

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

Thursday, October 15, 2015

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

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. Acceptance of Meeting Minutes: August 13, 2015 and September 14, 2015

Director Preston moved and Director Allard seconded that **The Pease Development Authority Board of Directors hereby accept the Minutes of the August 13, 2015 and the September 14, 2015 Board meetings.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

III. Public Comment

Bob Hasshold of "Promote Our Port" made comments regarding: meetings held with representatives from Provincetown, MA, Portsmouth representatives, and PDA staff. Discussions included high speed ferry services between Portsmouth and Provincetown; tourism and promotion of the Port and the City; opportunities to promote area in the upcoming 400th anniversary of Portsmouth; need for PDA and POP need to work together; and the need to bring the Port operations into the 21st century.

IV. Old Business

A. Lonza Biologics, Inc. – 101 International Drive

Director Lamson moved and Director Allard seconded that **The Pease Development Authority Board of Directors hereby approves of and authorizes Lonza Biologics, Inc. ("Lonza") to make exterior changes to Lonza's premises located at 101 International Drive, as outlined and in accordance with the terms and conditions set forth in the memorandum of Maria J. Stowell, P.E., Manager - Engineering, dated October 5, 2015 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

V. Audit Committee Report

A. Reports

- 1. Management Representation Letter**
- 2. Executive Summary of Audit Engagement**
- 3. Auditor Required Communication Letter**

Director Bohenko, Committee Chair, reported that the Audit Committee met on October 13, 2015 to review the 2015 PDA external audit prepared by Berry, Dunn, McNeill & Parker, LLC ("BDMP"). A full review of the audit was presented and an extensive discussion was held regarding the effect of the new GASB 68 pension liability reporting requirement on PDA's net position. Irv Canner, PDA Finance Director, introduced representatives from BDMP, including Mark LaPrade (Principal) and Tyler Butler (Manager) for a brief review of the audit.

Mr. LaPrade reported that it was deemed an “unmodified” audit. Due to the GASB 68 requirement to report pension liability, PDA has a negative net positions of approximately \$5 million. Director Bohenko informed the Board that the Board and staff need to be fully aware of GASB 68 and work to keep PDA’s finances on track. Mr. LaPrade informed the Board that, in the future, GASB 68 along with other unrecognized assets, such as the Tradeport land, could be included in the Management Discussion & Analysis letter. Director Preston noted that when the PDA’s land value is considered as an asset, PDA’s net position is not as bad as shown on the reports. Discussion continued regarding associated investment holdings and projected investment returns. Chairman Bald noted that PDA cannot stop the liability. The Board needs to decide if it is better to keep a surplus to offset the liability or to use funds in other ways and accept that there will be a negative liability. Mr. LaPrade noted that other organizations are in the same position and that the Board should be aware that it will not be considered a current liability. Director Bohenko suggested and Chairman Bald agreed that PDA consider setting up a debt service amortized over 20 years and set aside funds each year as the liability will have to be paid in the future. Director Bohenko asked that the pension liability be broken out from the financial statements so that the Board will have a sense of PDA’s true net position. Mr. Canner reported that the business units’ analysis can provide that information.

Director Bohenko commended Mr. Canner for his work in preparing for the transition from the previous audit firm to BDMP. There were no material weaknesses found in the audit. Director Lamson confirmed that the land values will be included in the MD&A letter to highlight values, liabilities, and assets. Director Preston reported that the auditors recommended that PDA’s password procedures need to be updated. Director Torr asked if the liability reserve will be set up. Director Bohenko suggested that the staff work on it and then bring their suggestions to the Board. Mr. Canner reported that PDA practices conservative accounting and has reserve funds for other unfunded liabilities such as accrued vacation and sick leave.

B. Approvals

Director Loughlin moved and Director Lamson 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, 2015 and 2014 and the OMB Circular A-133 audit of Federal Awards for the year ended June 30, 2015; all as otherwise 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.

