regarding the CIP can be found in the material presented to the Planning, Development and Environment Committee at its meeting on December 6, 2021 (such materials can be viewed on the MAC’s website at www.metroairports.org). The largest categories of funding include MSP’s long-term comprehensive plan projects (33% of funding), MSP’s end of life/replacement projects (23% of funding), MSP’s maintenance and facility upgrade projects (18% of funding), and ongoing maintenance programs (15% of funding). The remaining categories include Reliever airports, IT projects, Noise Mitigation, and tenant projects.

**Fiscal Year 2021 Unaudited YTD Monthly Finance Report**

Total unaudited operating revenue through November 2021 is under budget by \$20.4 million or 6.7 percent. Total unaudited operating expenses are under budget by \$5.5 million or 3.4 percent.

**Monthly Financial Report**

**As of November 2021**

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|                                  | Year to Date |            |             |          |
|----------------------------------|--------------|------------|-------------|----------|
|                                  | 2021         | 2021       | \$          | %        |
|                                  | Actual       | Budget     | Variance    | Variance |
| Total Operating Revenue          | \$ 285,426   | \$ 305,890 | \$ (20,464) | -6.7%    |
| Total Operating Expenses         | 159,892      | 165,438    | 5,546       | 3.4%     |
| Net Operating Revenue            | \$ 125,534   | \$ 140,452 | \$ (14,918) | -10.6%   |
| Non-Operating Revenue/(Expenses) | (9,490)      | (33,012)   | 23,522      | 71.3%    |
| Net Revenue                      | \$ 116,044   | \$ 107,440 | \$ 8,604    |          |

**Important Notes Regarding this Update**

*Notwithstanding anything in this Update to the contrary, the Commission cannot predict (a) the duration or extent of the COVID-19 pandemic; (b) the duration or expansion of travel restrictions and warnings; (c) whether additional countries or destinations will be added to the travel restrictions or warnings; (d) what long- and short-term effect the COVID-19 pandemic-related travel restrictions or warnings may have on demand for air travel, including to and from the Airport, and on the Commission’s costs or revenues; (e) to what extent the COVID-19 pandemic will continue to disrupt the local or global economy, manufacturing or supply chain, or to what extent any such disruption will adversely impact*

construction or other operations at the Airport; (f) to what extent the COVID-19 pandemic may result in changes in demand for travel or impact the airlines serving the Airport, the Airport's concessionaires, or the airline and travel industry generally; or (g) whether any of the foregoing may have a material adverse effect on the finances and operations of the Commission.

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