PEASE DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING **Monday, April 18, 2022**
MINUTES

Presiding:	Thomas G. Ferrini, Committee Chair
Present:	Committee Member Neil Levesque and Committee Member Margaret Lamson
Attending:	Paul E. Brean, PDA Executive Director; Anthony I. Blenkinsop, Deputy Director / General Counsel; Suzy Anzalone, Finance Director; and PDA Staff

I. Call to Order

Director Ferrini, called the meeting to order at **9:02 a.m.** in the Board conference room, at the Pease International Tradeport, 55 International Drive, Portsmouth, New Hampshire.

II. Acceptance of Minutes – November 15, 2021

Director Lamson **moved** the **motion** and Director Levesque **seconded** that **the Pease Development Authority ("PDA") Finance Committee accept the minutes of the November 15, 2021 Finance Committee meeting.**

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

III. Public Comment

There were no public comments.

IV. Reports:

Finance Director Suzy Anzalone ("Anzalone") spoke to the four (4) reports in the Committee's packet.

1. Operating Results for the Eight Month Period Ending February 28, 2022

Anzalone reported regarding the consolidated statement of revenue expenses that PDA is just under 20% favorable to budget for its operating revenues.

Director Lamson ("Lamson") asked Anzalone to speak to the item referenced as cargo hangar; Brean indicated that reference is to the ground leases at Skyhaven.

Anzalone indicated the operating expenses are below budget by 11.2%; further she stated due to inflation, she anticipates supply costs will increase but that PDA should have the ability to absorb the increase as PDA is under budget. Anzalone did indicate on the revenue side, because our lease increase is based on CPI and renewals are coming up; most of the lease increases will be capped at 3%.

Lamson asked if 90% of the PDA buildings are supplied with natural gas; Brean affirmed.

Anzalone pointed out under non-operating income / expenses, PDA received grant funding (ARPA, a COVID related grant - $1.9 million) which is considered non-operating revenue and has helped the bottom line.

Anzalone indicated PDA continues to have a strong balance sheet with unrestricted cash and investments at $7.7 million ($1.8 million is Division of Ports and Harbors ("DPH") and just under $6 million in PDA unrestricted investments). Anzalone indicated that the restricted cash and investments is represented by the Revolving Loan Fund ("RLF"), Foreign Trade Zone ("FTZ") and Harbor Dredging and Pier maintenance. Under liabilities, there is just under $2 million in accounts payable and accrued expenses outstanding as of the end of February and we are still holding $1.8 million in retainage on some of the larger construction projects.

Anzalone spoke to the various business units operating favorably and stated everything is looking good so far. Lastly, she spoke to a list of all current open capital projects. Year-to-date PDA has spent $2.4 million in capital expenditures which is split just about evenly between PDA and DPH.

2. Nine Month Cash Flow Projections through December 31, 2022

Anzalone indicated a projection of $15.3 million of an inflow of cash (with just under $3 million being from grant awards and the remainder being received under operating revenues). On the cash outflow side, the projected $20.4 million in outflows includes $8.5 million in operating expenses and $2.8 million for municipal services fee. Anzalone spoke to the impact of the unrestricted cash balance which will decrease over the next nine (9) months due to capital expenditures; she does not believe there will be a need to draw on PDA's Revolving Line of Credit ("RLOC").

The cash flow shows a summary of projections with DPH with no fluctuations as its revenues are covering all of its expenses; DPH is in a good place as well. Anzalone spoke to the next couple of months and anticipates funds will be disbursed from the RLF regarding four or five potential loans. These new loans will bring the total of active loans to 22, but will deplete most all of the RLF. Once loan paybacks are received, we will be in a position to process additional loan requests.

3. Disbursement Register – January 1, through March 31, 2022

Anzalone indicated this register had been requested by Ferrini; in the first quarter there have been $3.6 million in funds disbursed over the first quarter.

4. FY 2022 – FY 2028 Capital Improvement Plan ("CIP")

Anzalone spoke to the CIP which is a 6.5 year projection and it is started from last year's CIP; from this changes are made and discussed with a draft provided to the management team for review. The Finance team meets one-on-one with each member for review and prioritization of items. Then a meeting is held with the Executive Director and senior management for an overall view of items presented. During these discussions items may be reprioritized and moved in the schedules depending on cash flows.

The summary shows just over $80 million in capital projects over the next 6.5 years which are broken out into different categories. When the summary is prepared it includes some key sensitivities such as future revenue streams (increases/decreases) and projects that may, or may not, be grant funded.