VI. Finance

A. Financial Reports

1. Operating Results for the Two Month Period Ending August 31, 2015

Irv Canner, PDA Director of Finance, reported on the status of the PDA FY 2015 finances for the two period ending August 31, 2015. Operating expenses currently show a budget underrun while revenues show a budget overrun due in part to the ongoing closing of the FY 2015 books. Operating income as of August 31 is approximately \$1.265 million. Operating revenues are 3% above budget, including variations in fuels sales at the Division of Ports and Harbors” (DPH) and Skyhaven Airport. Mr. Canner reviewed DPH’s fuel sales and the effect on its profit margins. Wages and benefits are in line with the budget forecast while staffing has decreased due to the reduction in the number of seasonal employees. The balance sheet numbers are preliminary and does not reflect the pension liability. The revolving line of credit balance as of June 30 was \$2.7 million that has been paid down to a balance of \$250,000 as of October 15. Active capital improvement projects equal approximately \$11.3 million. Projects include the

scale replacement at the Market Street Terminal and signs at the Tradeport. Mr. Canner reviewed the variances in the cash balances from June 30 to date including debt repayments and changes in accounts receivables. The Business Units analysis shows: PSM enplanements have exceeded 28,000 for the year to date; gallons of fuel sold at Skyhaven Airport has increased from the same period last year. To date, PDA has cumulatively spent \$1.6 million in support of Skyhaven Airport. The Golf Course summer season is winding down; approximately 45,000 rounds of golf were played and members accounting for 28% of play. In response to Director Bohenko, Scott DeVito, PGA General Manager, reported that the Golf Course is trending ahead of 2012, the last pre-construction season. Mr. Canner reported that bar and grill sales have increased; and tournament play still needs to be factored in. Mr. DeVito reviewed the simulator room operations. Director Allard asked if the simulator room operations affect the restaurant use. Director Bohenko asked if it would be better to increase the use of the simulator room for golfing as PDA receives more revenue or for restaurant use. Mr. DeVito reported that he is working with Grill 28 to accommodate both operations and that the simulators have provided a good source of revenue. Mr. Canner reviewed the DPH finances including a positive operating income for the period of approximately \$104,000. A Revolving Loan Fund loan closed recently and has reduced the total loan portfolio deficiency. Mr. Canner reviewed net positions for PDA operations without the pension liability impact. In the future the pension liabilities will be broken out to show the allocation to each business unit. Mr. Canner reviewed how the allocations will be calculated. In response to Director Allard, Mr. Canner reviewed the profitability of the business units.

2. Nine Month Cash Flow Projections to June 30, 2016

Mr. Canner reviewed PDA cash flow projections for the nine month period ending June 30, 2016. The revolving line of credit is expected to be paid off in October/November and will be accessed in December for a \$1 million dollar advance. Grant related construction activities will cost approximately \$2.1 million including Skyhaven Airport runway improvements and the PSM Terminal bathroom renovations. Non-grant funded projects at a cost of approximately \$1.5 million include the Golf Course clubhouse kitchen renovations and the PSM Terminal roof replacement. Mr. Canner reviewed the variances in the unrestricted cash revenues. DPH mooring revenues are projected to be approximately \$335,000.

Director Loughlin asked how PDA's total payroll compare to other seacoast area businesses. Mr. Canner reported that PDA pays approximately \$4 million in payroll excluding benefits and taxes. Director Bohenko noted that PDA is a significant employer, but is not a top employer when compared to the payroll of larger companies, such as the Portsmouth Naval Shipyard ("PNSY"). Director Loughlin noted that one of the PDA's goals is to create jobs. Director Bohenko reported that PDA has created approximately 9,500 jobs and the combined annual payroll between PDA and PNSY is \$1.1 billion. Chairman Bald asked that staff compile a list of the top 20 companies at Pease. Mr. Canner confirmed that the FY 2016 payroll at PDA is \$5.6 million (including benefits and taxes).

VII. Licenses/Easements/Rights of Way/Options

A. Approvals

1. C & J Bus Lines – Extension of Right of Entry

Director Allard moved and Director Lamson seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute an extension to the Right of Entry with Jalbert Leasing, Inc. dba C & J Bus Lines for the premises located at 45 Exeter Street. The Right of Entry is extended for a period of six (6) months beginning May 15, 2015, with one (1) 6 month option to extend through May 14, 2016, at the Executive Director's sole discretion on the same terms and conditions set forth in the Right of Entry dated September 9, 2014 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

2. Lonza Biologics, Inc. – Parking License Extension

Director Bohenko moved and Director Allard seconded that **The Pease Development Board of Directors authorizes the Executive Director to execute License Agreement Amendment No. 4 with Lonza Biologics, Inc. for the use of a portion of the parking area adjacent to 55 International Drive. The License is hereby extended for a period of one (1) year from November 1, 2015 through October 31, 2016, subject to all other terms and conditions of the License, as amended, remaining in full force and effect; and on substantially the same terms and conditions set forth in the License Agreement Amendment No. 4 attached hereto. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.**

VIII. Leases

A. Reports

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

1. Martin’s Point Health Care, Inc.

Martin’s Point Health Care, Inc. entered into a sublease with Elsa Nesbitt – Get Healthy Nutrition, LLC for 120 square feet at 161 Corporate Drive for a base term of three years. Director Lamson approved the sublease.

2. Shaines & McEachern Company Portsmouth, LLC

Shaines & McEachern Company Portsmouth, LLC entered into a sublease with Lonza Biologics, Inc. for 11,412 square feet at 282 Corporate Drive for a base term of two years. Director Lamson approved the sublease.

3. 222 International, LP

222 International, LP entered into a sublease with Kirk Communications for 3,007 square feet at 195 New Hampshire Avenue for a base term of five years with one five year option. Director Lamson approved the sublease.

Note: Director Bohenko left the meeting at 8:55 a.m.

B. Approvals

1. Allegiant Air, LLC – Lease Amendment

Director Preston moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to enter into Amendment No. 2 of the Terminal Lease & Airfield Operating Agreement with Allegiant Air, LLC on substantially the same terms and conditions of the draft Amendment No. 2 attached hereto. Discussion: Bill Hopper, Airport Manager, reported that the amendment is an extension of the current agreement that will expire on November 7, 2015. Disposition: Resolved by unanimous vote for; motion carried.**

2. Enterprise Rent A Car Company – Lease Amendment

Director Torr moved and Director Preston seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to enter into Amendment No. 9 of the**

Car Rental Concession Lease and Operating Agreement with Enterprise Rent-A-Car Company on substantially the same terms and conditions of the Amendment No. 9 attached hereto. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

IX. Signs

A. Reports

1. Lonza Biologics, Inc. – 282 Corporate Drive

In accordance with the "Delegation to Building Inspector: Consent and Approval of Minor Revisions to Existing Signs", Mr. Mullen reported that PDA approved of the modification to the Shaines McEachern Company Portsmouth, LLC sign at 282 Corporate Drive to remove the former tenant's sign and insert a sign for Lonza Biologics, Inc. Director Lamson approved the sign modifications.

X. 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. Employee Assistance Program

PDA contracted with NH Department of Health and Human Services for the provision of services to PDA employees for a two year period. The expenditure of \$2,900 was approved by Vice Chairman Loughlin.

2. East Coast Heating & Air Conditioning – Skyhaven Airport

PDA contracted with East Coast Heating & Air Condition to upgrade the heating units in the snow removal equipment building at Skyhaven Airport. The expenditure of \$4,500 was approved by Vice Chairman Loughlin.

3. ETS Corporation – Golf Course

PDA contracted with ETS Corporation for the purchase of computer equipment to upgrade the Golf Course credit card system. The expenditure of \$4,696.45 was approved by Vice Chairman Loughlin.

4. Childs HVAC – Portsmouth Fish Pier

PDA contracted with Childs HVAC to remove and replace condenser unit at the Portsmouth Fish Pier. The expenditure of \$8,000 was approved by Vice Chairman Loughlin. Geno Marconi, Director, Division of Ports and Harbors, reported that the National Fisheries Services is providing funds for fishery services including allocation of funds for infrastructure repairs to fishing piers. Mr. Marconi will seek the Board's acceptance of the funds and expects to receive grant funds that will cover the costs of the condenser.

B. Approvals

1. Advanced Excavating and Paving, Inc. – Street Lights

Director Torr moved and Director Preston seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to:**

1. enter into an Contract with Advanced Excavating and Paving, Inc. in an amount not to exceed \$32,330 for the installation of power supply conduits and related materials related to the installation of five LED street lights; and
2. expend up to \$9,631 for contingencies to install infrastructure required for the installation of the five LED street lights;

all in accordance with the memorandum of Maria J. Stowell, P.E., Engineering Manager, dated October 5, 2015, attached hereto. Discussion: Director Loughlin inquired about the overhead utility wires in the 162 -166 Corporate Drive area and if the wires will be put underground. Mr. Mullen reported that the tenant has no plans to put wires underground. Disposition: Resolved by unanimous vote for; motion carried.

