

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

Thursday, October 19, 2017

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

I. Call to Order

Vice-Chairman Loughlin called the meeting to order at 8:39 a.m. in the Board conference room at 55 International Drive, Pease International Tradeport, Portsmouth, New Hampshire. Vice-Chairman introduced the new Chairman, Kevin H. Smith and welcomed him to the PDA Board of Directors.

II. Acceptance of Minutes: September 21, 2017

Director Allard moved and Director Preston seconded that **The Pease Development Authority Board of Directors hereby accept the Minutes of the September 21, 2017 Board meeting.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

III. Public Comments

There were no public comments.

IV. Old Business

A. Approvals

1. Lonza Biologics, Inc. – Iron Parcel Agreement Extension

Director Torr moved and Director Lamson seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to extend the Option with Lonza Biologics, Inc. (“Lonza”) for the premises known as the Iron Parcel located at 70/80 Corporate Drive, effective January 1, 2018 for a period of five (5) years at a fee of \$35,318 for each six (6) month period; all on substantially the same terms and conditions set forth in the memorandum from David R. Mullen dated October 10, 2017, attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

2. NHDOT and PDA/DPH – Project Agreement Sarah Mildred Long Bridge

Director Torr moved and Director Preston seconded that **The Pease Development Authority Board of Directors, consistent with its resolution on August 10, 2017, hereby authorizes the Executive Director to execute the New Hampshire Department of Transportation (“NHDOT”) and PDA Division of Ports and Harbors (DPH) Project Agreement, attached hereto, and further authorizes him to take all other action necessary or appropriate to facilitate and implement the functional replacement of the Barge Dock at the Market Street Terminal.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

V. **Finance**
A. **Independent External Audit Examination**
1. **Reports**

Irv Canner, PDA Director of Finance, introduced Mark LaPrade and Robert Smalley from Berry, Dunn, McNeill and Parker, LLC (“Berry, Dunn”) to report on the Independent External Audit Examination.

- a. **Management Representation Letter**
- b. **Executive Summary of Audit Engagement**
- c. **Auditor Required Communication Letter**

Mr. Smalley, Senior Manager at Berry, Dunn, discussed the Management Representation Letter and provided a summary of the PDA’s external audit reflecting that there were no corrections, material weaknesses or material deficiencies and that it was a very smooth audit. Mr. Smalley further reported on the Required Auditor Communications. In response to Director Bohenko’s statement that if anything is to be read in the audit, the Management’s Discussion & Analysis (“MD&A”) should be a priority, Mr. Smalley responded that the MD&A is a great place to start to get a feel for the financial story of the PDA.

Mr. LaPrade, Principal at Berry, Dunn, reported on the Auditor’s Report on the Financial Statements, the Financial Statement Highlights and the Uniform Guidance Audit portion of the audit. Mr. LaPrade discussed what Berry, Dunn looks at during the audit. Mr. LaPrade further discussed the Financial Statement Highlights of the PDA including cash, capital expenditures and pension liability. In response to Mr. Bohenko’s question about the operating loss listed in the Statements of Revenues, Expenses and Changes in Net Position, Mr. LaPrade explained that the difference between cash and operating loss is depreciation. He further reported on the Uniform Guidance Audit procedures and that they tested the Airport Improvement Program and their findings. Mr. LaPrade discussed PDA’s internal controls over compliance and discussed finding capital assets in service which still considered construction-in-progress which have been corrected.

Mr. Smalley discussed the GASB 75 regarding pension liability. In response to Director Bohenko’s question about from where the retirement numbers come, Mr. Canner explained that the State of NH provides those numbers and the figures are always in arrears (one year behind). In response to Director Lamson’s question regarding the calculation at the age of 65 for pension benefits, Mr. LaPrade reported that the calculation is from the NH Retirement System reports, not the PDA. Attorney Hinchee stated that the figure is a formula within the State plan and calculated at the State level. Mr. Canner reported that the liability is allocated between the Port and PDA separately.

Mr. Smalley discussed the GASB 87 regarding leases as emerging issues, future lease revenues and deferred inflow.

