SPECIAL COMMITTEE ON AIRPORT ACTIVITIES

October 22, 2002 **5:30 PM**

Chairman Pinard called the meeting to order.

The Clerk called the roll.

Present: Aldermen Pinard, Gatsas (late), DeVries, Garrity, Thibault

Messrs: K. Dillon

Chairman Pinard advised that Kevin Dillon, Airport Director, will update the Committee regarding the following items:

a) Airport Financials

b) Capital Program;

c) Old Terminal Relocation; and

d) Residential Sound Insulation Program.

Mr. Dillon stated you should all have a copy of this in front of you. It is a summary of where we stand year-to-date. This is a reflection of the first two months of the new fiscal year – July and August. What I wanted to focus on was that last column. That is a cumulative total of how we faired over the past two months. In terms of total operating revenue year-to-date it is about $5.9 million. If you look at the different classes of revenue, we are ahead in all categories of revenue. Landing fees, which would be the $1.71 per 1,000 pounds of aircraft weight. We are ahead of budget by about 8.6%. Again, that is a reflection of some of the additional flights that have been added. The Airport has been very successful in terms of attracting additional activity post September 11 in terms of automobile parking, year-to-date, it is about $2.7 or $2.8 million. Again, we are ahead by about 13.9% from what we had originally budgeted. Rental of facilities is essentially on target. We are a little bit ahead on the rentals. Other aviation fees – we do have a significant increase in this area. We are actually about 47% ahead of where we thought we would be. That is because we have basically created a new revenue stream. We have offered to charter companies and airlines the ability to bring in extra sections at the Airport and actually handle them through the

terminal building. In return for that, we get a per turn charge meaning we charge the airline or the charter company a specific fee as part of a package deal for coming in and going out. In the past, a lot of that activity would have been handled on other ramps at the Airport. Some of those ramps that the Airport didn't directly control, such as Wiggins. It has been a whole new revenue stream for us and we have been able to maximize that pretty well. In terms of the concessions, we are also way ahead of where we budgeted. In fact, we are about 85% over budget in terms of the revenue coming in through the concessions. A lot of that is a reflection of changes in passenger behavior post September 11. People are leaving a lot more time at the Airport and as a result having more time on their hands and they spend more time in the concessions buying newspapers, magazines, food and whatnot. You can see that we are way over budget in terms of our concession revenues. If you go to the non-operating revenues, principally this is the interest income that we earn on our various accounts. Some of them are restricted. For example, our bond accounts. When we bound money we put it into an account until we actually use it for the construction projects and it earns interest until we actually draw down on those bonds. Some of the other accounts, non-restricted interest accounts would be for example our operations and maintenance reserve account. We maintain at least a three-month reserve supply of money in case we run into issues at the Airport. We earn interest on those accounts as well. In terms of the restricted accounts, we are actually earning a little bit less than we anticipated quite frankly. We are under budget in that category simply because the interest rates are not what they had been quite frankly because of the downturn in the market. In terms of our restricted accounts, we are not drawing down some of our bond funds as quickly as we thought we would and you see conversely in that category even though the interest rates are down we are earning a lot more than we anticipated. Overall, if you look at the combined operating and non-operating revenues we are about 12% ahead of budget. Now it is very early in the year. Again, who knows what the rest of the year holds but I do suspect that we will continue to perform very well financially as we continue into the fiscal year. In terms of expenses, just to go over that quickly, salary and wages we are a little bit above budget on that. However, it is really a timing issue as to how we get charged for our retirement contributions at the Airport. We have a one-time charge that was levied in August. We typically budget that throughout the year so that is why you see us overrunning. Over the year that will level out. We do actually anticipate coming in under budget on the salary line when we get to the end of the year. Purchase property services, that would be a lot of our service contracts, for example the law enforcement and firefighting contract at the Airport. We are, again, running over budget by about 3% in this category principally related to the insurance costs that we have at the Airport. Post September 11, insurance costs, liability insurance and that type of insurance, war risk insurance that the Airport has to carry in some cases the premiums have doubled and tripled so we have been spending a lot more on insurance than we had anticipated.

