

**PEASE DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
MINUTES**

Thursday, March 15, 2018

Presiding: Kevin H. Smith, Chairman
Present: Peter J. Loughlin, Vice Chairman; John P. Bohenko, Margaret F. Lamson and Franklin G. Torr
By Telephone: Robert Allard, Treasurer and Robert Preston
Attending: David R. Mullen, Pease Development Authority (“PDA”) Executive Director; Lynn M. Hinchee, Deputy Executive Director and General Counsel; PDA staff members; members of the public.

I. Call to Order

Chairman Smith called the meeting to order at 8:08 a.m. in the Board conference room on the Pease International Tradeport at 55 International Drive, Portsmouth, New Hampshire.

II. Acceptance of Minutes: January 18, 2018

Director Lamson moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors hereby accepts the minutes of the January 18, 2018 Board meeting.** Discussion: None. Disposition: Resolved by unanimous roll call vote for; motion carried.

III. Public Comments

Director Bohenko introduced the new City Council liaison, Rick Becksted, and indicated that Mr. Becksted will be attending future Board meetings and report back to the City Council on anything appropriate. There were no other public comments.

IV. Old Business

There was no old business.

V. Finance Report

Irv Canner, Director of Finance, reported on the status of PDA finances.

A. Financial Reports

1. Operating Results for Seven Month Period Ending January 31, 2018

Mr. Canner reported on the status of PDA FY18. The operating revenues are over budget by 1.6%. The operating expenses are under budget by 0.1%. The key to the professional services right now is the timing of the legal expenses projected in support of various initiatives, including CLF. Overruns are in fee revenues and fuel sales. Fee revenues are 6% above budget. Fuel sales are driven by a run in Hampton Harbor. The revenue for fuel sales is about \$562,000 and the net margin for PDA is about 10% between Division of Ports and Harbors (“DPH”) and Skyhaven Airport (“DAW”).

Staffing is consistent with the trend spoken about as of November. The biggest expense is overtime at the Portsmouth International Airport at Pease (“PSM”) and DPH. There are no vacant positions, all permanent positions are filled. There are 107 positions at PDA.

The operating expenses include professional legal services which are currently under budget by approximately \$158,000. The workers' compensation is currently under budget by \$11,000. As a result of the 2017 audit, we received a refund check of over \$16,000 which reflects two factors: safety and the underwriting of labor projections for the calendar year. This is approximately a 20% refund on our total premium for the year. The refund check is not reflected in the financial report ending January 31, 2018.

Mr. Canner reviewed the Balance Sheet, discussing cash balances and the breakdown between restricted and unrestricted funds. Cash balances are up by 10% to \$4.5 million. The primary driver is the operating income of \$2 million which is offset by \$3.3 million in capital expenditures, offset by grant money. The primary capital expenditures to date include finishing the DAW taxiway and the NH Air National Guard ("NHANG") taxiway at PSM.

Mr. Canner discussed the Revolving Line of Credit ("RLC") and reported that we have not had to use any funds from it so far this fiscal year.

PDA received the results of the pension as of June of 2017. Pension expense is reflected in arrears and the pension liability at the end of June was \$5.5 million and that amount now is \$4.9 million, an overall reduction of approximately 10% which is driven by performance of investments.

Mr. Canner discussed the individual business units. At the end of February, PSM had approximately 14,000 enplanements which is consistent with last year at this time. At the end of calendar year 2017 there were over 109,000 enplanements.

The overall operating revenue and expenses for DAW are slightly ahead of where we were. The operating income is a deficit of \$50,000. Fuel sales are down approximately 15% in terms of gallons sold. There was a 6% increase in the average price of fuel. Cumulatively, approximately \$1.6 million deficit since taking over DAW. As of the first of March there are 31 planes there and six tie downs.

As of the end of January, the Golf Course had a 10% increase in operating revenues and the net operating revenues of \$374,000 which is 35% ahead of the budgeted operating income amount. The business units for the Golf Course are all profitable and the Golf Course operations represents 50% of the operating income. The bar and grill sales are 6% ahead of last year and at the end of February the sales totaled \$1.2 million. The golf simulators are consistent with last year at this time with revenues of \$86,000. The rounds of golf played by the end of last year was just under 55,000.