2. **Approvals**
a. **Certified Financial Statements and the Uniform Guidance Audit of Federal Awards**

Director Allard moved and Director Preston seconded that **The PDA Board of Directors accepts receipt of the Certified Annual Financial Statement for the years ended June 30, 2017 and 2016 and the Uniform Guidance Audit of Federal Awards for the year ended June 30, 2017; all as prepared and submitted by the PDA’s independent auditor, Berry, Dunn, McNeill and Parker, LLC; and further authorizes the Executive Director to forward the Certified Financial Statement to the State of New Hampshire for inclusion in the Comprehensive Annual Financial Report. Discussion: Director**

Bohenko, as Audit Committee Chairman, thanked Mr. Canner for his work in conjunction with preparing for the audit. Disposition: Resolved by unanimous vote for; motion carried.

B. Financial Reports

1. Operating Results for Two Month Period Ending August 31, 2017

Irving Canner, PDA Director of Finance, reported on the status of PDA for the two-month period ending August 31, 2017. PDA's operating revenues versus budget were up by approximately 3.9% and the operating costs were down by approximately 1.4%. Mr. Canner reviewed the status of personnel. PDA has two positions open, 61 benefitted positions and the payroll last week was 133 employees. Operating budget for salaries is \$4.7 million and we are in line with that right now.

Mr. Canner discussed the operating expenses including utilities and professional services. The biggest budget variance is with professional services. The fiscal year budget for legal expenses is \$500,000. The biggest expense for legal is the CLF initiative. Mr. Canner discussed fuel revenue and costs.

Mr. Canner reviewed the Balance Sheet, discussing cash balances and the breakdown between restricted and unrestricted funds. The net pension liability figure of \$5.4 million based on the NH Retirement System information and is based on a June 30, 2016 valuation figure. Mr. Canner discussed the Construction In Process ("CIP") and that so far this year, we have spent approximately \$500,000 in capital money. Two major projects this year were the Obstruction Removal Project at the Portsmouth International Airport at Pease ("PSM") and the Taxilane Pavement and Drainage Construction Project at Skyhaven Airport ("DAW"). The Golf Course at Pease had approximately \$60,000 in new equipment. In response to Director Lamson's question regarding the new seating at PSM, Mr. Brean reported that it is going well.

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

Mr. Canner discussed the individual business units. PSM had approximately 71,000 enplanements so far this year. In response to Director Preston's question if we get more money from the federal government if we have more enplanements, Mr. Canner reported that we have a target number for the base amount and we do not get more money for more enplanements. DAW operating deficit so far this year is \$11,000. Mr. Canner discussed the Net Cash Flow since taking on DAW in 2009, operating deficit and the loss on a cash flow basis to date is \$2.2 million. The Golf Course has operating revenues so far of approximately \$822,000 which approximately 13% over budget and net operating expenses slightly above budget but net operating income of \$352,000. Golf fees from non-member play have driven the positive revenue stream. As of August, approximately 39,000 rounds of golf have been played compared to 41,000 last year of this time due to the later start this year. Bar and Grill sales continue to exceed last year's figures. The Tradeport operating income was approximately \$1.6 million and the operating revenue of approximately \$1.7 million. The Port Authority ("DPH") had operating revenue of approximately \$535,000 at the end of August. The operating income was \$90,000 and operating expenses of \$445,000. Mr. Canner discussed the separate balance sheets for each of the business units.

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

Mr. Canner reviewed PDA cash flow projections for the nine month period ending June 30, 2018 including sources of funds for grant funded and non-grant funded projects. Cash Flow closing fund balance is project to be \$4.4 million by the end of June 2018. Grant capital expenditures will be \$5.7 million and non-grant related expenditures of about \$540,000. The municipal services fee will be paid to the City of Portsmouth in January 2018 and the debt payment to the City of \$116,000 in February 2018.

The cash flow for the DPH will drop in the January/February time frame and should increase again in March when the mooring permits are collected.