Again, we do believe that we will have some economies throughout the year, principally within the law enforcement contract we will be getting reimbursed from the Federal government for some of the extra law enforcement positions that we have had to put out so again at the end of the year we do believe that we will come under in terms of this category. Supplies and materials are running about 4% under budget. We are simply not purchasing as much as we thought we would at this point in the year. The other category, that Reimburse C of M, that is the reimbursement that we do make to the City for utilization of City services. Typically that runs in the area of about $65,000 to $70,000 a year. What we are reimbursing there would be the time that the City Solicitor's Office spends on Airport matters, Human Resources, and a lot of the staff functions that are provided to us. We are pretty much self-contained at the Airport that is why that is not a really big number. Most of the services that we need at the Airport are done by Airport staff. The equipment and capital purchases, you can see we are way under budget. We have a $3.5 million budget and to date we have only expended about $68,000. Typically what the Airport does is we wait until the last quarter of the fiscal year to make our major purchases such as new firefighting vehicles and new snowplows simply because we want to see how well the Airport performs financially throughout the year before we make those large commitments. We will typically carry this large surplus throughout the entire year until the fourth quarter. Again, in terms of the non-operating expenses, what that is is our debt service for the Airport bonds. As you know, the Airport bonds are exclusive of City bonds. They are our own general Airport revenue bonds backed solely by the revenue of the Airport. This is the debt service on those bonds and we are right on target in terms of debt service payments. If you look at the total expenses year-to-date when you include those operating and non-operating expenses we are about 11% under budget. I don't know if there are any questions.

Alderman DeVries asked what was your explanation of PFC's. What are they? Is that Federal contracts?

Mr. Dillon answered those are passenger facility charges. What the Airport has under Federal approval is the ability to level a $3 per departing passenger charge so for every passenger leaving the Airport we get $3. That PFC has to be used for FAA approved construction projects at the Airport.

Alderman DeVries asked and the reimbursement to the City of Manchester, I noted as zero. Would there be reimbursement for time spent for HR for jobs that they advertise and that sort of thing for you?

Mr. Dillon answered in terms of…for example when there are costs involved in advertising the Airport pays that directly. What this would be is if Ginny Lamberton spends any of her time during the week interacting with the Airport

and dealing with personnel issues out at the Airport she would charge off some of her time to this category. The City Solicitor's Office and the Finance Department if we are doing bonding are typically the departments that would use these categories.

Alderman DeVries asked so wouldn't there be an expense for the processing of new employees though.

Mr. Dillon answered again I don't know how you would allocate or define that actual cost.

Alderman Thibault asked the extra security that you have up there now is that all Federally funded or does some of that come out of your funds.

Mr. Dillon answered a lot of it is coming out of Airport funds. In fact, we are still trying to calculate our full cost, which involves things such…we have had to enter into a towing contract with an outside towing service because we have a requirement to make sure there are no abandoned vehicles on the frontage of the building. We have had to add additional law enforcement; some of which is reimbursed and some of which is not. Right now, we are estimating that the Airport itself, on an operating basis, is spending about $1.5 million more than we would have had we not had the mandates from the Federal government post September 11. There are also capital costs that we are incurring that are coming out of our pocket. Some of that is related to equipment purchases at the Airport. For example, we now have a requirement to fingerprint and do a criminal background check on every employee that works at the Airport. We had to buy electronic processing fingerprint equipment. We are in the process right now of redoing the entire bag make-up areas at the Airport to house explosive detection machines. The Federal government is providing us with the machines and will actually bear the cost of operating the machines but there is a construction component that the Airport has undertaken to house the machines. Some of that construction component is being reimbursed under a grant. Some of it is coming from Airport revenue so it is really a combination of things.

Alderman Garrity stated I have some questions about Runway 71, the north/south runway. Are you going to cover that?

