

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority

AUTHORITY MEMBERS

JAMES M. MALKIN
Martha's Vineyard Member, Chairman

KATHRYN WILSON
Falmouth Member, Vice-Chairman

MOIRA E. TIERNEY
New Bedford Member, Secretary

ROBERT F. RANNEY
Nantucket Member

ROBERT R. JONES
Barnstable Member

ROBERT B. DAVIS
General Manager

MARK K. ROZUM
Treasurer/Comptroller

TERENCE G. KENNEALLY
General Counsel

April 16, 2020

By Email and U.S. Mail

The Honorable Charles Baker
Governor of the Commonwealth of Massachusetts
Massachusetts State House, 24 Beacon St.
Office of the Governor, Room 280
Boston, Massachusetts 02133
Charlie.Baker@state.ma.us / GOffice@state.ma.us

Re: The Steamship Authority's Cash Constraints and the Municipal Liquidity Facility
Authorized under Section 13(3) of the Federal Reserve Act

Your Excellency, Governor Baker:

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (the "Authority") is a public instrumentality created by the Commonwealth's legislature through its Enabling Act, *St. 1960, c. 701, as amended*, to provide for the transportation of persons and necessities of life for the islands of Nantucket and Martha's Vineyard by operating its ferry boat line between the mainland and the islands. The Authority is the "lifeline" for those islands, providing the only year-round passenger, automobile and truck ferry service delivering food, medicine, fuel and numerous other consumables and products from the mainland. Historically, the Authority annually carries approximately 3,000,000 passengers, 475,000 cars and 195,000 trucks to and from the islands in the performance of its essential state mandated function.

Under its Enabling Act, the Authority funds its cost of service nearly one hundred percent (100%) through its direct operating revenues, which totaled \$110,601,712 in 2019. *St. 1960, c. 701, §4(c), as amended*. The Authority also pursues federal agency grants "for or in aid of the acquisition or operation of the steamship line, or any vessels, equipment and facilities thereof, and to receive and to accept contributions from any source of either money, property, labor or other things of value, to be

held, used and applied only for the purposes for which such grants and contributions may be made....” *St. 1960, c. 701, §4(g), as amended.*

This year, with the sudden development of the COVID-19 pandemic, the Authority is currently managing an unforeseeable reduction in its operations. This reduction has occurred within a matter of weeks where we are enduring declines of seventy to eighty-five percent (70-85%) from projected traffic estimates forecasted only several months ago during our annual budgeting process for FY 2020. For example, as of April 15, 2020, we have experienced reductions of 71,000 passengers (-85%), 11,500 automobiles (-79%), and 5,650 trucks (-64%) month-to-date from the same period in 2019.

The unanticipated and severe reduction in traffic over the past several weeks has resulted in the Authority eliminating 1,410 of the scheduled sailings through May 5, 2020. This reduction represents a decrease of over 52% versus the budgeted schedules. Based upon ridership alone, additional schedule reductions may be warranted, but may prove to be counter-productive for social distancing measures as well as delaying medical transports, food, fuel and medicine deliveries. The Authority has furloughed approximately 114 employees (nearly 22% of our workforce that was employed on March 2, 2020) throughout our organization. Seasonal hiring, which typically begins in April, has been suspended.

These cutbacks stem directly from efforts to preserve cash and liquidity as we manage the uncertainty of Federal, State and local directives enacted to promote social distancing and stem the spread of the COVID-19 virus. Between March 17, 2020 and April 14, 2020, the Authority lost an estimated \$2.99 million in revenue compared to 2019 without any viable prospects of replenishing our fare box revenues in the immediate future. We currently estimate recurring revenue losses of some \$1,000, 000 per week as the pandemic restrictions continue. Should ridership trends continue at the current pace, weekly revenue losses will increase. After reviewing these ominous figures, the Authority is genuinely and credibly concerned that we will be unable to meet our statutory obligations to the islands by the end of May 2020.

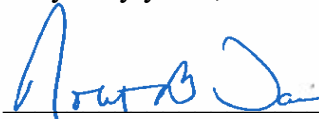
At the present time, the Authority continues to meet its statutory obligations during this crisis. We are investigating and implementing every feasible option to mitigate the pandemic’s effect upon our operations. Under its Enabling Act, the Authority may only maintain an amount of cash “sufficient to pay the cost of maintenance, repair and operation of the steamship line for the current month and the next ensuing month....” *St. 1960, c. 701, §9, as amended.* As our operations continue, our limited cash reserves have been spent on fuel, maintenance and wages, but we have also laid up several unneeded vessels, closed or reduced support facilities and laid off numerous, valuable employees.

