

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

Thursday, October 20, 2016

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

I. Call to Order

Chairman Bald called the meeting to order at 8:00 a.m. in the Board conference room at 55 International Drive, Pease International Tradeport, Portsmouth, New Hampshire.

II. Non Public Session

Director Allard moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors will enter non-public session pursuant to:**

- 1. NHRSA 91-A:3, Paragraph II(d) for the purpose of discussing the acquisition, sale or lease of property;**
- 2. NHRSA 91-A:3, Paragraph II(b) for the purpose of discussing the hiring of a public employee; and**
- 3. NHRSA 91-A:3, Paragraph II(e) for consideration or negotiation of pending claims or litigation which has been threatened in writing or filed against the body or agency or any subdivision thereof, or against any member thereof because of his or her membership in such body or agency, until the claim or litigation has been fully adjudicated or otherwise settled.**

Note: Roll call vote required. Discussion: None. Disposition: Resolved by unanimous roll call vote for; motion carried. The Board entered into non-public session at 8:01 a.m. The Board returned to public session at 9:30 a.m.

III. Vote of Confidentiality

Director Bohenko moved and Director Torr seconded that **Resolved, pursuant to NH RSA 91-A:3, Paragraph III, the Pease Development Authority Board of Directors hereby determines that the divulgence of information discussed and decisions reached in the non-public session of its September 15, 2016 meeting related to:**

- 1. Leasing of property;**
- 2. Employee Hiring; and**
- 3. Potential threat of litigation;**

would, if disclosed publically, a) render the proposed actions ineffective; and b) affect adversely the reputation of any person other than a member of the public body itself; and agrees that the minutes of said meeting be held confidential until, in the opinion of a majority of the Board of Directors, the aforesaid circumstances no longer apply. **Note: This motion requires 5 Affirmative Votes**
Discussion: None. Disposition: Resolved by unanimous roll call vote for; motion carried

IV. Acceptance of Meeting Minutes: September 15, 2016

Director Lamson moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby accept the Minutes of the September 15, 2016 Board meeting.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

V. Public Comment

There were no comments from the public.

VI. Old Business

No old business was brought before the Board.

VII. Audit Committee Report

Director Bohenko, Committee Chair, reported that the Audit Committee met on October 18, 2016 to review PDA's 2016 external audit. Representatives from Berry Dunn McNeill & Parker, LLC ("BDMP"), PDA's external auditors, reviewed the audit.

Irving Canner, PDA Director of Finance, reviewed the audit process for the Board. Mark LaPrade, BDMP engagement partner, reviewed the audit overall. BDMP audited the financial statements and reviewed the Management's Discussion and Analysis. The Revolving Loan Fund was audited as part of the Federal Compliance audit. The audit was given an "unmodified opinion". At Director Bohenko's request, Mr. LaPrade reviewed the designations given to findings regarding internal controls, including material weakness, significant deficiency, and advisory report. A material weakness was identified in the 2014 financial statements due to the understatement of legal expenses related to the Division of Ports and Harbors' catch basin project, which were previously capitalized. The restatement resulted in an overstatement of assets and a decrease to DPH's net position. An audit adjustment was made for additional depreciation not previously recorded due to the understatement. Director Allard questioned how the understatement of expenses was made. Mr. Canner reported that PDA's prior external auditors had determined and certified that such legal expenses were appropriately capitalized. The prior auditors interpreted the expense designation differently than BDMP. Director Bohenko confirmed that the DPH's net position was overstated by a total of approximately \$660,000 in FY 2014 and will show as a material weakness in the Uniform Guidance Audit of Federal Awards. Director Lamson was pleased with the audit and the inclusion of the schedule of the quarterly review of construction works in process. Mr. LaPrade reported that an "unrecorded adjustment" of approximately \$168,000 for depreciation for four projects that could have been put in service earlier. Director Bohenko noted that the footnotes to the financial statements and the Management Discussion and Analysis are helpful in understanding the audit.

A. Approvals

1. Certified Financial Statements and Uniform Guidance Audit of Federal Awards

Director Loughlin moved and Director Allard seconded that **In accordance with the recommendation of the Pease Development Authority Audit Committee, the PDA Board of Directors accepts receipt of the certified Annual Financial Statement for the years ended June 30, 2016 and 2015 and the Uniform Guidance Audit of Federal Awards for the year ended June 30, 2016; 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: None. Disposition: Resolved by unanimous vote for; motion carried.

VIII. Finance

A. Financial Reports

1. Operating Results for the Two Month Period Ending August 31, 2016

Mr. Canner reported on the status of the PDA FY 2017 finances for the two month period ending August 31, 2016, including a review of operating revenues, which are in line with the budget, and operating expenses, which are currently below budget. Mr. Canner reviewed variances to the budget including fuel sales at PDA facilities and golf course concessions. To date, PDA currently employs 121 people including 59 fulltime benefitted positions. Mr. Canner reviewed the Balance Sheets, including PDA's current debts and pension liability. A review of the Business Units shows that to date, PDA has absorbed \$1.4 million for operations at Skyhaven Airport ("DAW"); the Golf Course's revenues are approximately 12% ahead of the budget forecast and rounds of golf played are approximately 6% ahead of the same period last year. Director Bohenko and Scott DeVito, PGA Golf Manager, discussed the effect of members' rounds played (approximately 31% of total rounds played) versus non-member rounds played (approximately 69%) on the Golf Course revenues. Mr. Canner reviewed the separate pension liabilities for PDA and the Division of Ports and Harbors ("DPH").

2. Nine Month Cash Flow Projections to June 30, 2017

Mr. Canner reviewed PDA cash flow projections for the nine month period ending June 30, 2017. Grant related capital projects are approximately \$4.0 million and non-grant capital projects are approximately \$1.0 million. Legal expenses are expected to increase during the period. PDA's only outstanding debt is to the City of Portsmouth related to the wastewater treatment facility. The current revolving line of credit with Provident Bank has a zero balance and was extended through December, 2017. In response to Director Bohenko, Mr. Canner reported that PDA is aggressively working on securing financing at the best rates for PDA and an RFP is expected to be sent out in Spring, 2017. Maria Stowell, PDA Manager – Engineering, reviewed the status of the runway design project relative to the KC 146 airplanes that will be stationed at the NH ANG. Design work is expected to take two years and construction is expected to begin mid to late 2019. Construction costs for the project have increased. DPH's cash flow and revenue sources were reviewed.

IX. Leases

A. Reports

In accordance with the ADelegation to Executive Director: Consent, Approval of Sub-sublease Agreements@, Mr. Mullen reported on the following subleases:

1. Pioneer Aviation LLC

Pioneer Aviation LLC entered into a sublease with Atlantic Plastics & Recycling, LLC for 10,500 square feet at 125 Aviation Avenue for a base term of five years. Director Lamson approved the sublease.

2. 100 International LLC

100 International LLC entered into a sublease with Total Technical Services, Inc. for 1,178 square feet at 100 International Drive for a base term of three years. Director Lamson approved the sublease.

B. Approvals

1. Allegiant Airlines, LLC – Lease Amendment No. 3

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. 3 to the Terminal Lease & Airfield Operating Agreement with Allegiant Air, LLC on substantially the same terms and conditions of the draft Amendment No. 3 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried

2. Spyglass Development, LLC – Letter of Intent

Director Torr moved and Director Lamson seconded that **The Pease Development Authority Board of Directors hereby approves of and authorizes the Executive Director to continue negotiations with Spyglass Development, LLC (ASpyglass@) for the premises located at 30 New Hampshire Avenue and to propose a revised Letter of Intent at the November 17, 2016 Board meeting.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried

3. RTG, Inc. – Hangar 227

Director Allard moved and Director Torr seconded that **The Pease Development Authority ("PDA") Board of Directors hereby authorizes the Executive Director to complete negotiations with RTG, Inc. and to enter into an interim Lease substantially on the terms and conditions contained in the draft Letter of Intent dated October 13, 2016 attached hereto; and further approves of and authorizes the Executive Director to complete negotiations for a long term Lease for the premises located at 14 Aviation Avenue, Hangar 227 at the November 17, 2016 Board meeting.** Discussion: None. Disposition: Resolved by 4 votes for – 2 votes no (Directors Lamson and Loughlin); motion carried

4. Summit Land Development - 160 Corporate Drive Option

Director Lamson moved and Director Torr seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to execute such document necessary and desirable to grant to Summit Land Development ("Summit") for the premises located at 160 Corporate Drive one (1) option for a period of nine (9) months at the rate of \$14,355.00 due and payable in advance; and one (1) successive option for a period of nine (9) months at a rate of \$28,710 due and payable in advance; exercisable at the mutual agreement of PDA and Summit Land Development.** Discussion: Mr. Mullen reported that the option will allow Summit Development to perform due diligence on 8.7 acres for development of the site for use by a potential tenant. Disposition: Resolved by unanimous vote for; motion carried

5. Summit Land Development – 254 Corporate Drive Option

Director Torr moved and Director Bohenko seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to execute such document necessary and desirable to grant a six month option to Summit Land Development ("Summit") for the 7.16 acre parcel located at 254 Corporate Drive adjacent to its property at 207 International Drive for 12.60+/- acres of which Pioneer International Development, LLC pays an annual rent of \$142,708.80 without development access to the rear acreage. In consideration of this option, Summit shall perform and provide PDA with wetland mapping and any other studies to determine whether the property is suitable for future development subject to terms and conditions which are mutually agreed to by PDA and Summit.** Discussion: Mr. Mullen reported that 254 Corporate Drive abuts the backside of the 207 International Drive lot. Approximately 4 acres remains landlocked. The

option will allow Summit to perform due diligence to determine if the lots could be connected and provide access to the landlocked area. PDA will receive the engineering information from Summit.
Disposition: Resolved by unanimous vote for; motion carried

X. Signs

A. Reports

1. 73 Corporate Drive, LLC

In accordance with the ADelegation to Building Inspector: Consent and Approval of Minor Revisions to Existing Signs@, Mr. Mullen reported that PDA approved of the modification to the signs at 73 Corporate Drive to change the previous tenant's name to Wentworth – Douglass, the new tenant's name. Chairman Bald approved the sign modifications.

XI. 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. Boyd Group International – Airline Data

PDA contracted with Boyd Group International for a subscription to Aviation Data Miner online data products for airline marketing. The expenditure of \$2,995.00 was approved by Vice-Chairman Loughlin.

2. Dave's Septic Service, Inc.

PDA contracted with Dave's Septic Service, Inc. for the provision and installation of a temporary restrooms at Portsmouth International Airport at Pease ("PSM") Terminal for use during the Terminal bathroom renovations. The expenditure of \$9,000.00 was approved by Director Allard.

3. Eckhardt & Johnson, Inc.

In accordance with the ADelegation to Executive Director: Consent, Approval and Execution of Documents and Expenditures for Emergency Repairs@, Mr. Mullen reported that PDA entered into a contract with Eckhardt & Johnson, Inc., PDA's on-call maintenance provider, for emergency repairs to the HVAC system at the PSM Terminal. The expenditure of \$17,495.00 was approved by Vice-Chairman Loughlin.

B. Approvals

1. Careno Construction Co. LLC – PSM Terminal Change Order

Director Bohenko moved and Director Loughlin seconded that **The Pease Development Authority ("PDA") Board of Directors hereby authorizes the Executive Director to execute a change order to the contract with Careno Construction Co. (PDA's selected contractor for the Airport Terminal renovations) to replace windows in the Terminal in an estimated amount of \$13,816.15; all in accordance with the memorandum of Maria J. Stowell, P.E., Manager - Engineering, dated October 12, 2016 and the plan 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. Careno was selected for other projects at the Terminal through a competitive bid process;
2. Careno is familiar with PSM security requirements, operations, and personnel;
3. The work can be done as a change order to the Careno contract; and
4. Careno is currently working at the Terminal and can complete the work before the start of cold weather.

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

2. Seacoast Security – Fire Alarms

Director Loughlin moved and Director Torr seconded that The Pease Development Authority Board of Directors hereby approves of and authorizes the Executive Director to enter into a contract with Seacoast Security of Portsmouth, NH, in an initial amount of \$9,897.00 for the provision and installation of security and fire alarm monitoring systems at PDA facilities. Further, the Board approves monthly monitoring of the systems by Seacoast Security at a monthly fee of \$353 per month for five years; all in accordance with the memorandum of Maria J. Stowell, P.E., Manager – Engineering, dated October 14, 2016 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. Seacoast Security currently monitors the PDA systems and can provide the services in a timely and cost effective manner.
2. The City of Portsmouth has also chosen Seacoast Security to monitor its fire alarm systems via the same radio transmission method.

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

XII. 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. Rounds of golf played this season will surpass the 2015 season. Simulator league play will start soon with 48 teams. Five more simulator tournaments are also scheduled. Golf Course Maintenance is working on recouping turf lost over the summer due to weather conditions. Director Bohenko and Mr. DeVito continued the discussion regarding member/non-member play. Mr. DeVito reviewed the designated times for non-member play in prime playing times and noted that members' fee revenues does not include what members spend in the restaurant and Golf Pro Shop. Chairman Bald complimented the Golf Course staff on its operations. Director Bohenko inquired about proposed rate increases.

2. Airport Operations

Andrew Pomeroy, Airport Operations Supervisor, reported on aviation activities.

a) **PSM**

Allegiant Airlines resumed its flights to Sanford, Florida on September 29, 2016. Enplanements exceeded 50,000 as of September 30, 2016.

b) **Skyhaven Airport**

The Skyhaven Airport Advisory Council met on October 14, 2016. Ken Weyler was elected as the new vice-chairman. NEAC held an aerobatics practice on October 15, 2016, and a Young Eagles rally was held on October 16, 2016.

c) **Noise Line Report**

Eighty-six inquiries were made to the noise line in September. Fifty-three inquiries were related to helicopters and 33 inquiries were related to fixed wing operations, including military aircraft operations. Director Lamson asked about the C-5 operations and noted that the “touch and go” operations impact the area. In response to Director Allard, Mr. Pomeroy reported that there are 60 airplanes based at Skyhaven.

B. Approvals

1. Bills for Legal Services

Director Allard moved and Director Bohenko seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to expend funds in the total amount of \$11,256.11 for legal services rendered to the Pease Development Authority by:**

Kutak Rock LLP	
Through July 31, 2016	\$ 1,800.00*
Through August 31, 2016	\$ 5,811.11*
	<u>\$ 3,645.00</u>
Total	<u>\$11,256.11</u>

***Note: The City of Portsmouth will pay the remaining balance.**

Discussion: Attorney Hinchee informed the Board that a spreadsheet for the legal bills that shows the different subject matters and costs is in the Board packets. Disposition: Resolved by unanimous vote; motion carried.

XIII. Port Committee Report

Director Loughlin, Committee Chair, reported that the Port Committee met on October 6, 2016. Geno Marconi, Division Director, reported on current activities at the Division of Ports and Harbors’ facilities and DPH’s marketing efforts.

In response to Director Allard, Mr. Marconi reviewed the status of the Maine DOT contract and the construction schedule for the replacement of the Sarah Mildred Long Bridge.

XIV. Division of Ports and Harbors

Chairman Bald read a portion of a press release from the International Association of Maritime and Port Professionals that announced that Mr. Marconi was awarded the Accredited Port Executive Professional Certification. The certification is the highest professional standard offered by the Association.

A. Reports

1. Port Advisory Council

Mr. Marconi reported that the Port Advisory Council met on October 12, 2016. The Council reviewed the mooring permit wait list program. Mr. Marconi informed the Board that 360 people are on the wait lists and have requested a total of 1001 sites. One hundred thirty-two people on the wait lists have moorings in other areas and have submitted 360 requests. Mooring sites are available in some areas with no wait lists, such as near the Scammell Bridge. Approximately 15 new mooring permits were issued for the Little Harbor area due to realignment of the designated navigation channel by the US Coast Guard and the Army Corps of Engineers.

B. Approvals

1. Appledore Marine Engineering, Inc. – Main Wharf Inspection

Director Bohenko moved and Director Torr seconded that **Subject to the approval of the Capital Budget Overview Committee for the release of funds from the Port Expansion Fund, the Pease Development Board of Directors hereby authorizes the Executive Director to enter into an agreement with Appledore Marine Engineering, Inc., PDA=s marine engineering consultants, in an amount not to exceed \$109,500, for purpose of conducting an inspection of the Main Wharf at the Market Street Terminal to document the condition of the facility; all in accordance of the memorandum of Geno J. Marconi, Division Director, dated October 5, 2016 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

XV. New Business

No new business was brought before the Board.

XVI. Upcoming Meetings

Chairman Bald reported that the following meetings are scheduled to be held:

Finance Committee	November 14, 2016
Board of Directors	November 17, 2016

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

XVII. Directors' Comments

There were no comments from the Directors.

XVIII. Adjournment

Director Loughlin moved and Director Lamson seconded to **adjourn the Board meeting**.
Discussion: None. Disposition: Resolved by unanimous vote; motion carried. Meeting adjourned at 10:39 a.m.

XIX. Press Questions

There were no questions from the Press.

Respectfully submitted,

David R. Mullen
Executive Director/Secretary