The DPH operating income is above budget at \$44,000 and the budget at the end of January is \$8,000. The Harbor Dredging Fund, Foreign Trade Zone restricted funds and the Revolving Loan Fund are all consistent with the budget.

In response to Director Lamson's questions about the time line for the vegetation cutting, Ms. Stowell stated that PDA will look at it once the snow melts. Mr. Canner reported that through the end of January, \$511,000 has been expended on this project against the overall budget of \$1.1 million for this project.

2. Nine Month Cash Flow Projections to November 30, 2018

Mr. Canner reviewed PDA cash flow projections for the nine month period ending November 30, 2018 including sources of funds for grant funded and non-grant funded projects. Currently there is approximately \$4 million in the bank and by November 30, it is anticipated that there will be approximately \$6.1 million. The variables will be the capital expenditures both grant related and non-grant related and the associated grant awards timing. The grant related expenditures for capital of \$4.2 million primarily consists of finishing the NHANG taxiway project for \$2 million, the PSM runway design project for \$640,000, the

PSM terminal expansion design and construction project for \$600,000 and the projected purchase of a plow at DAW for \$500,000. These four projects represent approximately 95% of the \$4.2 million in grant related capital expenditures.

The credit facility with Provident Bank is a \$5 million facility expiring December 31, 2018. The cost of borrowing today would be 4.26% which is an increase of over 5% since January 2018.

The debt payment to the City of Portsmouth was made in January and is the only debt obligation owed by PDA. There are two payments left which will be paid over the next two years which total \$233,000.

The opening fund balance for the DPH is \$762,000 and by November 30 will be just over \$434,000. The projected expenditures from the Harbor Dredging Fund, as approved by the CBOC, for \$200,000 are for capital projects such as generator replacement and electrical work at the Portsmouth Fish Pier. The fund balance as of today is just over \$500,000.

VI. Licenses/ROE/Easements/Rights of Way/Options

In accordance with the “Delegation to Executive Director: Consent, Approval and Execution of License Agreements,” David Mullen, PDA Executive Director, reported the following:

A. Reports

1. Equine Architectural Products, Inc. – Extension of ROE

Mr. Mullen reported that Equine Architectural Products was granted an extension for 90 days of the Right of Entry (“ROE”) dated November 22, 2017, as amended, to May 21, 2018 for the purpose of storing plastic cable spools, related equipment and supplies on a portion of the former Bulk Fuel Storage Area located at 119 Arboretum Drive. In response to Director Lamson’s request for an explanation of Equine, Mr. Mullen stated it was for the storage of cables for Westinghouse.

2. Rochester Police Department – Wings and Wheels Event ROE

Mr. Mullen reported that the Rochester Police Department was granted a ROE for the period of June 1 and June 2, 2018 for the purpose of setting up and conducting the “Wings and Wheels” event at DAW in Rochester, NH.

B. Approvals

1. VMD Systems Integrators, Inc. – ROE

Director Lamson moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute the First Amendment to Right of Entry with VMD Systems Integrators, Inc. effective February 7, 2018, for the purpose of including an on-site training room at the Portsmouth International Airport at Pease; on substantially the same terms and conditions set forth in the Memorandum from Paul E. Brean, Airport Director, dated March 6, 2018, attached hereto. Note: Roll Call vote required. Discussion: None. Disposition: Resolved by unanimous roll call vote; motion carried.**

2. Lonza Biologics, Inc. – Iron Parcel Parking ROE

Director Allard moved and Director Preston seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute a Right of Entry with Lonza Biologics, Inc. (“Lonza”) from January 1, 2018 through December 31, 2018 to include four (4) one (1)**

year options to extend which may be exercised by Lonza with the approval of the Executive Director, for the purpose of providing temporary contractor and employee parking; on substantially the same terms and conditions set forth in the Right of Entry dated February 13, 2018, attached hereto. **Note: Roll Call vote required.** Discussion: None. Disposition: Resolved by unanimous roll call vote; motion carried.

VII. Contracts/Agreements
A. Reports

In accordance with Article 3.9.1.1 of the PDA Bylaws, Mr. Mullen reported that PDA entered into the following contracts:

1. Quantum Secure, Inc.

PDA contracted with Quantum Secure, Inc. for the configuration of the new badge printer at PSM. The expenditure of \$1,406.24 is the amount over the estimated cost.