In response to Director Preston's question of how close we are to fully funding our pension liability, Mr. Canner reported that if we had to write a check right now it would be an estimated amount of \$5.4 million.

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

A. Reports

1. Wentworth Douglas Hospital – ROE

David Mullen, PDA Executive Director, reported on the ROE issued to Wentworth Douglas Hospital for site investigation purposes of the premises located at 67 Corporate Drive and 121 Corporate Drive.

2. US Air Force – ROE

Mr. Mullen reported on the ROE issued to the US Air Force for the purpose of conducting site investigation, wetlands delineation and survey work in connection with the planned removal of abandoned fuel pipelines on property owned by PDA.

VII. Leases

A. Reports

1. 75 New Hampshire, LLC – Global Aquaculture Alliance, Ltd.

Mr. Mullen reported that 75 New Hampshire, LLC entered into a sublease with Global Aquaculture Alliance, Ltd. for 13,050 square feet at 85 New Hampshire Avenue for a base term of seven years with one seven-year option. Director Lamson approved the sublease. Director Loughlin stated that he was familiar with Global Aquaculture Alliance, Ltd. through some non-profit work and that they *monitor* fish farms.

2. 222 International, LP – Accellion, Inc.

Mr. Mullen reported that 222 International, LP entered into a sublease with Accellion, Inc. for 3,310 square feet at 195 New Hampshire Avenue for a period of three years. Director Lamson approved the sublease.

B. Approvals

1. Port City Air, Inc. – Ground Handling Agreement Extension

Director Preston moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute an extension of Lease Amendment No. 4 with Port City Aircraft Repair, Inc. ("Port City") for the purpose of extending the Port City Ground Handling Agreement from October 1, 2017 through September 30, 2018 with four (4) one (1) year options on the terms and conditions set forth in the Eleventh Extension of Lease Amendment No. 4 attached hereto and subject to all other terms and conditions of the Lease and Ground Handling Agreement remaining in full force and effect. Discussion: None. Disposition: Resolved by unanimous vote; motion carried.**

2. Allegiant Air, LLC – Lease Extension

Director Lamson moved and Director Allard seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to enter into Amendment No. 4 of the Terminal Lease & Airfield Operating Agreement with Allegiant Air, LLC (“Allegiant”); in accordance with the memorandum from Mark H. Gardner, Deputy General Counsel, dated October 10, 2017, and upon substantially similar terms and conditions contained in draft Lease Amendment No. 4, attached hereto. Discussion: None. Disposition: Resolved by unanimous vote; motion carried.**

VIII. 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. Lithonia Lighting – LED Light Replacement at Golf Course at Pease

PDA contracted with Lithonia Lighting for the replacement of eight LED lights at the Golf Course at Pease. The expenditure of \$1,878.06.00 was approved by Director Allard.

B. Approvals

1. Moulison, LLC – Light Replacement/Pole Painting at DAW

Director Loughlin moved and Director Bohenko seconded that **The Pease Development Authority Board of Directors approves of and authorizes the Executive Director to enter into a contract with Moulison, LLC in a total amount not to exceed \$28,000.00 for replacement of LED lights on the poles and the painting of the poles at Skyhaven Airport; all in accordance with the memorandum of Maria J. Stowell, P.E., Engineering Manager, dated October 11, 2017, 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. The replacement of the lights is an emergency situation and advertising and bidding the project would unduly delay the required replacement work which needs to be attended to as soon as possible; and**
- 2. The painting of the light poles is necessary but is not an emergency, however, the cost of mobilizing the equipment rental, it is most economical to have it done at the same time as the light replacement.**

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

2. SSE, LLC dba Horizons property Services & Landscaping – Snow Plowing

Director Bohenko moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute a contract with SSE, LLC dba Great Horizons Property Services & Landscaping (“Great Horizons”) of Brentwood, NH, for the purpose of providing snow removal services at Pease International Tradeport for an initial period of one (1) year and four options of one (1) year each on mutually acceptable terms exercisable at the sole**

discretion of the Executive Director of Pease Development Authority, subject to Great Horizons receiving certification from the New Hampshire Green Snow Pro Certification no later than December 1, 2017; all in accordance with the memorandum of Paul E. Brean, Airport Director, dated October 12, 2017. Discussion: In response to Director Loughlin's observation that the use of sand was listed in the bid documents and the pavement is porous and will clog, Paul E. Brean, Airport Director, responded that prior to the snow plow season, this issue will be addressed with SSE, LLC. Disposition: Resolved by unanimous vote; motion carried.

X. Executive Director's Reports/Approvals

A. Reports

1. Golf Course Operations

Scott DeVito, PGA General Manager, reported on the activities at the Pease Golf Course and that this Sunday will be the last organized outing being held at the Golf Course and 88 players are scheduled to play. Mr. DeVito thanked the staff. Everyone that played so far this year is back on the calendar for next year. Mr. DeVito reported that the turf management process is still ongoing and they will be aerating the lower 9 holes. The Golf Course will have only 18 holes open starting week after next. The winter simulator league will be starting on Monday.

2. Airport Operations

Mr. Brean reported on aviation activities.

a) PSM

There were approximately 10,000 enplanements this month at the Airport and approximately 80% of that number of passengers were troop passengers. Although 100,000 enplanements is not an official benchmark, that number is significant when the airport seeks additional funding and enters agreements with concessionaires, and advertisers. Due to an uptick in enplanements we have seen increases in concessions and car rentals at PSM. Pease tenant, Gigunda Group, implemented Duracell Battery's Power Forward Campaign delivering 1 million in batteries and rugged off-road vehicles that host emergency power and communications to Puerto Rico to assist in the relief efforts there. In response to Director Allard's question regarding Allegiant's schedules, Mr. Brean indicated that Myrtle Beach is suspended for the season, Ft. Lauderdale service has been eliminated due in part to the phasing out of MDEC aircraft and the acquisition of newer Airbus aircraft but Allegiant has added more frequency to the Punta Gorda/Ft. Myers and Sanford/Orlando flights. Allegiant expects to run the Tampa/St. Pete flights during spring break season.

b) Skyhaven Airport

Mr. Brean reported that Skyhaven has been doing more marketing.

c) Noise Line Report

Mr. Brean thanked Directors Lamson and Preston for their support at the recent Noise Compatibility Meeting. There were a total of 113 noise inquiries at PSM during the month of September. There were 35 inquiries regarding rotor activities; originating from three residences in Portsmouth, one in Rye and one in Newington; 30 of the 35 complaints were from one Portsmouth residence. There were 78 inquiries regarding fixed wing activities from one resident in Newmarket, one in Portsmouth and one in Greenland. The Newmarket resident was responsible for 76 of the calls.

B. Approvals
1. Bills for Legal Services

Director Preston moved and Director Allard seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to expend funds up to \$23,795.50 for the following legal services rendered to the Pease Development Authority:**

1. Kutak Rock LLP			
General/Through August 31, 2017	<u>\$266.50</u>		
			\$266.50*
2. Sheehan Phinney Bass + Green PA			
CLF/Through August 31, 2017	<u>\$23,529.00</u>		
			<u>\$23,529.00</u>
Total			<u>\$23,795.50</u>

*City of Portsmouth will pay the remaining balance. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

XI. 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 Port.

A. Reports

1. Port Advisory Council

Mr. Marconi reported that the Port Advisory Council held a meeting on October 11, 2017. They had adjourned for a couple of months, but met in September to get an update on the Port.

2. Business Development, Nova Scotia

Mr. Marconi reported on his trip to Nova Scotia. Captain Monroe with HDR, Inc. has done a lot of port studies. There have been changes in municipal government, particularly in Yarmouth. Captain Monroe arranged meetings with several companies. The focus of this trip was to begin discussions for future freight services and create opportunities with the Port of Halifax. In response to Director Bohenko's question about the MBTA ferry service and the potential for picking up some of those routes, Mr. Marconi indicated that all of the ferry service that MBTA has is contracted with Rick Nolan and Boston Harbor Cruises.

3. Isle of Shoals Steamship Company – Parking Agreement

Mr. Marconi reported that the Pease Development Authority-Division of Ports and Harbors contracted with the City of Portsmouth ("COP") for use by COP employees of certain parking spaces at 315 Market Street from November 1, 2017 through April 30, 2018.

B. Approvals

1. Jocelyn Marine Services – ROE

Director Torr moved and Director Allard seconded that **The Pease Development Board of Directors hereby authorizes the Executive Director to execute a Right of Entry with Jocelyn Marine Services, Inc. of Salisbury, Massachusetts, to provide boat hauling and launching services at the Hampton Harbor Marine Facility through June 30, 2020, and attached hereto; all in accordance with the memorandum of Geno J. Marconi, Division Director, dated October 9, 2017 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

2. Appledore Marine Engineering – Routine Condition Inspection

Director Torr moved and Director Allard seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to enter into a contract with Appledore Marine Engineering, LLC (“AME”), in a total amount not to exceed \$24,600.00 for the routine condition inspection of the Portsmouth Commercial Fish Pier and approves the expenditure from the Harbor Dredging and Pier Maintenance Fund; all in accordance with the memorandum of Geno J. Marconi, dated October 9, 2017, attached hereto.** *Note: Director Preston left the room at 9:46 a.m. and returned at 9:51 a.m.* Discussion: None. Disposition: Resolved by five votes for (Director Preston was absent for the vote), motion carried.

3. Appledore Marine Engineering – Vessel Service Power Replacement

Director Allard moved and Director Torr seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to enter into a contract with Appledore Marine Engineering, LLC (“AME”), in a total amount not to exceed \$12,793.00 for the design of the replacement of the Vessel Service Power system at the Portsmouth Commercial Fish Pier and approve the expenditure from the Harbor Dredging and Pier Maintenance Fund; all in accordance with the memorandum of Geno J. Marconi, dated October 9, 2017, attached hereto.** Discussion: None. Disposition: Resolved by five votes for (Director Preston was absent for the vote), motion carried.

4. NAS Fuels, LLC – ROE

Director Bohenko moved and Director Allard seconded that **The Pease Development Board of Directors authorizes the Executive Director to issue a Right of Entry to NAS Fuels, LLC dba Atlantic Fuels, Inc., for the purpose of fuel dispensing pursuant to the terms and conditions set forth in the memorandum of Geno Marconi, Division Director, dated October 13, 2017, attached hereto.** Discussion: None. Disposition: Resolved by five votes for (Director Preston was absent for the vote), motion carried.

XII. New Business

A. Approvals

1. Granite State Minerals, Inc. – License and Operating Agreement

Director Lamson moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to complete negotiations with Granite State Minerals, Inc. and to execute a License and Operating Agreement for use of a portion of the Market Street Terminal on terms and conditions substantially similar to those set forth in the draft Letter of Intent, attached hereto.** Discussion: Director Preston recused himself due to his relationship with the Mahoney family. Disposition: Director Preston abstained from voting. Resolved by five votes for; motion carried.

XIII. Upcoming Meetings

Lynn Hinchee, Deputy Executive Director and General Counsel, pointed out to the Board that the December Board of Directors meeting is scheduled for December 21, 2017 and suggested moving the December meeting to December 14, 2017. The Directors discussed it and decided to hold the December meeting on December 14, 2017. Chairman Smith reported that the following meetings will be held:

Golf Committee	November 13, 2017
Finance Committee	November 13, 2017
Board of Directors	November 16, 2017

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

XIV. Directors' Comments

Director Preston welcomed Chairman Smith and commented that the meeting was well run. Chairman Smith complimented the PDA staff on how well the agenda is outlined.


XV. Adjournment

Director Lamson moved and Director Allard seconded to **adjourn the Board meeting**. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried. Meeting adjourned at 9:55 a.m.

XVI. Press Questions

No members of the press attended the meeting.

Respectfully submitted,



David R. Mullen
Executive Director