SPECIAL COMMITEE ON AIRPORT ACTIVITIES

October 4, 2021 at 5:30 PM

Chairman Cavanaugh called the meeting to order.

The Clerk called the roll.

Present: Aldermen Cavanaugh, Stewart, Sharonov, Shaw

Absent: Alderman Terrio

Messrs.: T. Kitchens

1. Update from Ted Kitchens, Airport Director, on the following:

   - COVID-19 Pandemic
   - Financial
   - Operations

Ted Kitchens, Airport Director, stated I will give you an update on airport activities. I would like to be respectful of everyone's time as well. Really quick on the recovery, due to the pandemic the pace significantly increased back in February but some weakening has occurred over the past month or so due to the Delta Variant becoming more widespread. This is a little bit consistent with our expectations that the pace of vaccinations will ultimately dictate the consumer confidence levels which will lead to people getting back onto an airplane. As people were getting vaccinated, we saw demand come back very strongly. Now that we have this variant and there is some vaccine hesitancy out there that is making a dip in demand. We are still in phase four in our recovery. We anticipate staying in this phase until we are at 100% pre-pandemic levels. I'll share with you here in a minute exactly where we are. Reaching those pre-pandemic levels will continue to be governed by the pace of vaccinations but also the overall community support for all over our airline partners including our newest partner leaving the skies this Thursday. The airport also received more federal assistance in ARPA. I'll be coming forward with a letter that is similar to what I brought forward with the CARES and CRRSA funding to ask for the BMA support in the airport accepting those grants. Air Service update - this isn't a short week for the airport. United Airlines starts their new service to Newark tomorrow at 11:27 AM. We will have a water cannon salute; this being traditional welcoming or goodbye. Spirit Airlines is this Thursday October 7th to Orlando. Several significant steps in our strategy have occurred over the last three months as well. We were successful in our small community Air Service development grant. This was the first time the community has gone after these funds. We have been awarded these funds. This is a long standing grant program with the FAA which started back in the early 2000's. This is funded through the same mechanism that we receive all of our federal grants through, the Airport Improvement Program. These are not tax payer dollars and the funds go into the airport and airway trust fund that go toward supporting the FAA as well as funding these other programs. We also recently announced the Greater Manchester Chamber of Commerce Corridor. A group of Chambers-Concord, Nashua, Salem, Derry, Londonderry, Hudson and the Souhegan Valley all came together to create the Air Service Support and Enhancement Team. This will be a consortium of businesses that will act as a value-added tool in our toolbox when we talk to the airlines. Many communities have these and we did not so we went out and created one with all these various chambers. This is a separate entity from the airport. There are some very clear rules from the FAA that the airport has to have an arm's length transaction which is managed by an independent board, etc. It is something we can certainly take as an airport to various meetings with airlines on our behalf. Spirit is going to provide what this market has needed for a very long time which is lower fares, more destination and direct flights. Daily nonstop flights to four destinations - Orlando, Ft. Lauderdale, Ft. Myers, and Tampa. The launch is Thursday Oct. 7th to Orlando and Ft. Lauderdale then November 17th to Ft. Myers and Nov 18th to Tampa. There are some unbelievably low fares out there right now like a $50 round trip to Orlando. I think you will spend more on parking at the airport then you will on your airfare. It is time to get out there and fly. If you have not booked a ticket yet, I highly encourage you to do it. This is our opportunity to reclaim this and something we have not had since SouthWest was a low cost airline in the late 90's and early 2000's. It is not just about getting to those four destinations. You can go to many destinations beyond those. You can see out of Orlando and Ft. Lauderdale that you can connect to many destinations throughout the Caribbean, Central and South America such as Lima, Bogota, San Jose…it's not just getting to Florida. It opens up an entire network beyond Orlando and Ft. Lauderdale. Some interesting things we are seeing is people booking some very creative itineraries like going to Ft. Lauderdale then heading to Denver. You can do that out of Manchester through Spirit Airlines. They have some impressive connectivity out of both Orlando and Ft. Lauderdale. On our actual recovery, if you go to slide 7 you can see our four recovery scenarios. The blue line represents the average monthly passengers getting on an airplane heading into the pandemic. You see where we fell off a cliff during the pandemic. Then you see four lines coming out of that and those are our four recovery scenarios. The red line is our actual recovery. We are following the slow recovery model almost to a fault. That was the model we used and based all of our financial projections on. We are slightly above. If you squint really hard you can see that the red line is slightly above the grey line but we are still treading right along the line. We hope that the Spirit announcement will take us through the low troth that we are in right now. September is always a slow month around the globe. Kids are usually in school, summer vacations are over and the business traveler is just not there this year like usual. You can see on the far right hand side the forecasted expiration of the CARES, CRRSA, and ARPA pointing off to the right. The last time we were together, I projected our federal funding would end at the end of FY23 but because of the recovery and passengers we can now confidently say that will go into the earlier parts FY24 before we see the expiration of those grants. On slide 8 you can see our rolling seven day passengers. The light green line is the 2019 line, the dark grey is the impact of the pandemic and the blue is our 2021 year to date line. You can see we are about 70% back to 2019 activity levels. Again, we are in that September swoon. We are heading into October which is traditionally a peak month of activity. The Delta Variant has resulted in a little bit of softening of our demand across the nation. Many airlines have pulled back on their capacity nationwide. Moving onto slide 9, many of you know we have come to an agreement with Aeroterm to market and develop a new cargo hangar at the airport. I'd like to call your attention to slide 10. This is our plan that will go in front of the town of Londonderry and their planning board. This will all occur on the Londonderry line of our property. The diagonal line is the line between Manchester and Londonderry. We will have a temporary relocation of Green Drive which is indicated by the letter B. Taking advantage of some abandoned lots, we have moved some of our employees to the top level of our parking deck so we could repurpose it into a temporary road. Eventually with letter D we want to realign Green Drive to be in front of the Freudenberg facility because that turn on letter C is very acute. It is a hard turn for 18 wheelers to make. We would like to make it a 90 degree turn by relocating Green Drive. We want to keep the port of Green Drive that serves the terminal there and we may cul-de-sac it. IT will create a new entrance to the cargo hangar making it easier for them to come to our terminal dock. We think it will be a lot easier for a surface transportation flow. Access to the terminal and access to Freudenberg will remain the same. We are looking at making just a slight modification. We have to do this with Green Drive because if you notice where the aircraft are parked, the orange square/rectangle is really the first phase of the cargo building and then you have the truck parking bays pushes the development onto Green Drive so we have to relocate it.