B. Approvals

1. Dan Fortnam – Consulting Contract

Director Preston moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors hereby approves of and authorizes the Executive Director to enter into Amendment No. 11 to extend the Consulting Agreement with Daniel Fortnam from April 1, 2018 through September 30, 2018 with one (1) option to extend through March 31, 2019, exercisable at the Executive Director's sole discretion; all in accordance with the memorandum of Paul E. Brean, Airport Director, dated March 6, 2018, attached hereto. **Note: Roll Call vote required.**** Discussion: Mr. Mullen reported that Mr. Fortnam, Paul Brean, Airport Director, Andrew Pomeroy, Airport Operations Manager are currently in South Carolina at a conference regarding air service and are scheduled to meet with airlines that are interested in coming to PSM. Disposition: Resolved by unanimous roll call vote; motion carried.

2. Quantum Secure, Inc. – Upgrade of Designated Aviation Channeler

Director Loughlin moved and Director Torr seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to enter into a contract with Quantum Secure, Inc. in the amount of \$25,000.00 for the purpose of purchasing an upgrade to PDA's connection to its Designated Aviation Channeler; all in accordance with the memorandum of Paul E. Brean, Airport Director, dated March 7, 2018, attached hereto.**

In accordance with the provisions of RSA 12-G:8 VIII, the Board justifies the waiver of the RFP requirement based on the following reasons:

1. Quantum Secure provided PDA's current software and "connector."
2. Quantum Secure is the contractor that has been authorized by the Transportation Security Clearinghouse ("TSC") to complete this work and will be doing so for all other airports using the TSC.

Note: This Motion requires 5 affirmative votes. Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

3. iHeartMedia, Inc. – Radio Advertising for PSM

Director Bohenko moved and Director Torr seconded that **The Pease Development Authority Board of Directors approves of and authorizes the Executive Director to enter into an agreement with iHeartMedia, Inc. (“iHeartMedia”) in a total amount not to exceed \$34,170.00 for radio advertising; all in accordance with the memorandum of Paul E. Brean, Airport Director, dated March 1, 2018, attached hereto.**

In accordance with the provisions of RSA 12-G:8 VIII, the Board justifies the waiver of the RFP requirement based on the following reasons:

1. **iHeartMedia has strategically located media outlets in the specific areas where PDA wishes to advertise;**
2. **iHeartMedia’s radio stations appeal to the customer base that PDA wishes to reach.**

Note: This Motion requires 5 affirmative votes. Discussion: In response to Director Preston’s question of how the results/responses will be measured, Mr. Mullen stated it will be difficult to quantify but last year through reverse marketing the car rental business increased by 50%. Mr. Mullen further stated that PDA is working with a digital provider who will measure the hits on our web site. Discussion: None. Disposition: Resolved by unanimous roll call vote; motion carried.

4. McFarland-Johnson, Inc. – Replace Terminal Roof and Design Baggage Handling System at PSM

Director Torr moved and Director Bohenko seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to enter into a contract with McFarland-Johnson, Inc., in a total amount not to exceed \$118,680.00 for the purpose of replacing the existing roof at the Portsmouth International Airport at Pease (“PSM”) and the design of a new baggage handling system at PSM; all in accordance with the memorandum of Maria J. Stowell, P.E., Engineering Manager, dated March 7, 2018, attached hereto. Note: Roll Call vote required.** Discussion: None. Disposition: Resolved by unanimous roll call vote; motion carried.

5. Eckhardt & Johnson, Inc. – Replace Mechanical Rooftop Units at PSM

Director Lamson moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to amend the contract with Eckhardt & Johnson, Inc., to include the amount of \$211,750.50 for the purpose of replacing the terminal rooftop units, VAV controllers, and all associated work; all in accordance with the memorandum of Maria J. Stowell, P.E., Engineering Manager, dated March 6, 2018, attached hereto. Note: Roll Call vote required.** Discussion: Director Lamson thanked Ms. Stowell for the clear explanation regarding this item. Disposition: Resolved by unanimous roll call vote; motion carried.