Mr. Dillon replied yes. If there are no other questions on the financials I want to go over the status of the sound insulation program. That is the other sheet. What you see in front of you is a depiction of the status as to where we stand in terms of the completion of soundproofing that the eligible homes within the 65 dnl contour and you can see in terms of the total homes that are still outstanding, the ones that have not been done but are still eligible in Manchester stand at about 697 units. In

Londonderry there are 3 units that are still eligible to be done for a total of 700. Completed to date in Manchester you can see that we have completed 546 and in Londonderry 39 for a total completed of 585. While we have made some significant progress in terms of soundproofing, you can see that there is a lot left to be done and when you consider that the Airport typically receives about $2.5 million or we can bank on $2.5 million from the Federal government to conduct this program that only allows us to do about 80 units so if you have 700 left and we are only getting funding each year for 80 if you do the math you are eight or nine years before we would be able to complete all of the remaining homes. Now we have been somewhat successful over the past two years in terms of our lobbying efforts and we have actually gotten double that allocation. We are hopeful that we will be able to continue to do that in the future, but we can't bank on it. As I said before, once the Airport gets the capital construction program under its belt I do foresee a time where we will be able to generate income at the Airport and we can utilize our own income over and above our 10% matching share that we applied today to accelerate the soundproofing program but it will be very difficult for me, very misleading for me to try to commit at this point right now when that will be. So it is a combination of a couple of things that we are going to look at to try to speed up this program. One is to continue to press the Federal government for more of an allocation towards this program, as well as at some point in the future looking to designate actual Airport revenues over and above the 10% match to try to cut down that eight year period that it is going to take to complete this. There is still the outstanding issue, as well, that the Airport at some point would like to have the eligibility expanded out to the 60 dnl from the 65. Our very quick calculation and don't hold me to these numbers but we have estimated that if we can push out the eligibility it would make about 2,500 homes in Manchester…2,500 more homes in Manchester eligible and about 200-300 homes in Londonderry eligible for the program. It would also start to bring some of the eligibility into Bedford and Merrimack as well. Again, there are a lot of issues as to why we are not suggesting that we proceed with that right at this point because there would be a requirement that the Federal government would mandate that the area that would fall between 60 and 65 dnl would have to be declared through zoning as a noise impacted area. We would also have to assure that any development that would be undertaken from the point that we would enact this going forward would meet the FAA soundproofing standards, meaning private contractors would then have to incorporate that into their building methods and meet those requirements. While I am not that concerned about that and I think that is not a bad idea to get that moving forward because we have estimated that it would probably only include at a maximum or increase at a maximum about $10,000 per single-family home. To have it done as part of construction it is now costing us anywhere between $25,000 to $35,000 per home to go back and retrofit. The drawback of proceeding with that is the reality of what it would mean to the neighborhoods to have their neighborhood declared as a noise-impacted zone. It

certainly would have an impact on property values and the fact that we would not have available funding until we completed those homes within the 65 dnl under the present funding scheme, pushes the eligibility of the homes in the 60 dnl out at least eight years. You potentially could be putting those individuals at a penalty if they chose to sell their house within that eight year period that they could be impacted by a drop in property value by having that area declared officially as a noise impacted zone. Those are some of the concerns that we have in terms of moving forward right now but we do certainly support at some point when either we can be assured of a higher level of funding or assured that we have Airport revenues available that we can start putting our own money towards this program to accelerate completing all of this homes that would now be eligible. In terms of this breakdown, just to point out the other pieces you see I will not go into any level of detail but it does break down the homes that are completed and the homes that are eligible for soundproofing by runway and I need to point out that this is the approach to that runway. When you see Runway 35 it would mean homes that are south of Runway 1735.

Alderman DeVries stated you indicated that there might be an additional allocation from Airport revenues towards the soundproofing program. Can you give that a best case scenario with the growth at the rate that you are at now? You are talking eight years. Can you say that you may be able to knock a year or two off? What are you guessing?

Mr. Dillon replied it is very difficult for us to project at this point because it would be contingent upon the need for a second parking garage, the need for the terminal expansion and the timing of those construction programs. I would like to think that within a four-year period we would have had all of the major projects under this existing master plan either into construction or at least under design. I think you are then probably talking a year or so after that period for us to get our debt service obligations well in hand that we can start to say now we are generating excess income and do not have any particular projects on the horizon where we could take that funding and divert it for a period of time to the soundproofing program because we are not too sure what the next generation of Master Plan at the Airport would hold so there may be a period of time when we have a lull in construction at the Airport that we can take some excess revenues and divert them to soundproofing but again it is very difficult to commit what the future is going to hold in terms of how capital construction would continue to play out at the Airport.