Alderman Stewart stated I know you have entered into agreement to market and develop the new hangar. Has that progressed at all?

Mr. Kitchens replied yes it has. They are very close to naming a tenant. We should hopefully have that news within the next month. Our development requirements, which are building the roadway and apron are there to support Aeroterm to support their building no matter who they get.

Alderman Sharonov asked how many daily non-stop flights.

Mr. Kitchens replied one daily to Orlando and one daily to Ft. Lauderdale then four times weekly to Ft. Myers and three times weekly to Tampa. Adding that all up it is three daily non-stop flights.

Alderman Sharonov stated I know Delta is trying to comeback. Is there any news on that?

Mr. Kitchens replied we are continuing to talk to them. They are in a battle right now for Boston in many ways. The latest from their marketing team is they are focused on their core 50 airports which includes Boston. They don't have pre-pandemic numbers yet so I think the Northeast alliance has American and Jet Blue so they are focused on maintaining their market share in Boston. We are certainly talking to them even though we are not on their radar right now. Financial Update. As I have mentioned, we have received three rounds of federal support; the $12.1 million in CARES-100% drawn down, CRRSA was $4.3 million and then another $8.7 million from the ARPA. Some of these, CRRSA and ARPA, need to be used for concession air relief. This was not included in the first round of federal assistance but are now. This doesn't just include what is in the terminal, it also includes the rental cars. The $4.3 and $8.7 is about another $12.2 million in funding that we have available to us. We have put 100% of this towards debt service as we have a significant amount still to pay. This is about net $500,000 a month. Out of those funds we get about 23 months' worth of funding available to us before the expiration of those federal grants. The good thing is when we did the restructuring of our bonds we cut our debt service down from $17 million a year to about $8 million a year or roughly $700,000 a month. The reason I say we are only using $500,000 is we have to use some of our revenue that we receive from the airlines through the passenger facility charges to offset the draw down. It is a good thing we did that or else that 23 months would be more like 10 months left of funding. Preliminary numbers show $34.2 million in actual revenues. I only focus on actuals…budgets went out the window when the pandemic hit. $32 million in actual expenses so we netted $2.2 million. Operating expenditures, saving cuts and the CARES Act drawdowns help offset a $7.6 million loss, again these are preliminary numbers. We are in year close as we wait for a few more accounts to close out and finalize numbers. The good news is we cut our expenses quite a lot; about $6.6 million over budget which helped save some of that net revenue.