VIII. Executive Director’s Reports/Approvals

A. Reports

1. Golf Course Operations

Scott DeVito, General Manager, reported on the activities at the Golf Course at Pease (“Golf Course”), including the anticipated opening of the Golf Course in two weeks, the target is April 1. Revenue from memberships are up and Mr. DeVito discussed current membership programs. The enhancements to the Grill 28 dining room will be finished today and Grill 28 will open tomorrow. In response to Chairman Smith’s question, Mr. DeVito stated that email marketing for the simulators is done. This time of year print

ads are run and ads in the NH Business Review, but exposure is mostly by word of mouth. This time of year the Golf Course runs at 85%-90% capacity for the simulators. Director Bohenko stated that the payback for the simulators was estimated at 1 ½ years. Director Lamson commented on the helpful, friendly staff at the Golf Course.

2. Airport Operations

Ed Pottberg, Airport Security Coordinator, reported on aviation activities.

a. PSM

The number of enplanements for the months of January and February was 12,540 for scheduled passengers and 14,736 charter passengers for a total of 27,236 enplanements. This is a slight downturn from last year due to Allegiant Air discontinuing flights to Ft. Lauderdale and St. Petersburg. The numbers for Punta Gorda and Sanford are strong. Marketing efforts are targeting the upcoming spring break and Myrtle Beach services which will recommence in June. There is an uptick in troop flights. Delta Airlines has started providing troop flights due to Delta Airlines operating troop flights through PSM. PSM recognizes efforts by United and now Delta for providing troop flights through PSM. The NH Air National Guard has kicked off a re-fuel hydrant project. Mr. Pottberg commended the maintenance and airport operations crews for their snow removal efforts especially during the last two storms.

b. Skyhaven Airport

Mr. Pottberg reported that the ramp and drainage construction is nearly complete and punch list items are being worked on with the contractor. Mr. Pottberg reported that the Rochester Police Department is hosting the Wings and Wheels event this year. It is sponsored by the Rochester Rotary Club. The Skyhaven Advisory Committee will be using this opportunity to showcase the general aviation opportunities to the community.

Director Torr reported that the composition of the Advisory Board has changed and will be working to promote positive changes to DAW, especially financially, and having one staff member at SAAC meetings was a good thing. Director Torr commended Andrew Pomeroy on doing a good job, he answers all questions and deals well with the composition of the Board.

c. Noise Line Reports

There were 19 Noise inquiries made to the Airport Community Liaison in January and February. Fifteen inquiries were related to helicopter activity from four Portsmouth residents and one Cambridge, MA residence. Fourteen calls inquired regarding the flight path of helicopters and one inquiring low flight military helicopter. There were three fixed wing inquiries from Rye and Greenland which were related to the Italian military aircraft. One fixed wing and rotor wing inquiry was from an Eliot, ME residence and was related to the Italian military and a US military helicopter. In response to Director Lamson's question about the complaint from Cambridge, Mr. Pottberg stated he did not know if the aircraft came out of Hanscom or another location.

3. Bills for Legal Services – Sheehan Phinney Bass & Green, PA

In accordance with the "Limited Delegation to Executive Director: Consent, Approval and Execution of Documents and Expenditure of Funds for Legal Services," PDA paid the following bills to Sheehan Phinney Bass & Green, PA for services provided in the month of December:

1.	Sheehan Phinney Bass + Green Re: Tradeport – General Representation Through December 31, 2017	<u>\$319.00</u>	
2.	Sheehan Phinney Bass + Green Re: CLF v. Pease Through December 31, 2017	<u>\$18,444.00</u>	
	Total		<u>\$18,763.00</u>

B. Approvals
1. Bills for Legal Services

Director Loughlin moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to expend funds up to \$38,393.00 for the following legal services rendered for the Pease Development Authority:**

1.	Anderson & Kreiger, LLP Through January 31, 2018	<u>\$612.00</u>	
			<u>\$612.00</u>
2.	Sheehan Phinney Bass + Green Re: CLF v. Pease Through January 31, 2018	\$36,308.00	
	Re: Tradeport-Gen Rep Through January 31, 2018	\$870.00	
	Re: Regulatory Issues Re: Port Through January 31, 2018	<u>\$603.00</u>	
			<u>\$37,781.00</u>
	Total		<u>\$38,393.00</u>

Discussion: None. Disposition: Resolved by unanimous roll call vote for; motion carried.

IX. Division of Ports and Harbors

Geno J. Marconi, Division Director, reported on the Division activities, and the approvals sought before the Board represent the current business at the Division of Ports and Harbors (“DPH”).

A. Reports

1. Port Advisory Council

Mr. Marconi reported that the Port Advisory Council (“PAC”) met on January 3, 2018 and that the approved minutes of the previous meeting are included for the Board’s information.

2. Commercial Mooring Transfers

Mr. Marconi explained the process for a mooring transfer and reported that in accordance with the “Delegation to Executive Director: Consent, Approval and Execution of Mooring Permit Transfers,” a commercial mooring was transferred for each of the following:

	<u>Permit</u>	<u>Business</u>	<u>Date of Approval</u>
Isles of Shoals Harbor Transferor: Transferee:	No. 1735 Island Cruises, Inc. Granite State Whale Watch, Inc.	Commercial Charter	01/20/18
Rye Harbor Transferor: Transferee:	No. 977 Atlantic Fishing Fleet, Inc. Granite State Whale Watch, Inc.	Commercial Charter	01/20/18
Hampton Harbor Transferor: Transferee:	No. 7522 Richard Morgenstern Alexander Dailey	Commercial Charter	01/25/18
Rye Harbor Transferor: Transferee:	No. 7364 John Samonas Jonathan Tierney dba JT Fish Co.	Commercial Charter	02/16/18

3. Foreign Trade Zone – Alternate Site Framework

Mr. Marconi reported that the application has been submitted and the notice has been published in the Federal Register, one newspaper with statewide circulation and one local newspaper. There have been no comments yet but there have been letters of support. Mr. Marconi indicated that this could be due to the working with the Federal Highway staff up front prior to submitting the application.

4. SPS New England, Inc. – ROE

Mr. Marconi reported that SPS New England, Inc. was granted a ROE for the period of February 12, 2018 through April 15, 2018, for the purpose of loading and unloading construction equipment to/from a work barge; securing the barge and/or work boat on a space available basis at the marina; and locating a crane or comparable piece of equipment at the facility for said loading/unloading at the Hampton Harbor Marine Facility.

5. Governor & Council – Functional Replacement

Mr. Marconi reported that on Wednesday, March 7, 2018, Governor & Council held a meeting and approved the agreement between the PDA and the NH Department of Transportation in connection with the functional replacement of the barge dock due to the Sarah Mildred Long Bridge project. This project will be 100% reimbursable by the Federal Highway Commission. The Governor & Council asked that when the contract award is made to report back to the Governor & Council. In response to Director Bohenko’s question about hiring the design work, Mr. Marconi indicated that an RFQ selection for on-call engineering services was done and Appledore Engineering was selected. The same process will be done for all subcontractors. The subcontractor(s) will have to be approved and certified by the Federal Highway Commission.

B. Approvals

1. Star Island/Shoals Laboratory – Amendment of ROE

Director Torr moved and Director Preston seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to amend the Right of Entry issued to Star Island Corporation to allow the placement of an additional 30' by 8' storage shed at the Burge Wharf; in accordance with the Memorandum of Geno J. Marconi, Division Director, dated March 6, 2018, attached hereto.** Discussion: None. Disposition: Resolved by unanimous roll call vote; motion carried.

X. New Business

There was no new business.

XI. Upcoming Meetings

Chairman Smith reported that the following meetings will be held:

Golf Committee	Monday, April 16, 2018
Finance Committee	Monday, April 16, 2018 at 8:30 a.m.
Board of Directors	Thursday, April 19, 2018

All Meetings begin at 8 a.m. unless otherwise posted.

XII. Directors' Comments

Chairman Smith thanked Vice-Chairman Loughlin for circulating the historical materials regarding the Air Force Base.

XIII. Adjournment

Director Lamson moved and Director Torr seconded to **adjourn the Board meeting.** Discussion: None. Disposition: Resolved by unanimous roll call vote for; motion carried. Meeting adjourned at 8:54 a.m.

XIV. Press Questions

No members of the press attended the meeting.

Respectfully submitted,



David R. Mullen
Executive Director