

CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT

VOLUNTARY DISCLOSURE NOTICE – COVID 19 IMPACT

ISSUER: Kenton County Airport Board

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DETAILED ISSUE IDENTIFICATION:

This Voluntary Disclosure Notice is provided for the benefit of the holders of the following bond issue of the Kenton County Airport Board.

Issue Description: Kenton County Airport Board
Cincinnati/Northern Kentucky International Airport
Senior Customer Facility Charge Revenue Bonds, Series 2019
Amount of Issue: \$103,130,000
Dated Date: March 20, 2019
Delivery Date: March 20, 2019

Issue Details:

CUSIP Number	Maturity Date	Interest Rate
491034AA2	January 1, 2022	3.080%
491034AB0	January 1, 2023	3.134%
491034AC8	January 1, 2024	3.234%
491034AD6	January 1, 2025	3.333%
491034AE4	January 1, 2026	3.486%

CUSIP Number	Maturity Date	Interest Rate
491034AF1	January 1, 2027	3.576%
491034AG9	January 1, 2028	3.726%
491034AH7	January 1, 2029	3.826%
491034AJ3	January 1, 2030	3.926%
491034AK0	January 1, 2031	4.026%
491034AL8	January 1, 2032	4.126%
491034AM6	January 1, 2033	4.226%
491034AN4	January 1, 2034	4.326%
491034AP9	January 1, 2039	4.489%
491034AQ7	January 1, 2049	4.689%

KENTON COUNTY AIRPORT BOARD

CINCINNATI / NORTHERN KENTUCKY INTERNATIONAL AIRPORT

This filing is made voluntarily by the Kenton County Airport Board (“KCAB” or “Board”), operator of the Cincinnati/Northern Kentucky International Airport (“CVG” or “Airport”), without intention to provide any update to this filing or its subject matter or make similar voluntary filings in the future. Any obligation to do so now or in the future is expressly disclaimed. The publication of this statement does not constitute or imply any representation (i) that all of the following is material to investors, (ii) regarding any other financial, operating or other information about the Airport or its CFC Bonds (as described below) or (iii) that no other circumstances or events have occurred or that no other information exists concerning the, the Airport or its CFC Bonds which may have a bearing on the financial condition of the Airport, the security for its CFC Bonds, or an investor’s decision to buy, sell or hold any CFC Bonds.

KCAB Senior Customer Facility Charge Taxable Revenue Bonds (Consolidated Ground Transportation Facility) Series 2019 (the "CFC Bonds")

KCAB is providing this statement to describe some of the impacts that COVID-19 has had on rental car and passenger traffic, operations and finances and to describe some of the actions that KCAB has taken in response.

Further, KCAB is notifying investors that, from time to time, the Board may post to its website (link shown below) (i) copies or reproductions of or links to presentations, news releases, or other statements and (ii) periodic traffic information concerning the operations of the Airport. The Board does not intend to make further EMMA postings in connection with any future posting of such information to its website. Investors should check : cvgairport.com/about/news and click on the “Investor Relations” for the most current interim information.

Recent Developments at the Airport: COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. Beginning in March 2020, many states and local governments in the United States, including The Commonwealth of Kentucky (the “Commonwealth”), issued various “stay at home” or “shelter in place” orders, which severely restricted movement and limited businesses and other activities to essential functions. Additionally, a number of nations have effectively closed their borders by restricting entry and exit to only essential travel.

On May 11, 2020, the Governor of Kentucky issued an order that announced the gradual phased reopening of the Commonwealth’s economy. The order included the establishment of minimum requirements for reopening that apply to all entities with

additional specific requirements to be issued as the reopening of various industries or sectors were announced.

The outbreak of COVID-19 and related restrictions have had an adverse effect on both international and domestic travel and travel-related industries, including airlines serving CVG and its airport concessionaires. Passenger airlines have reported a significant downturn in traffic, causing the cancellation of numerous flights, as well as expectations for continued reduced levels of passenger traffic. Retail, food and other service concessionaires located in CVG’s terminal facilities have reported significant declines in sales and the majority of the locations are temporarily closed as the result of restrictions pursuant to the Commonwealth’s order and reduced passenger levels. In addition to the impact on terminal concessionaires, the reduction in air travel has had an adverse effect on parking, ground transportation companies and rental car activity and, consequently, CVG’s revenues.

On May 22, 2020, The Hertz Corporation and certain of its subsidiaries filed for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the District of Delaware. Hertz, and its Dollar and Thrifty Car Rental subsidiaries, accounted for 28.3% of rental car days at CVG in 2019. On May 26, 2020, Hertz sent a letter to the Board stating that because (its) relationships with airports are so crucial to (its) overall business, (Hertz) have sought special court authority to pay certain fees and charges owed to airport authorities that arose prior to filing, including to remit concession fees and customer facilities charges collected from customers prior to filing.

Operational Impacts at CVG

During the first two months of KCAB’s fiscal year (January through December) passenger traffic increased. Beginning in March 2020, as a result of the impact on air travel worldwide resulting from COVID-19 enplaned passenger activity at CVG has seen a substantial reduction as shown in the following chart.

Enplaned Passengers

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
2019	291,846	289,786	396,737	365,420	1,343,789
2020	311,392	314,520	173,790	19,784	819,486
Change	19,546	24,734	(222,947)	(345,636)	(524,303)
Percent Change	6.7%	8.5%	-56.2%	-94.6%	-39.0%

On May 18, 2020, staff made a presentation entitled “Kenton County Airport Board Air Service Update” to the Board. As noted above, this presentation has been posted to CVG’s website on the “Investor Relations”-“CFC Revenue Bonds” page.

Federal Relief Efforts

The United States government is taking legislative and regulatory actions and implementing 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, is one of the legislative actions to address the crisis created by the COVID-19 pandemic and 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.

Provisions of the CARES Act, which provide \$10 billion of grant assistance to airports, generally include: (i) \$3.7 billion to be allocated among all U.S. commercial service airports based on number of enplanements in calendar year 2018, (ii) \$3.7 billion to be allocated among all U.S. commercial service airports based on formulas that consider fiscal year 2018 debt service relative to other airports, and cash-to-debt service ratios, (iii) \$2 billion to be apportioned in accordance with Airport Improvement Program ("AIP") entitlement formulas, subject to CARES Act formula revisions, (iv) \$500 million to increase the federal share to 100% for grants awarded in federal fiscal year 2020 under certain grant programs including the AIP, and (v) \$100 million reserved for general aviation airports. By accepting CARES grant funds, an airport sponsor agrees to continue to employ, through December 31, 2020, at least 90% of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) as of March 27, 2020.

The Board was awarded \$42,899,066 in CARES Act grants, not including additional amounts (estimated to be approximately \$5 million for CVG) that will be awarded to increase in the federal share for federal fiscal year 2020 AIP grants. Additionally, the Airport continues to evaluate and seek other available sources of State and federal aid as they become available including reimbursement from supplemental funding made available under the CARES Act for increased costs incurred to clean and sanitize TSA checkpoint areas.

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 Federal Emergency Management Agency's ("FEMA") Request for Public Assistance CVG has taken appropriate measures to ensure the CVG may apply for FEMA funding at the appropriate time. It is not known at this time how much, if any, FEMA funding will be received.

Tenant Lease and Sustainability Actions

The current term of the Airport Use Agreement and Terminal Lease Agreements is scheduled to expire on December 31, 2020. Due to the impacts of COVID-19, the Board

has commenced discussions with the signatory airlines to extend the term of the current agreements by one year.

The Board has received various requests for rental relief from CVG tenants and is currently reviewing these requests with no decision made as to what actions, if any, will be taken in regard to these requests.

The Board is working with the federal agencies, airlines, concessionaires and other CVG tenants to institute measures to assist in the return to normal operations including the following:

- Continued implementation of measures promoting social distancing including minimizing busing, the installation of plexiglass at various passenger touchpoint locations, reconfiguration of the TSA queue lines, and developing hold room social distancing layouts.
- Coordinating compliance with the Commonwealth’s timeline and requirements related to the reopening of concessions, including the requirement that effective May 11, 2020 all employees must wear masks and meet ongoing cleaning and social distancing requirements.
- Working as a member of the Cincinnati RESTART Task Force initiated by the Cincinnati USA Regional Chamber. The task force is a group of Cincinnati region CEOs, executives and community leaders working to ensure the region regains its pre-COVID economic momentum and to offer principles of a responsible return to inform the regions plan for returning to work and other activities.

FINANCIAL IMPACTS

Customer Facility Charge (“CFC”) Revenues

During the first two months of KCAB’s fiscal year (January through December) CFC Revenues had increased. As a result of the impact on air travel worldwide resulting from COVID-19, beginning in March 2020, CFC Revenues at CVG have declined substantially as shown in the following chart.

CFC Revenues

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
2019	\$769,650	\$751,815	\$937,245	\$978,533	\$3,437,243
2020	771,705	769,875	508,628	115,140	2,165,348
Change	2,055	18,060	(428,618)	(863,393)	(1,271,895)
Percent Change	0.3%	2.4%	(45.7%)	(88.2%)	(37.0%)

Series 2019 Senior Customer Facility Charge Taxable Revenue Bonds

The Board has \$103.130 million of outstanding CFC Bonds as of April 30, 2020. The CFC Bonds have a fully funded CFC Debt Service Reserve Fund in the amount of \$6.567 million and CFC Coverage Fund in the amount of \$1.642 million. Proceeds of the CFC Bonds, along with other funds, are being used to develop a Consolidated Ground Transportation Facility and related improvements (collectively, the "Project") at the Airport. As of April 30, 2020, the Project is on budget and on schedule for an opening in the third quarter of 2021.

Debt service on the CFC Bonds in FY 2020 (for bond year ending January 1, 2021) is \$4.484,773 and in FY 2021 (for bond year ending January 1, 2022) is \$6.565,773.

The Board plans to utilize as needed surplus Customer Facility Charge (CFC) funds previously collected and deposited into the CFC Project Fund, along with CFC Revenues to be collected, for purposes of funding debt service on the CFC Bonds in FY 2020 and FY 2021. As of April 30, 2020, the Board estimates that the CFC Project Fund has approximately \$6.5 million of previously deposited CFC Revenues that are in excess of the amounts required to complete the Project.

The Board cannot predict (i) the duration or extent of the COVID-19 pandemic or another outbreak or pandemic; (ii) the scope or duration of the current COVID-19 pandemic and any additional restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings; (iii) what additional short or long-term effects the restrictions and warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from the Airport, the retail and services provided by Airport concessionaires, Airport costs or revenues; (iv) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Board's capital plan, or other operations; (v) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Board may provide deferrals, forbearances, adjustments or other changes to the Board's arrangements with its tenants and Airport concessionaires, including rental car operators; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport.

Kenton County Airport Board

June 11, 2020