Alderman DeVries asked best case scenario though if that were to happen five years from now what are you talking for additional revenue that might be directed towards that program. Are you talking an additional $1 million on top of the Federal dollars? This is nothing you will be held to. I am just trying to see…

Mr. Dillon interjected I would like to think we would be generating money in terms of at least an additional $1 million that could be dedicated to that program. Keep in mind today when we get $2.5 million from the Federal government we are already dedicating $250,000 of our own Airport revenue to this. I would like to think that we could generate an additional $1 million towards the program.

Alderman DeVries asked how many homes did you say again would be taken for $25,000 or $35,000 a home.

Mr. Dillon answered right now for every $2.5 million we get we can do roughly 80 units.

Alderman DeVries stated so your reception in Merrimack…we know over the course of the summer Merrimack was very upset with the increased noise. They must have brought this up with you, the soundproofing of their homes.

Mr. Dillon replied soundproofing is a very popular program. It not only takes care of the noise program but it adds value to homes so we do get a lot of interest expressed by a lot of towns. Quite frankly, though, the guidelines are very rigid. I have had the conversation, though, with both Merrimack as well as Londonderry about the potential of working with us at some point to expand it out to the 60 dnl. I think they are very interested in that.

Alderman DeVries responded I am not sure that answers my question. The residents of Merrimack, were they asking for the soundproofing program.

Mr. Dillon stated absolutely.

Alderman DeVries asked so don't you think they would feel somewhat more complacent knowing that they are at least within the eligibility for the program even though they are looking eight years out.

Mr. Dillon answered I think it is a double-edged sword. Certainly people would be thrilled to hear that they are finally eligible for soundproofing but I think there also would be concern expressed by them if they knew that because of funding I may not be able to get to them for eight years and for that eight year period they are now living in an officially declared noise impact zone that could have an impact on their property values. I think it really would be mixed blessing. I think people who have made the decision that they are going to spend the rest of their lives in their home for the next 20, 30 or 40 years, I guess they would probably look to make sure that they could be made eligible as soon as possible. There are

others that would say hey I may be selling my house within five years and if I am not soundproofed you put me at a disadvantage.

Alderman DeVries asked when you talk to the Tax Assessor's Office though they will tell you that your property values have already been affected just because of you are near an Airport and because the airplanes are allowed overhead. My guess is that there are very few of those homes that are within the range of the 60 dnl that are not already seeing a reduction of their property values. Do you have any hard and fast evidence that would…

Mr. Dillon interjected I don't have any facts as to if an area is declared a noise impact zone does it result in a 10% or 5% reduction. I think you are absolutely right. I do think that a lot of people realize that whether you officially call a neighborhood two miles off the end of a runway a noise impact zone there is going to be an impact when somebody looks to sell their house in that particular area but I don't have any specific information that could tell you what the value differences would be.

Alderman DeVries responded that is the same line of reasoning they use as to why there are no additional credits that you are given for being near an airport because you already see the reflection in your property value because you are paying less taxes. It is a double-edged sword working for and against you but I still contend that I do not see that there are that many homes in the surrounding communities as well as Manchester that would be included in that zone that are not already seeing a reflection in their property values. I think you should push forth. There is support behind it at this place and this time and we are in the middle of a look back period…

Mr. Dillon interjected I don't dispute what you are saying. In fact, I think if you go back a year ago or a year and a half now at this point, it was actually the Airport that proposed this. I would fully support it. I just want to make sure that people fully understand the pros and cons of going in this direction. The Airport stands ready to proceed in any direction the Aldermen choose.

Alderman DeVries stated I would speculate that it would probably take the Planning Department years to complete at this point because there are so many other things ahead of this on the agenda so even if was declared I don't think it would happen overnight.

Alderman Garrity stated this has to do with soundproofing but I have to find out when the north/south runway opens, what will be the percentage use on both runways.

Mr. Dillon stated Runway 1735 should have about 65% of the traffic and Runway 624, which goes to the east and west will have 35%. Keep in mind those percentages are not just picked out of the air. They are predicated upon prevailing wind conditions in New Hampshire so from year to year they can fluctuate. When we say 65% also keep in mind that a runway can be used in two different directions. So things don't work as nice and neatly as I am about to say but theoretically on Runway 1735 then you would take 65% and divide that in half. Half will be experienced by Londonderry and the other half will be experienced by Ward 9.