Ferrini asked to what extent if debt is taken on is there a formula utilized to make sure we do not exceed a specific percentage of debt; Anzalone indicated there are no known covenant requirements for this, although the bank requires some debit coverage calculations which have been meet. Brean indicated historically, there has not been a set ratio, although the rule of thumb has been to try and not to go into the RLOC. PDA has been able to maintain that, but stated the RLOC was slightly dipped into during the last major terminal / runway construction projects (project cost approximately $40 million and utilized approximately $1.2 million from RLOC). Ferrini clarified that PDA is paying with incoming revenue and not bond debt and therefore there is no debt; Brean and Anzalone affirmed.

Levesque asked of the reference of possible adoption of landing fees; Anzalone indicated this has been something discussed over the last several years. However, at this time with what is going on with the airline industry it is not something PDA wants to add to the burden of the airline(s) with the amount of activity we have here currently. Levesque asked if there are landing fees at Boston; Brean affirmed and further indicated so too at Manchester and Portland; Allegiant would probably be assessed a landing fee at those facilities between $750 to $1,000. Military and all DOD aircraft would not pay a landing fee at PSM due to the AJUA agreement. Brean indicated this is an incentive PSM uses as it does not incentivize commercial airline service and stated other airports in the area will do a minimum revenue guarantee, waive landing fees, or pay an airline associated things to come to the airport for a duration as long as the service is held. Brean indicated PSM has a fuel flowage fee, those airports also charge a fuel flowage fee but being in a competitive market geographically PSM wouldn't be served well.

Levesque asked how the Tradeport revenue is made; Brean indicated per the original land transfer we own the land and charge a ground lease at a fair market value rate; the developer builds the building and PDA makes the revenue on the ground lease from the developer. Brean further stated there are a few buildings that were Air Force buildings that PDA owns and rents out the buildings, but approximately 90% of the properties at the Tradeport have a ground lease with a developer owning the building.

Anzalone indicated when preparing the CIP there is consideration of the projected net operating income that drives the payback of any debt incurred through the RLOC, or to fund projects internally. Anzalone further spoke to some of the more significant grant and internally funded projects, with grant funded projects equating to $56 million which could include arrivals hall improvements and terminal upgrades, taxiway reconstruction, terminal expansion (Phase II), terminal apron construction at both PSM & Skyhaven ("DAW"), snow removal equipment and the possibility of a new snow removal equipment building, and upgrades to the Air Traffic Control Tower (these projects make up approximately 92% of the grant funded projects). Internally funded projects would be Tradeport intersection improvements, non-grant pieces of the terminal expansion, parking lot renovations, golf course enhancements / equipment, equipment for maintenance and a possible terminal loop road. On an energy efficient side would be a solar panel farms at both of the airports and the possibility of a communications center building upgrade as well as ongoing security upgrades (these projects listed make up approximately 80% of the internally funded projects). Further Anzalone spoke to the investments into the individual business units with 78% being invested into PSM and DAW, with Tradeport as secondary.

Looking at the capital expenditures by year and business units, in 2027 PDA is anticipating a big year in capital investments with terminal expansion and some additional construction along the airport.

Anzalone spoke to the total number of anticipated individual projects being 119 proposed and stated those with a check mark are the ones with the highest priority. PDA likes to keep $2 million in funds available in the operating account to cover minimum ongoing operating expenses / payroll. PDA's current RLOC is $15 million which expires at the end of this calendar year and will be speaking with the bank in the near future seeking to extend the RLOC.

Ferrini asked to what extent the ARPA money become a de facto RLOC and is it impacted on how and where the money is used. Anzalone indicated in order to receive the ARPA funding we are providing them with the expenditures that have been incurred so this adds to the overall cash balance which has allowed PDA not to draw on its RLOC. Ferrini asked of the ARPA guidance and whether we have a conduit for that; Anzalone indicated the guidance comes along with the ARPA applications.

Brean spoke of the PDA operation expending the ARPA funds over a regular municipality because the ARPA funding specifically requests funding go towards airport expenses and PDA can expend the funds so easily with payroll. Further, PDA did anticipate with the terminal / runway project that it may be necessary to go into the RLOC in the amount of $7 million; however, PDA did not have to due to the CARES Act / ARPA funding received.

Lamson commended what has been done at the airport / terminal as she has heard from constituents who have indicated how nice it turned out.

Anzalone spoke to the projects summary, the overall investments and their prioritization which may fluctuate over time.

V. Next Committee Meeting:

The next Finance Committee meeting has been scheduled for June 13, 2022.

VI. Director's Comments:

VII. Adjournment:

Director Lamson **moved** the **motion** and Director Levesque **seconded** **to adjourn the meeting.**

Discussion: None. Disposition: Resolved by unanimous vote; motion **carried**.

Meeting adjourned at **9:27 a.m.**

VIII. Press Questions:

There were no questions from the press.

Respectfully submitted,

Paul E. Brean
Executive Director

P:\BOARD MINUTES\Committees\Finance\2022\4-18-2022.docx