

CITY OF MANCHESTER, NEW HAMPSHIRE
Manchester-Boston Regional Airport

**Questions and Responses Related to
the Request for Proposals to Serve as
Placement Agent or Bank Purchaser**

The City of Manchester, New Hampshire (the “City”) and Manchester-Boston Regional Airport (the “Airport” or “MHT”) provide the following responses to the questions received related to its recent Request for Proposals to Serve as Placement Agent or Bank Purchaser.

1. Please confirm that PFM will not be serving as placement agent on this transaction.

PFM will serve as financial advisor to the City/Airport and will not be serving as a placement agent.

2. Please provide an update on February enplanements, if available.

46,355 enplanements for the month of February 2022. This represents an increase of over 280% as compared to February 2021 enplanements and approximately 75.3% of the total enplanements for the month of February 2019.

3. The RFP states the \$106M capital plan will be funded with a variety of grants and Airport funds. Can you confirm that no debt is expected to be issued for the \$106M?

No additional debt is currently expected to be issued to fund any portion of the Airport’s \$106 million capital plan.

4. Do you have any basic enplanement projections developed in-house or by an air service consultant that you could share? If not, would you be willing to prepare a basic enplanement forecast?

MHT is estimating 975,000 enplanements in FY 2024 and assumes 1.5% annual growth in the following years.

5. Have you had any environmental or cyber concerns such as a flood or a cyber-incident? Has the Airport had to close at all in the last 3 years?

No environmental or Cyber concerns. The Airport also holds cyber security insurance. In January 2022, the commercial airlines proactively cancelled all flights in New England during a snowstorm; however, the Airport did not close and all cargo operations remained active.

6. Please confirm that all of the debt that has been directly placed is subject to the Bond Resolution and that there are no unusual covenants from a provider such as Acceleration upon certain conditions or a claim on reserves that is different from a claim on reserves that other bondholders subject to the Bond Resolution have.

The City will provide to the Purchaser(s) upon request copies of the Bond Purchase Agreements and Supplemental Resolutions for all Outstanding directly placed Bonds.

7. What is your Days Cash – approximately?

The Airport has 478 days on hand as of 2/28/2022

8. Has CPE been falling as the Kroll report from last fall suggests?

Due to COVID-19, CPE did not fall initially. As with airports throughout the world, CPE rose with the rapid decline of enplanements. However, CPE is on target and projected to fall. Phase I of the debt restructuring, completed in March 2020, significantly reduced annual debt service requirements in FY 2021 through FY 2023 and this proposed restructuring would be expected to generate similar debt service savings in the years FY 2024 through FY 2026.

9. Please explain the City's choice to pursue this financing as a private Placement, limited to 35 accredited investors? (The 2012 bonds were publicly offered underwritten negotiated bonds.)

The Series 2012A Bonds are the only remaining outstanding publicly offered bonds. Through several refundings occurring since 2012, the City has sought to directly place those transactions due to the availability of competitive interest rates, lower costs of issuance, and the efficiency with which the transactions were able to be completed. The City is seeking the same for this refunding/restructuring transaction.

10. What are the obstacles to being able to issue bonds on tax-exempt basis given the anticipated maturity profile on the refunding bonds?

Bond Counsel has determined that given the preferred maturity schedule of the 2022A Bonds, the proposed restructuring must be completed on a taxable basis given the remaining useful life of facilities financed with the original proceeds of the bonds refunded by the Series 2012A Bonds.

11. Can you please provide more details regarding the on-going capital programs, including the apron expansion for the multi-tenant cargo facility? What are the costs and how are these being funded, etc? Does the airport prepare a capital program; if so can you please share?

The apron expansion was primarily intended to be paid with AIP entitlement funds. MHT obtained a subordinate loan (\$12.9M) with State of NH, Business Finance Authority to bridge the payment of construction costs and the receipt of entitlement funds. Prepayment flexibility will allow MHT to pay down this borrowing as AIP entitlement funds, or other potential federal grants, are received.

Please see the attached Airport CIP.

12. Who is the new All Cargo Carrier and what volumes/revenues are anticipated to be generated when they commence operating their arrival?

The tenant for the Air Cargo Apron is Aeroterm who will secure sub-tenants as appropriate. A sub-tenant has been secured but does not want their name to be released at this time. Operations are planned to commence in October 2022.

13. Why are the Airport’s Cargo volumes down over 10.24% between January 2021 and January 2022?

MHT is the third largest airport in terms of cargo movement in New England. Cargo volumes have increased since 2017 and MHT remain a Top 50 cargo airport in the United States. January 2022 volumes were in-line with historical cargo volumes for the same month in 2018, 2019, and 2020. Whereas cargo volumes were uncharacteristically high at MHT in January 2021, volumes for January 2022 were negatively impacted due to severe winter weather in Manchester, NH.