2. Tradebe Environmental Services, LLC

Director Lamson moved and Director Allard seconded that The Pease Development Authority Board of Directors hereby authorizes the Executive Director to expend funds in an estimated amount of \$16,300 for the cleaning of the oil water separators by Tradebe Environmental Services, LLC, PDA's on-call hazardous waste collector; all as otherwise set forth in the memorandum from Maria Stowell, P.E., Manager - Engineering, dated October 6, 2015 and attached hereto. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

Note: Director Bohenko returned to the meeting at 9:07 a.m.

XI. Executive Director's Reports/Approvals

A. Reports

1. Human Resources Position

Mr. Mullen reported that Elizabeth LaBonte, Human Resources Administrator, tendered her notice effective October 23, 2015 to take a position in the private sector. Interviews were held and the position was offered to and accepted by Tanya Coppeta. Lynn Hinchee, PDA General Counsel, reported that Ms. Coppeta will train part time with Ms. LaBonte and then will begin fulltime on November 9, 2015.

2. Golf Course Operations

Mr. DeVito reported on the activities at the Pease Golf Course. A room fee is charged for the simulator room when it is used for Grill 28 functions. The "Pay Now, Play Now" membership program has begun and 24 new members have signed up. It was a very busy season and the kitchen renovation project has begun.

a) Blue Course Usage Report

Mr. DeVito presented a usage report for the Blue 9 golf course. In 2015 overall rounds increased significantly after the completion of the construction. Play on the Blue Nine has also increased. Overall costs are slightly less than one-third of the costs of the entire golf course. Each of the three playing courses are approximately equal in size.

3. Airport Operations

Mr. Hopper reported on aviation activities.

a) Skyhaven Airport

Fuel sales have increased since the renovated runway was opened and the lower per gallon cost of fuel sold at Skyhaven. The apron around the t-hangars is being repaired. PDA is reviewing whether Hangar 1 should be razed, which SAAC does not want.

b) PSM

Due to a reduced number of troop flights, the number of enplanements is down compared to the same period last year. Allegiant Air recently introduced its Fort Lauderdale flights. Flights to Sanford, Florida are ongoing and flights to Punta Gorda, FL will resume in November. Customs reported that it has cleared 600 aircraft during FY 15. A noise meeting was held recently. The meeting was well attended and there was discussion regarding the Seacoast Helicopter operations. Director Lamson commended Mr. Hopper and General Sully (who explained the military flight operations) for their input.

c) Noise Line Report

- 1) August, 2015
- 2) September, 2015

Mr. Hopper reported on the Noise Line inquiries received in August and September. In August, PDA received 193 inquiries with 107 related to helicopter activity and 86 of the calls were from one residence; 85 inquiries were made regarding fixed wing aircraft with 76 inquiries from one residence. Fixed wing activity in August included military C5 and KC 135 flights. In September, PDA received 132 inquiries with 51 related to helicopter activity and 34 of the calls were from one residence; 81 inquiries were related to fixed wing aircraft with 77 inquiries from one residence. Director Lamson expressed her concern about the helicopter activity over schools and the related noise issues.

B. Approvals

1. Bills for Legal Services

Director Allard moved and Director Torr seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to expend funds in the total amount of \$2,808.00 for legal services rendered to the Pease Development Authority by:**

1.	Anderson & Kreiger, LLP Through July 31, 2015	\$2,000.00		
2.	Donahue, Tucker & Ciandella, PLLC* Through August 31, 2015	\$ 576.00		
3.	Sheehan Phinney Bass + Green Through August 31, 2015	<u>\$ 232.00</u>		
			Total	\$2,808.

*Subject to reimbursement by 25, 29 Retail, LLC Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

XII. Port Committee Report

Director Loughlin, Port Committee Chairman, reported that the Committee met on August 27, 2015. Representatives of Promote Our Port attended the meeting to discuss high speed ferry service

between Portsmouth and Provincetown. Director Loughlin felt that the discussions were helpful.

XIII. Division of Ports and Harbors

A. Reports

1. Port Advisory Council

Mr. Marconi reported that the Port Advisory Council will meet on October 28, 2015 at the Market Street Terminal office.