Whenever the income of the Authority is insufficient to meet the cost of its service to the islands, its reserve fund shall be used as far as necessary to make up any deficiency. *St. 1960, c. 701, §9, as amended.* If as of the last day of December in any year the amount remaining in the reserve fund is insufficient to meet any incurred deficiency, the Authority must notify the state treasurer of the amount of such deficiency, less the amount, if any, in the reserve fund, and the Commonwealth shall then pay over to the Authority the amount so ascertained and the Authority shall apply the amount so received from the Commonwealth in payment of such deficiency. *Id.* Since 1962, the Authority has not sought any direct funding from the Commonwealth because it has been fiscally responsible and self-funding its regional operations through its dealings with its port communities, customers, vendors and employees. With the rapid onset of the COVID-19 virus, the current travel restrictions imposed by State directives, and the limited cash on-hand balances at its disposal, the Authority cannot wait until December 31, 2020 to present millions of dollars in shortfalls to the Commonwealth seeking its assistance.

In order for the Authority to continue to maintain safe, efficient, economical and essential ferry boat transportation to Nantucket and Martha's Vineyard, we respectfully request the Commonwealth to assist the Authority with its cash reserves in any fiscally responsible manner possible. One potential source of funding is the Municipal Liquidity Facility ("Facility"), which was authorized under Section 13(3) of the Federal Reserve Act by the Federal Reserve on April 9, 2020. The Facility will allow the Commonwealth to apply for Eligible Notes, which are notes that mature no later than 24 months from the date of issuance. The proceeds of the Eligible Notes may be used to help manage the cash flow impacts and potential reductions of revenues or increases in expenses related to or resulting from the COVID-19 pandemic. Most importantly, the proceeds of the notes may be used to assist political subdivisions and instrumentalities of the Commonwealth, like the Authority.

In light of the unfortunate and dire financial information detailed above, please contact the undersigned upon your receipt of this letter to discuss the Commonwealth assisting the Authority with its cash reserves and the potential for collaborative efforts to secure Eligible Notes and proceeds under the Municipal Liquidity Facility. We thank you for your support and immediate consideration of the Authority's current cash flow predicament. Any available funding and solutions will go a long way to strengthening our critical waterborne transportation link to the islands of Nantucket and Martha's Vineyard.

Very truly yours,



Robert B. Davis
General Manager

CC:
VIA EMAIL ONLY

Senate President Karen E. Spilka – Karen.Spilka@masenate.gov

Speaker Robert A. DeLeo – Robert.DeLeo@mahouse.gov

Treasurer Deborah Goldberg, Office of the State Treasurer and Receiver General –
dgoldberg@tre.state.ma.us

Secretary Stephanie Pollack, Secretary and CEO of the Department of Transportation –
Stephanie.Pollack@dot.state.ma.us

Congressman Bill Keating – William.keating@mail.house.gov and lauren.mcdermott@mail.house.gov

Senator Michael Rodrigues, Chair, Senate Committee on Ways & Means –
Michael.Rodrigues@masenate.gov

Representative Aaron Michlewitz, Chair, House Committee on Ways & Means –
Aaron.M.Michlewitz@mahouse.gov

Senator Julian Cyr – julian.cyr@masenate.gov

Senator Mark Montigny – Mark.Montigny@masenate.gov

Representative Dylan Fernandes – Dylan.Fernandes@mahouse.gov

Representative Tim Whelan – Timothy.Whelan@mahouse.gov

Representative Will Crocker – William.Crocker@mahouse.gov

Representative Randy Hunt – Randy.Hunt@mahouse.gov

Representative David Vieira – David.Vieira@mahouse.gov

Representative Sarah Peake – Sarah.Peake@mahouse.gov

Representative Antonio Cabral – Antonio.Cabral@mahouse.gov

Representative Chris Markey – Christopher.Markey@mahouse.gov

Representative Paul Schmid – Paul.Schmid@mahouse.gov

Representative Chris Hendricks – Chris.Hendricks@mahouse.gov

Representative William Straus – William.Straus@mahouse.gov

Senator Joseph Boncore – Joseph.Boncore@masenate.gov