14. Can you give the terms of the subordinated general airport revenue bonds?

The City will provide to the Purchaser(s) upon request copies of the Loan and Security Agreement and Supplemental Resolution for the subordinated Bonds.

15. Can you please provide a budgeted pro forma that includes the prospective FY 2023 revenues and payment of 2022A bond debt service?

The Airport is in the process of developing its FY 2023 budget and does not have detailed information that it can share publicly at this point. Information on the City’s FY 2023 budget, including a resolution regarding Airport appropriations is available using the following link:

https://www.manchesternh.gov/Portals/2/Departments/elected_officials/mayor/press_room/FY23%20Budget%20Materials.pdf?ver=2022-03-29-155834-153

16. Can you please provide the authority’s existing amortization and debt service schedule as well as the pro-forma debt service from the City’s refinancing of the 2012A bonds?

A summary of the Airport’s outstanding debt was provided as Attachment B to the RFP. The table below provides an illustrative example of the preferred amortization schedule for this transaction.

Principal Payment Date	Principal Amount
1/1/2029	\$2,855,000
1/1/2030	\$3,075,000
1/1/2031	\$6,085,000
1/1/2032	\$6,250,000
1/1/2033	\$6,425,000
1/1/2034	\$6,600,000
1/1/2035	\$6,780,000
Total	\$38,070,000

We expect that this illustrative amortization schedule would be subject to minor refinement based on interest rates proposed by potential Purchasers.

17. Does Century Bank receive all of the same security and covenants as the outstanding 2012 GARBs? If not, what do they receive?

The City will provide to the Purchaser(s) upon request copies of the Bond Purchase Agreements and Supplemental Resolutions for all Outstanding directly placed with Century Bank.

18. What funds were used for the deposit to provide the escrow for the April 2020 refunding of the 2012A bonds (cusips 562334FA5, FB3, FC1)?

The escrow deposit was funded with proceeds of the Series 2020 Bonds, a release from the debt service reserve fund, prior transfers to the Debt Service Fund, and an Airport cash contribution which was subsequently reimbursed by CARES Act funds.

19. Has the City posted a FY 2021 audit? (do not see it on EMMA) If not, what is the delay in producing the City's 2021 Audit within the requirement of 270 days of FYE. We see the unaudited annual report is available.

MHT is an Enterprise Fund of the City of Manchester. MHT uses the same audit firm as the City. Due to staffing issues with the auditor the draft report was released however the final report is not currently posted.

20. Please provide an update on the PFC collections beyond the current charge expiration date of December 1, 2022? Does the Airport expect to continue to collect PFCs and will those collections be used for bond debt service and/or approved projects?

The Airport is in the process of amending the current charge expiration date. The intent is to capture the impact of this refinancing in that amendment and issue it after this restructuring is finalized.

21. Can you please provide an update on the Airports receipts of federal grants from CARES, CRRSA and ARPA? How have those funds been used and what will be used from remaining balances?

MHT received \$25.2M in COVID relief funds. Through February of 2022 MHT has applied approximately \$15.5M of the funds. MHT has used the funds for reimbursement of debt payments. The Airport intends to use remaining COVID relief funds for the reimbursement of a portion of future debt service payments continuing into FY 2024.

22. Please provide details of the Airport's response to the COVID-19 pandemic, including response with airlines and concessionaires?

The Airport cut costs significantly during the COVID-19 pandemic. MHT cut just over \$2.3M from its FY 2021 budget or just over 6%. The Airport also finalized Phase I of the debt restructuring during COVID-19. Both of those actions pleased our airline partners.

23. Please review the current terms of the Airline Agreements. What is the current balance in Coverage account and have any of these funds been used to make up for covid-related revenue shortfalls? Has Delta Airlines announced any plans to resume any service at MHT?

As summarized in the RFP, American, Southwest, United (and/or their regional affiliates) as well as Spirit Airlines have executed an airline agreement extension, the terms of which are now in place through June 30, 2026. The City will provide to the Purchaser(s) upon request copies of the airline agreements.

There is approximately \$3.3 million in the Coverage Account and none of it was used to make up for any shortfalls.

Delta has not announced plans to resume service to MHT, but we remain in contact with the network planning team. Despite this, and through our advanced refunding and the subsequent 30% reduction in airline costs, we did attract our first new airline in 17-years with the introduction of Spirit Airlines in June 2021 (Spirit initiated service at MHT in October 2021). The fare category offered by Spirit Airlines is a fare category the Airport has not had in over a decade.

24. Please review the Airports current liquidity and fund balances?

Please see response to question #7.

25. Please provide latest certificate of Airport Consultant or Independent Engineer concerning status of the property. Has the airport prepared a Report of the Airport Consultant?

The most recent Independent Engineer's report was completed in October 2019. Such report is required to be updated every three years with the next report expected to be completed in October of this year. **The Executive Summary of the 2019 report is attached.**

26. The RFP references the potential for additional security structures outside of GARBs. What types of security/collateral are available to pledge to investors beyond the GARBs (GO of City, additional Mortgages on Real Property, Pledge of unrestricted cash, etc.)?

The RFP does not reference the potential for additional security structures outside of GARBs for this proposed transaction. Please see the information under the following captions in the RFP: "Source of Repayment for the 2022 Bonds" and "Information Requested in Proposals to Serve as Placement Agent or Purchaser" - Section 2 "Source of Repayment" and Section 17 "Comments on the City's existing Bond Resolution".

27. United suspended some of its service January 2022, any discussions on when they expect to resume? Or is this expected to be permanently shut down?

After resuming operations at MHT in June of 2021, United was providing service at MHT to/from Washington-Dulles and Newark Liberty. United's Washington-Dulles service was discontinued in January 2022 but United continued to serve Newark Liberty, doing so with increased frequency and larger gauge aircraft. United is scheduled to increase frequency to Newark Liberty to 3x daily during Summer 2022 with ERJ-175 aircraft.

28. Do you have the Spirit enplanement data vs capacity for the seasonal service to Florida? How successful was this? Are they expected to resume this seasonal service later in 2022-2023?

Spirit is providing a mixture of yearly (FLL and MCO) and seasonal (RSW and TPA) service to Florida. Spirit's load factors are increasing each month as the passengers become more familiar with the airline and the market follows a typical build trajectory. As typical with other markets, Spirit will transition seasonal Florida destinations with seasonal service to MYR, thus continuing to provide 3 daily departures (MCO, FLL, and MYR). All markets are performing at or above expectation with the exception of FLL which may see some trimming during off-days (Tuesday and Wednesday).

29. Does the Airport/City of Manchester have any carbon reduction targets? If so what are they?

The Airport is committed to reducing our carbon footprint and have projects identified that will enhance our sustainability efforts. As the Airport has not had a need to conduct an Airport Master Plan Update since 2011, we do not have a fully developed target that identifies ways to reduce our carbon footprint; however, this does not mean we are not committed to reducing our carbon footprint.

30. Has the airport planned any capital improvements in order to reduce the impacts it has on climate change? If so what? Are there any performance targets in place?

First, we are actively replacing lighting inside the terminal building from incandescent/fluorescent to LED lighting. Second, we are replacing aging infrastructure (i.e. our terminal escalators) with more efficient infrastructure to reduce energy consumption. Third, we applied for IJJA New Terminal Program funding to replace aging Kalwall system with new Kalwall thus reducing energy consumption. Lastly, the Airport has applied for a VALE grant to replace PCAir units and 400 Hz ground power units.

31. What is the airport doing to attract more airline service having just recently lost Delta?

The Airport regularly meets with existing and prospective airlines. Spirit started service at MHT in October of 2021 and Airport staff continuously seek to attract new and expanded service.

32. What is the specific reason for Delta's departure?

Delta departed the Airport due to the impact of the pandemic. The Airport believes that their current focus is on restoring capacity at their "Core 50" airports.

33. Have the existing signatory airlines given any indication on what, if anything, needs to change to increase service?

Current airlines are increasing service with American upgauging CLT to 2x daily A319s for summer with 1x daily CRJ-900s representing a 43% increase in MHT-CLT available seat miles ("ASMs") and seats between Summer 2022 and Summer 2021. Additionally, American is bringing the highly popular MHT-ORD flights back in Summer 2022 and serving with larger aircraft. In total, the Airport is expecting a 48% increase in seats, a 22% increase in departures, and a 61% increase in ASMs for Summer 2022. It should be noted that the summer schedule could be

impacted due to continued headwinds in the industry including staffing and fuel costs. It should also be noted that the recovery at MHT is following the national recovery and, in key metrics such as flights, seats, RPMs, and ASMs; we are generally outpacing other airports in the Boston metro area.

Comparison of Summer Schedules at MHT – 2022 vs. 2021

	American	Southwest	Spirit	United	TOTAL
Summer 2021					
Flights	998	587	---	308	1,893
Seats	65,054	90,085	---	15,400	170,539
Available Seat Miles (ASMs)	36,052,904	60,784,309	---	6,437,200	103,274,413
Summer 2022					
Flights	1,078	729	270	271	2,348
Seats	75,546	110,487	49,140	18,334	253,507
Available Seat Miles (ASMs)	44,300,038	67,167,443	51,565,332	3,831,806	166,864,619
YoY Change Summer 2022-2021					
Flights	8.0%	24.1%	---	-12.0%	24.0%
Seats	16.1%	22.6%	---	19.1%	48.6%
Available Seat Miles (ASMs)	22.8%	10.5%	---	-40.5%	61.6%
Source: Cirium data pulled April 3, 2022. Historic data from T-100 reports. 2022 schedule data from Monthly Summary reports.					

34. When does the signatory airlines and the airport expect to return to 2019 passenger levels? Does the airport put projected enplanements together for future years?

MHT expects to return to and exceed 2019 enplanements by FY 2024. During the winter break, we experienced our first rolling 7-day security checkpoint count exceeding 2019 levels. Summer 2021 saw a 89% load factor at MHT, should the summer schedule hold true and we achieve a 90% load factor, it is conceivable that MHT’s Summer 2022 traffic could exceed 2019 levels.

35. Is there any discussion with the City of Manchester or the State of NH to get new service and increase enplanements at the airport? If so, how do they expect to attract new service?

Please see question #31. The lowering of airport costs and the introduction of Spirit has rekindled interest in the Manchester market. The advanced refunding has paved the way for MHT to be the lowest cost airport in the BOS, PVD, and MHT triad, which is something that could not be said pre-advanced refunding. Thus, any airline targeting incremental growth, or any new entrant carrier, could take advantage of our lower costs, an attractive incentive plan, the

availability of our first ever business consortium to support air service efforts (“The ASSET”) and increase their operating margins in the region.

36. Has there been any discussions with the City or the State to lower costs for the airlines to operate at the airport?

Costs are low at the airport, MHT’s CPE was almost half of its neighboring large hub airport in FY 2021. Airport management remains intensely focused on maintaining a competitive CPE for airlines operating at MHT, as is illustrated by the phased restructuring of the Series 2012A Bonds (among a variety of other actions).

37. What are the airline incentives that have been granted to Spirit? Can you elaborate on these and how long they are expected to remain in place?

Please see the link to the Airport’s incentive plan below. These incentives are offered to all airlines. <https://www.flymanchester.com/air-service-incentive-plan/>. As typical with other incentive plans, the incentives are dependent on meeting certain activity levels – defined in landed units and departing seats – and can run for a two-year period.

38. Is the City committed to maintaining any credit rating, if so where would they like to remain? Is there expected to be a ratings affirmation along with this refinancing?

The City/Airport does not expect to seek a rating for this proposed transaction. The City anticipates that it will not maintain credit ratings after the refunding of the Series 2012A Bonds.

39. Is the City/Airport looking to maintain a certain level of liquidity? If so, where do they expect this to be at over the next several years?

The Airport has an informal liquidity target of approximately 400 days cash on hand. Liquidity has remained in-line with this target through the pandemic and the Airport does not expect liquidity to fall significantly below this level.

40. How much of the \$13.6 million remaining in Cares Act funding do you expect to be used for FY 2022 debt service and FY 2023 debt service? Can you provide a breakdown? Do expect any Cares Act funding to remain for FY 2024?

Please see response to question #21.

41. Are any of the available federal grants in the infrastructure law and/or state grants available or expected to be available for debt service over the next 3 years?

Please see response to question #21 for a description of COVID relief grants available to pay debt service. The Airport is not aware of any additional federal or state grants expected to pay for debt service over the next three years.

42. Do you have unaudited financial results through 3/31 or something post FY2021 you can make available? Vs budget

Unaudited financial results for the period ending 2/28/2022 are attached.

43. Are you able to provide unaudited updated information, now ³/₄ year through FY 2022, of the Frasca report?

Please see response to question #42. Monthly activity results are available on the Airport's website:

<https://www.flymanchester.com/about-the-airport/statistics/>

44. What has been the City's policy for transfers from the Aviation Fund to other governmental funds? Is there any lockup provisions in place that restricts transfers out of this enterprise funds?

In general, the FAA's strict revenue diversion restrictions associated with grant assurances makes it impossible for the City or the Airport to use revenues generated at the Airport for any purposes other than those related to the operation of MHT.

45. For FY 2021, the City reports \$20million in Cash, \$3.1 million in restricted cash, and \$21.8million in noncurrent restricted cash. 1.) What is the restricted figures comprised of/restricted for? 2.) Do you have the most recent figures and how much of this can be used for debt service?

The restricted cash primarily represents reserves for debt service and operation and maintenance expenses. Restricted cash does not fluctuate much unless there is a new debt issue or refinancing. Restricted cash balances remain in-line with the amounts reported as of June 30, 2021.