2. Commercial Mooring for Hire

Mr. Marconi reported that in accordance with the "Delegation to Executive Director: Consent, Approval and Execution of Commercial Mooring for Hire Permits", PDA approved of the following Commercial Moorings for Hire permits:

<u>Applicant</u>	<u>Number of Permits</u>	<u>Business</u>	<u>Date of Approval</u>
Esther's Marina, LLC	1	Marina	8/10/15

3. Commercial Mooring Transfers

Mr. Marconi reported that in accordance with the "Delegation to Executive Director: Consent, Approval and Execution of Mooring Permit Transfers", commercial moorings were transferred for:

<u>Applicant</u>	<u>Permit</u>	<u>Business</u>	<u>Date of Approval</u>
Seabrook Harbor Transferor: Transferee:	No. 7470 Tracey Jones Louis Nardello	Commercial Fishing	8/31/15
Hampton Harbor Transferor: Transferee:	No. 1373 Norm and Eric Bernier Lobster Co. Peter Jeffrey Riccio	Commercial Fishing	9/17/15

Discussion: Director Preston asked if the State receives money if a fuel truck comes to the harbor facilities to fuel boats. Mr. Marconi confirmed that PDA receives a per gallon flow fee. Mr. Marconi reviewed the process if a truck wants to fuel boats, including the application process through the State Fire Marshall to request a variance. The State Fire Marshall's office recently rescinded a variance for a fuel truck operator who was providing fuel off the docks.

B. Approvals

1. Pda 700 – Adoption

Director Bohenko moved and Director Allard seconded that **In accordance with the provisions of RSA 12-G:42, X, the PDA Board of Directors hereby adopts "Pda 700 Slip Permits; State-Owned Restricted Piers" as attached hereto effective October 20, 2015; and authorizes the Division Director to take any necessary or recommended action in accordance with RSA 541-A, in furtherance of this matter.** Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.

2. Port Security Grant Acceptance

Director Loughlin moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to accept on behalf of the PDA - Division of Ports and Harbors (“DPH”), a Department of Homeland Security Grant Offer in the amount of \$17,760 to upgrade the video security system servers at Division facilities; all in accordance with the memorandum of Geno J. Marconi, Division Director, dated October 5, 2015 attached hereto. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.**

3. Pilot Reappointment

Director Torr moved and Director Preston seconded that **In accordance with NH Code of Administrative Rules Pda 300 Port Captains, Pilots and Pilotage, and the memorandum of Geno Marconi, Division Director, dated September 1, 2015 attached hereto, the Pease Development Authority hereby approves of the reappointment of Captain Christopher D. Holt as a Class I Pilot for the Portsmouth Harbor and Piscataqua River through August 20, 2020. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.**

4. Sunrise Adventures Charters – Right of Entry

Director Preston moved and Director Torr seconded that **The Pease Development Authority Board of Directors hereby authorizes the Executive Director to execute a Right of Entry with Sunrise Adventure Charters for marine charter vessel operations located at the Hampton Harbor Marine facilities; all otherwise in accordance with the terms and conditions set forth in the memo of Geno J. Marconi, Division Director, dated October 5, 2015, and attached hereto. Discussion: None. Disposition: Resolved by unanimous vote for; motion carried.**

5. Bills for Legal Services

Director Allard moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to expend funds in the total amount of \$2,242.50 for legal services rendered to the Division of Ports and Harbors by:**

1.	Sheehan Phinney Bass + Green	
	Through July 1, 2015	\$1,151.50
	Through August 31, 2015	\$ 116.00
2,	Susan Marshall, Esq.	
	Through July 31, 2015	<u>\$ 975.00</u>
		Total \$2,242.50
		=====

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

XIV. New Business

No new business was brought before the Board.

XV. Upcoming Meetings

Chairman Bald announced the following upcoming meetings. All Meetings begin at 8 a.m. unless otherwise posted.

Finance Committee	November 16, 2015
Board of Directors	November 19, 2015

XVI. Directors' Comments

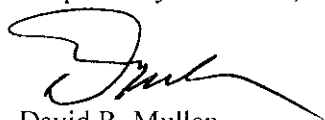
Director Preston suggested that PDA host a brunch for the Portsmouth City Council to present a program about the Tradeport operations. Director Lamson commended Mr. Mullen for his presentation to Town of Newington representatives. Director Bohenko and Chairman Bald agreed. Director Torr suggested that Dover representatives also be invited and that representatives be brought in through the new Exit 3 entrance.

XVII. Adjournment

Director Lamson moved and Director Allard seconded to **adjourn the Board meeting.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried. Meeting adjourned at 9:30 a.m.

XVIII. Press Questions

Respectfully submitted,



David R. Mullen
Executive Director/Secretary