Alderman Garrity asked in next year's soundproofing program are 65% of the homes that are north and south of the north/south runway going to get done versus 35%. Are you going to use the balance of the main runway when you are doing your soundproofing?

Mr. Dillon answered sure. I can't tell you exactly how the percentages lay out. I think the philosophy that the Airport has used in the past and I think if you look at…you have those completion numbers right in front of you is that the vast majority of the homes have been off the end of Runway 17 principally because that was the majority of the use. What we tried to do is have the soundproofing program follow around the activity levels. So again today if you were to say where is the program being focused, it is mostly off the end of Runway 24 and Runway 6 because that is where the activity is. When we go back to start using Runway 1735 we will start to shift back in that direction as well, but there will be a balancing, a much greater balancing than there has been in the past because there is going to be a far greater usage of Runway 64 on an ongoing basis.

Alderman DeVries asked of the homes that are eligible for the program and not yet completed, how many of them have actually opted out of the program. Do you keep statistics on that and if not could you maybe do that for the future?

Mr. Dillon answered we have those numbers. I don't have them tonight.

Chairman Pinard asked can you brief us on the old terminal relocation.

Mr. Dillon answered just quickly what we are trying to do is relocate the old terminal building, the original terminal building of the Airport. That is a requirement that we have under the State Historic Preservation Commission. As part of our construction permitting at the Airport we have to preserve that terminal and relocate it to another location at the Airport. We are about to sit down with the State to discuss how we can accomplish that, hopefully some time during 2003 we would like to have it completed. What we anticipate doing is putting it into the area that was known as the Overlook Area. Adjacent to Runway 1735 is a very

popular area at the Airport today where people come, park their vehicles and watch the aircraft take off of Runway 1735. We are going to look to put it in that general area and have it serve as an information center and basically a historical center that will house a lot of artifacts related to the history of aviation in the State. We are now working with the State Department of Transportation and the State Aviation Historical Society to see if we can orchestrate an agreement where they will actually be the curators, if you will, of this facility and actually work with us to get volunteers to staff it so that it can be open to the public.

Alderman Garrity asked, Kevin, do we have an updated completion date for the north/south runway.

Mr. Dillon answered yes. We should open approximately 6,200 feet of Runway 1735 on December 8, 2002. We will start to shift back some of the traffic. We will operate it for about a four-month period and then we will close it down again when we have to proceed into the intersection of both runways. At that point we have to be very careful how we stage the work so we can maintain operations at the Airport. It will be closed again for about a 30-day period. Following that 30-day period we hope to reopen the full length of the runway for June 2003. That is when we will be able to transition into that 65%/35% split fully although starting on December 8 we will be able to bring back a significant amount of traffic onto Runway 1735. Not the full 65% but a…

Alderman Garrity interjected I just need to know when the phone calls are going to start.

Mr. Dillon replied December 8.

Alderman DeVries stated we entered this summer into a conversation with regards to possibly bringing some Planning staff on within your budget. Have you made any progress on that?

Mr. Dillon replied as you know we discussed that with the Planning Department. The Planning Department is working on a scope of services. I asked them today as to the status of that. They have not completed it yet although Bob MacKenzie felt very comfortable that by the next time this Committee meets he would be able to provide a full scope so that we would be able to have a discussion. In the absence of having that scope, it would be difficult for me to commit as to what the Airport could cover and what would have to be City funds.

Alderman DeVries asked do you see any complications with this being included in your next budget based on the progression.

Mr. Dillon answered I don't see any problem from an Airport budgeting standpoint. It is more from an FAA approval standpoint as to how we are using Airport funds.

Alderman DeVries stated meaning it is likely to take longer.

Mr. Dillon replied we could certainly incorporate it right into this fiscal year if necessary.

Alderman DeVries asked so it is not possible for you to initiate conversations with the Feds about…

Mr. Dillon interjected I don't know where the Federal government is going to go with this. They are probably going to tell me that I can participate to the extent that the planning would involve areas that are immediately adjacent to the Airport. That is why I think we need to understand his scope to see how much of that falls within that area.

There being no further business, on motion of Alderman Garrity, duly seconded by Alderman DeVries, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee