SPECIAL COMMITTEE ON AIRPORT ACTIVITIES
October 3, 2022 at 5:15 PM

Chairman Sapienza called the meeting to order.

The Clerk called the roll.

Present: Alderman E. Sapienza, Cavanaugh, Stewart, Burkush

Absent: Alderman Sharonov

Messrs.: T. Kitchens, J. Nazaka

1. Update on Spirit Airlines and the Small Community Air Service Development Grant.

Ted Kitchens, Airport Director, stated with me tonight I have Jodie Nazaka, Heather McGrail, President of the Greater Manchester Chamber and Suzanne Brunelle who is the Chair of the Manchester Development Corporation. As the agenda items suggests, I will give you an update on the Spirit Airlines marketing efforts that we have been conducting as an airport since the announcement of the launch and then give you an update on the Small Community Air Service Development (SCASD) Grant. I will start with the bottom line upfront and then review the SCASD grant, the Spirit service profiles that they announced and then review some key statistics on the impact of the advertising campaign on building regional awareness of the service. I will then get into some impacts of the Spirit service on either outbound residents increasing their utilization of the airport or inbound visitors coming to the state and their associated spend here. I will close with the status of the SCASD grant, review the grant funding request and funding sources and what the programmatic impact would be if we do not have a local share. The bottom line upfront is the introduction of Spirit Airlines has resulted in increased visitation to the state and a subsequent increase in visitor spend on lodging, food, beverage, retail and other expenditures. We have estimated this increased spend in the first six months to be right at $4 million. This has also led to additional airport revenues of about $700,000 in the first six months. To help support a successful launch of the service, the airport received a $425,000 Small Community Air Service Development grant which included a $350,000 local match for marketing and advertising assistance. For a really quick tutorial on the data sources, we have access to two different data sources here. One called 3Vitors Data which is a software service provider. Any time somebody goes into what is called a GDS or Global Distribution System which powers pretty much every airlines website or something called an OTA which is an online travel agent such as Travelocity, Expedia, Kayak, Cheap Tickets or whatever your website or choice is, and you put in like MHT to MCO, they are scraping that data on the back end and they are compiling that data – just the city pair and the dates of travel you are looking for. We have access to that data and the other database is called Cirium which is another software that is a service provider. It is widely used for multiple air service development efforts but what we are interested in here is the outbound residents and the inbound visitor. I give you the four typologies there. The two that are highlighted in yellow are the ones that we are interested in. To recap, on Spirit launch cities, Orlando was launched almost a year ago today. Daily service on A320's was updated to an A321 which brought in additional seats in June. Fort

Lauderdale was launched the same day and upgraded from A320's to A321's. Tampa was launched in mid-November. It was less than daily seasonal service on Tuesday, Thursday and Sundays only and ended on May 4. It was served throughout its time with A320's. Fort Myers was launched the day before Tampa and was also less than daily seasonal service on Monday, Wednesday, Friday and Saturday. It started as an A319 and then ended up as an A320 due to the market demand. If there is one slide for you to remember, it is this slide. This from our friends at the UNH Survey Center. We have partnered with them for multiple years now and their Granite State Poll. One of the questions that we added to the poll right at the date of the announcement was how aware are you of Spirit Airline service starting at the Manchester Airport. The two call-outs there on the graph on the left is when we started what was the airport portion of the SCASD grant advertising campaign and when we stopped that on July 1, 2022. You can see that we raised awareness from 54% to 81% as being either very aware or somewhat aware. The graph on the right is just a breakdown of those various survey waves by survey response category. The key color is the red color. Those are the ones that are not aware at all and you can see how that has been decreasing over time. We feel that the campaign has been very effective in raising awareness here in the state. This is a very busy graph but the key points are on the right. Both inbound visitor interest from the four Florida cities to Manchester and the outbound resident usage of the airport to those four Florida cities have increased since the pandemic. This is just the website variance from the 3Victors database that I mentioned to you earlier. Inbound visitors pre-pandemic we averaged about 4,000 weekly visitor queries. That has increased by 258% to over 10,600. So there are more people sitting in Orlando or Ft. Lauderdale or Tampa or Ft. Myers saying I want to go from TPA to MHT or MCO to MHT. Outbound residents similarly have increased by 157% from 10,600 weekly queries to over 16,700. Now this takes those queries and says okay how many people actually went and booked tickets right because you can query all day long but how many people actually bought a ticket. Again, the key points are on the right. Total inbound visitors originating from the four Florida cities increased 43% between the last quarter before the pandemic, which was the first quarter of 2022, and the first quarter of 2022. We have seen some strong growth, particularly out of Ft. Myers, Ft. Lauderdale and Orlando. If you look closely, Tampa does decrease but that is because Southwest went to Saturday only service and the additional Spirit flights that they did bring in to Tampa were much appreciated but there was not enough capacity to offset the reduction of flights by Southwest. You then have the total number of visitors pre and post Spirit launch. You can see in the middle of the graph the increase by market and then over on the far right is the total of about 6,700 additional visitors to the state of NH in the first six months. Using the Department of Travel & Tourism development average spend per visitor in 2018 dollars is about $576.58 per person. Multiplying those two numbers together, you get the $3.9 million in additional visitor spend rate into the state. Any questions so far before we flip to the outbound? Same confusing graph but the bottom line is the same. The number of outbound residents traveling to the four Florida cities increased by 60% between that last full quarter before the pandemic and the first quarter of 2022. The reason we compare the same order over time is because there are certainly seasonal variations between the first quarter and second quarter travel demands. Since the first quarter was the last full quarter before the pandemic, we just felt that the first quarter of 2022 was the best unit of measurement. Again, you see very large increases from Ft. Myers and Ft. Lauderdale and even the Tampa markets despite the service reduction. Orlando increased but as you can see Orlando is the blue portion of each of the stack bars and is a very large portion of our outbound visitor queries as expected. You can see that the percentage of queries being represented by Orlando has decreased over time which underscores the growth and interest in those other four Florida cities. This is the same similar graph but you will see that there are 25,155 additional residents going outbound in that middle row. If we look at the airport revenue per enplanement, we get about $27.77 per enplanement. That is not necessarily associated with airline revenues. These are revenues from things like parking, concessions and rental cars. If you strip all of that out, you get $27.77 and that is about $700,000 in increased airport revenues in the first six months. The need for advertising still exists. The airport funded advertising campaign as we just discussed, I believe, has been very successful in raising awareness. It has been a very positive return on investment of the dollars that have been invested in the advertising campaign. The new service from the Florida cities has resulted in increased visitation to the state and is generating economic activity in the hardest hit sectors of the economy which are the travel and hospitality industries. To access the full 100% of the SCASD funds, we need to receive the $350,000 of local match. Technically a local match is not required for the grant, but the federal monies, if we don't receive them, will be reduced proportionately. We have estimated that to be about a $500,000 reduction if we do not receive the $350,000 local match. We think that now is not the time to remove advertising, particularly as Spirit Airlines is consider a potential merger with JetBlue Airways. The SCASD funding. We provided $700,000 in funding and determined that through the number of markets served and the frequency of service that the airline and the airport agreed to and the classification of the carrier, i.e. is it a new entry like Spirit or is it the growth of an incumbent carrier like say Southwest or American. This is a very typical air service development tool that airports across the country have in place. $425,000 out of the U.S. DOT. This was the first time Manchester ever applied for a grant and by definition the first time we have ever won the grant. We do plan to pursue future grants as another tool in our air service toolbox. The question that we have here tonight in front of us is the local match. The Manchester Development Corporation has agreed to provide $100,000 contingent upon the City of Manchester Economic Development Reserve Fund release of $250,000 which is why I have Jodie here to answer any questions you may have.

Alderman Stewart stated that was a great presentation and I am always glad to see those positive numbers and the positive ROI. I agree that if I can give you $1 today and get back $1.10, I will take that all day long. It definitely seems like a good investment. I do have a couple of questions. Jodie, what is the current balance of the economic development fund?

Jodie Nazaka, Economic Development Director, answered I don't have the current balance in front of me but I can give you a little bit of a background on where the $250,000 would come from. Some of you may remember back in the beginning of 2020 when the Covid pandemic shut everything down that the Board voted to approve an allocation of $500,000 towards the MDC Small Business Recovery Loan Program. So $500,000 would be coming from MDC and once that money was used the other $500,000 would come from the city's special reserve account. MDC will be putting a letter forward to the full Board either at your next meeting or the first meeting in November closing out that program and providing the metrics showing how that program was successful and also making the recommendation that since the $500,000 was never touched and they ended up funding all of the loans that were applied for through MDC funding, that the Board consider allocating half of that $500,000 in support of this so the $250,000. The money is there. That $500,000 from 2020 was essentially encumbered but never actually moved over.

Alderman Stewart stated I am curious because I recall the $700,000 figure that comes from the additional enplanements which is a nice big number and much bigger than what is being asked for here but at the same time all of the money coming from city sources and of course the benefits of Manchester-Boston Regional Airport are not just for Manchester but the airport serves residents from across the state and visitors going to other points beyond the city so has the state or the Division of Travel & Tourism or any other state entity ever been approached about contributing to this type of thing as well.

Mr. Kitchens replied we have had some of those discussions. The state did do a Visit NH advertising campaign and have provided some sources. Other states go much further than that. The state of Ohio, Jobs Ohio, actually gives I think $2 million of state funds similar to a state-run small community air service development grant program for airports to go and put forth a competitive grant application just like the US DOT's process. Indiana does something very similar. I think there could be an opportunity for something like that here in the state, particularly with unused ARPA funds. Again, ARPA is travel and tourism and hospitality is one of the purposes of ARPA. However, in this case we can't use federal money to match federal money. This has to be something that comes from a local source.

Ms. Nazaka stated if I can add to that as well, the Economic Development Office has a CIP account that has been funded through ARPA funds and it is to do a branding/marketing strategy for the city also in support of the Manchester-Boston Regional Airport. So the hope is that with that funding we can build a partnership with the state so some of the promotion that is happening at the state level trickles down to the local level and that would be a partnership with the airport. That will hopefully be starting fairly soon when we start doing an RFP process. This essentially is almost the first step in a much larger branding and marketing plan for the airport and for the region and as Ted mentioned, there is always going to be a need for advertising and that is top priority right now as he said especially with the potential merger of Spirit with JetBlue. There is the potential that JetBlue may not want to stay so we need to really promote why the Manchester-Boston Regional Airport is a great asset.

Mr. Kitchens stated I will be doing a very similar presentation to Commissioner Caswell as well in a few days and making some recommendations coming out of that. This is really the first time that we have done a pre and a post like this and we can show that yes there are some additional visitors coming to the state and there is a positive ROI for any state dollar that is invested. I think even the DTTD's own studies show that the fly visitors coming in from fly markets tend to stay longer and travel in large groups and by definition they are staying in the hotels and eating in restaurants. They are not driving up 93 with a Coleman cooler in the back of their Sequoia to go to their second home. That certainly does generate some economic impact, but not nearly as much as the visitors who fly into the state. I think a lot of the state studies conclude that there is a very positive ROI for those type of visitors.

Alderman Cavanaugh stated thank you for the presentation. I think this is something we can definitely look at. I know that Senator Carson sits on your Board of Directors. There has been some tremendous growth that Londonderry has seen with the businesses that open there because of the airport. I don't want to put words in here mouth but I would love to talk with her and see where she is and anything we can do…

Mr. Kitchens interjected as you know, she can't introduce the legislation because of the conflict of interest but I am sure she would be more than happy to have that conversation with you.

Alderman Burkush stated I want to personally thank you for attending the Ward 9 meeting last week. It was the first time that we had an airport director willing to spend so much time talking to the residents and answering all of their concerns. That was very good and I applaud you for getting the grant. Jodie do you support this proposal?

Ms. Nazaka answered absolutely. I think as Ted mentioned in his data heavy presentation but all good information, good airline service is a great support for economic development locally and regionally and the best part about that is 10% of increases in passengers in metro areas generates an increase in regional employment and with the money that we just received from the Build Back Better Regional Challenge, a good air service is really directly supporting knowledge and business based industries. The better air service we can have in the region, the more we can support that workforce development and job growth in support of the funding that we have already received. To answer your question to about support, I also support the MDC part of it and I will give you a little bit of background about that. As you can see, it is $100,000 but the thought is that interest earned on the MDC assets would be used to offset that. For example, in FY22 the income earned off of loans and investments through MDC was around $30,000. So we would take the $30,000 from the interest earned to make up the difference.

Alderman Burkush *moved to approve the request to utilize $250,000 from the Economic Development Special Revenue Account and $100,000 from the Manchester Development Corporation as a local match for the Small Community Air Service Development Grant.* ***Alderman Cavanaugh*** *duly seconded the motion. Chairman E. Sapienza called for a vote. There being*

Alderman Stewart stated I know this is a little off topic but related to the airport though I just wanted to give kudos to the airport. I had the pleasure of flying in and out of there just last week. I know that I spoke to you about this earlier Ted but if you haven't been through security lately, they got some great new machines and I didn't have to take my laptop out of my bag and I didn't have to take my liquids out. It was a much smoother, much more pleasant experience than I had at Reagan National coming back on Friday where I did have to do those things.

Mr. Kitchens stated we like to say that we made the already easy process even easier for people. Thank you alderman for pointing that out. That was a significant investment by TSA and DHS into our airport. We didn't have to buy those machines. Those were part of the national deployment but we at the airport very much appreciate them because it makes it easier. I just had my parents go out this morning and they said that was the easiest they have ever had it going through an airport. That local investment by DHS is much appreciated.

Ms. Nazaka stated I am not sure if the full letter from MDC with the request to close out the loan and move funds will come before you at your 10/18 meeting or the first meeting in November. We want to make sure that Ted is available and he may not be available at the 10/18 meeting.

Mr. Kitchens stated I will not be available on 10/18. If we can hold the report until November, that would be great.

Matthew Normand, City Clerk, responded yes we can do that.

*There being no further business, on motion of **Alderman Stewart**, duly seconded by **Alderman Cavanaugh**, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

Clerk of Committee