Liquidity position shows cash on hand and I broke it down pre and post pandemic. You can see how we dipped right after the pandemic as we were bleeding cash. We have done a really good job starting to build back those liquid reserves. We are now standing at 490 days' cash on hand. We are in a very strong liquid position as an airport. Really quick let's look at an operations standpoint update. I have received multiple calls from aldermen about potential noise complaints. I went back and looked at some databases we have access to and wanted us to take a step back and remind the aldermen that we do have a preferential runway use program that we are beholden to as part of our part 150 noise mitigation study we did in the mid 90's, as well as an environmental impact statement that resulted in a record decision to support the runway decisions. We are legally bound to try to maximize the use of runway 6-2-4, which is our cross run runway. This is our primary runway that impacts Wards 8 and 6 35% of the time. We use 1-7-3-5 which are is our north and southbound runway 65% of the time which is all subject to availability and wind/weather conditions. Utilization of runway 6-2-4 has averaged about 50% since the fourth quarter of 2018. This is a little heavy and we will talk to the tower about this and see what is going on. The total number of operations has decreased overall but has increased just these last two quarters. We will talk to the tower and try to get more operations onto runway 1-7-3-5. If you notice in the 3rd quarter for those of you who were not on the board that 6-2-4 was used a lot because runway 1-7-3-5 was not available as we were doing the Taxiway Alpha project and the contractor was tying in the taxiway to the runway and it was closed.

Alderman Sharonov asked is the preferential runway program some kind of federal law.

Mr. Kitchens replied it is a wildly accepted noise mitigation measure for Part 150. Part 150 is a federal code that allows us to do noise mitigation/insulation programs and those type of things. Part of that study is you look at ways to mitigate noise by looking at your using certain runways or mixes of runways at different times.

Alderman Shaw asked if 6-2-4 was the runway on the west side of the airport and if it went between customs and the tower.

Mr. Kitchens replied no it is the other one. 6-2-4 is the one that goes along the fence on Perimeter Road. You take off over the Triangle Mall and S. Willow Street. Alderman Sharonov just so you know the usage is higher than it needs to be but we will work towards getting that down. Really quick, and to respect everyone's time, I would just like to talk about slide 17 and some upcoming projects. Unfortunately, this is another instance where we will have to shut down runway 1-7-3-5 with the Taxiway Hotel project. This is another one of our hotspots as you call it. This is where you don't have the airfield geometry that meets the current FAA guidelines. It met old guidelines but they have changed and this will address that. We went with the lowest bidder. It is a $6.2 million project that is 100% federally funded with no local or state match required. This is one of those grants that came from CRRSA and ARPA bills. Construction will begin in the springtime. We have a current project going on not affecting runway 1-7-3-5 that is a continuance from the Taxiway Alpha project. The FAA changed something that is necessitating us to go back and change some items and this is covered by the FAA because it is a change on a decision that they made. Just to give you a little background, we are one of the first airports to run across this particular situation and it went all the way down to FAA headquarters and they realized they made a wrong decision and gave us some more work with the grant. The terminal fire alarm system is a complete redo of the whole system and all peripheral parts. What is there now is all original to the terminal and parts were getting hard to find. It remains in operational condition but is becoming difficult to maintain. Piquette and Howard were the lowest bidder at $1.2 million. The project is underway and estimated to be completed in the next six-nine months. The terminal escalators just yesterday reached a major milestone. This is a complete rebuild of the escalators that lead to the ticket lobby to the TSA checkpoint. These were original to the building with increasing maintenance costs. We rebid the construction and maintenance contract at the same time resulting in some significant savings on our five-year maintenance. This is 100% federal grant. The first escalator was certified and opened yesterday. Hopefully when you go book your Spirit flight and you come to the terminal you will have a nice smooth quiet ride. It is amazing how quiet it is. In fact, it makes the others look really bad. That project is going to be completed in March of 2022. The down escalator on the left side is the first one we did. This has turned into the up escalator and the up escalator is now under construction. Once that one opens up we will reverse them to have the up on the right and down on the left. Right now we are flipping the direction of the escalator based on the predominant flow of passengers. During the late evening arrivals, it will be on the down position and the early morning departures it will be in the up position. That is all I have.

Alderman Shaw asked was it a federal issue that closed the observation area by the Pet Cemetery.

Mr. Kitchens replied that was a local decision. There were some behavior issues going on in that area and there was some concern about safety of operations.

Alderman Sharonov asked what is the project completion date on the Taxiway Hotel?

Mr. Kitchens replied I believe it is a one-year construction cycle starting in the spring and ending in the fall.

Alderman Sharonov stated so from spring 2022 to spring 2023 there will be an increase of runway 6-2-4.

Mr. Kitchens replied I would say spring 2022 to fall 2022. They will try to get out before the winter.

Alderman Cavanaugh stated I see all accepted bids are the lowest. Is that something you have to hit? Any local businesses or local labor tied into that at all?

Mr. Kitchens stated that is the federal requirement for any federal funds.

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

A True Record. Attest.

Matthew Normand

City Clerk