

SPECIAL COMMITTEE ON AIRPORT ACTIVITIES

February 25, 2003

5:30 PM

Chairman Pinard called the meeting to order.

The Clerk called the roll.

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

Absent: Alderman Thibault

Messrs: K. Dillon

Chairman Pinard advised that Kevin Dillon, Airport Director, will update the committee as follows:

a) Airport Financials

Mr. Dillon stated I will start with the financial update. I think the Clerk has given you copies of our financial summary. Just to go through it very quickly, the Airport continues to perform very well financially. If you look at our key revenue areas, the landing fees, we should end the year about \$500,000 or \$600,000 ahead of budget. A lot of that is due to some increased flight activity at the Airport. Automobile parking. We are doing very well on parking. As you can see we budgeted \$16.6 million, however, we will probably end the year at about \$18 million for parking revenue. Parking continues to be the mainstay of the revenues at the Airport and represent almost half of the revenue coming into the Airport. We will be ending the year \$1.5 million ahead of budget. Rental of facilities is right on target as you would imagine. Other aviation fees are also running slightly ahead. Other aviation fees would include fuel flowage fees, for example, that we get on fuel sales as well as some of the State registrations from aircraft that are based at the Airport. Again I guess I should have pointed out that this is...if you look at that first column that is our budgeted column. The column all the way to the right is our year-to-date at the six-month mark performance. That is giving you the performance as of the end of December. Concessions, you can see we are way ahead on the concessions miscellaneous category. It is not necessarily due to the concessions, though; it is really due to some miscellaneous items. We are getting reimbursement from the airlines for some of the security guard service we provide inside the terminal that wasn't anticipated or budgeted for. We are also getting reimbursements from the Transportation Security Administration for some

of the law enforcement coverage, principally at the security screening points. That was an agreement we reached with the Federal government that was not budgeted or anticipated. In terms of some of our non-operating revenues, it would be the interest income. The first entry there is interest on our general operating funds. It is not restricted interest. Again, we are pretty much on target where we thought we were going to be budget wise. I think most of you realize that a lot of the interest rates earned are somewhat depressed at this point in the economy. In terms of our restricted interest income, that would be the interest on our bond funds and our PFC funds. You can see we are pretty much ahead of the game in terms of what we anticipated. A lot of that is related to the cash flow. It all depends on how quickly we are spending some of those bond funds and what principal remains in the funds. It is a very flexible item and you can see that we are performing very well there. In terms of PFC's we are on target. PFC's are our passenger facility charges. That is the \$3 per departure levy that we get directed towards FAA approved construction programs. The Federal grants and State grants, that is just a budget line that we carry. These are grants that we have put in for. If we get awarded the grants we will go forward with these expenditures. If we don't get the grant we don't move forward with them. The customer facility charge, again you can see we are running slightly ahead. We do believe we will end the year at about \$200,000 to \$300,000 ahead. That is a \$2.25 per rental car day levy that we get from the rental car companies. Principally, those CFC's are used to pay down debt related to the walkway from the parking garage building. That was a special arrangement that we negotiated with the rental car companies. It also pays for the operation and maintenance of the lower floor of the parking. In terms of expenses, there is not really too much to tell. I think if you look at those expenses you will see that we are right on target to where we should be at this point in the year. We are running a little bit less on purchased property services. That is principally due to costs related to firefighting and law enforcement agreement. We had anticipated that we would have some higher costs at this point. You can see that most of the other expenses are running right on target. Reimburse C of M is the City of Manchester. That becomes a function of how quickly we are getting chargebacks from the other departments, such as the City Solicitor, Finance and it is a function of what level of service is provided as well. Pretty much the Airport is self-sufficient. We don't utilize a whole lot of services. The equipment capital outlay and other costs budgeted there are \$3.5 million. Typically what we do in that category is we hold on to the majority of that money until the end of the year to see how well the Airport has performed. If we are performing as expected we then go forward with the capital purchasing that generate the budget line, which would include things such as Fire equipment, vehicles at the Airport, snowplows, etc. Again some of our non-operating expenses like principal and interest are right on target. That is the charge that comes out of this account twice a year. Then you see the capital improvement account that we carry. That is also an account that would be in addition to any of

our bond funds. This is a capital improvement account that comes out of our operating monies that we hold in contingency every year. We basically use that to do some improvements that we didn't anticipate. For example, overlaying a parking lot or doing electrical work on the air field. If you look at it all, right now based on six months worth of performance we do believe that we will probably end the year about \$2.5 million ahead of where we anticipated we would end the year.

Alderman DeVries asked for the purchased property services you speculated that you budgeted more due to the anticipated requirements placed on you by the Federal government.

Mr. Dillon replied right. We anticipated that we would have additional requirements as we continue to progress along with the Transportation Security Administration. Again, some of the costs that I explained earlier that we are getting reimbursed from the TSA would have been on this budget line had we had to pay for it. We have that double benefit. Not only are we getting the cash in but we are not spending it.

b) Capital Program

Mr. Dillon stated in terms of the capital program we continue to advance a number of projects at the Airport. Today we just got in our bids for the Brown Avenue widening and intersection improvement. Unfortunately, we only got one bid in on that. A lot of the contractors, not surprisingly so, seem to be busy with other work within the State. We got one bid in from Continental Paving at \$5.5 million. That is right in the area of what we anticipated. We will be sitting with Continental and going over the bid to make sure that they fully understand the job before we move forward with that work. As long as everything is okay with them, we will most likely move forward with that. Runway 1735 is continuing. Naturally we have had to suspend a lot of the paving for the winter because of the weather; however, we are still very much on target to complete that in June or July of this year. Once that is completed, we are going to have a major enhancement in terms of service levels at the Airport. Non-stop West Coast service will be a reality once we have that 9,000-foot runway. Also we will come along with enhanced navigational aids. We will be known as a CAT 3 facility. What that means is that we can land aircraft essentially with greater capacity and safety enhancements. As far as the terminal expansion, that is moving forward. We started steel erection. We were able to continue pouring for the foundations throughout the winter. Just these past few weeks we started steel erection. We are right on target. We are still very much within budget but we are very early in that project. Right now we are anticipating...at this point we are carrying a budget of about \$25 million with a contingency of 10% on top of that. We are anticipating

completion by December of this year. Hopefully we will get beneficial occupancy a little bit earlier at some of the gates because we do have a demand from the airlines for gate space right now at this point. In terms of parking at the Airport, we are going through an extensive review now internally to determine what our needs will be as we look at the rest of the year. We are somewhat concerned about the Easter peak travel period and whether or not we will have enough parking at the Airport, but as you know last year the Airport purchased a piece of property on Brown Avenue near I-93. That is certainly our fallback. We have the ability to park 800 cars at that location so we will be making a determination, hopefully within the next few weeks, whether or not we want to move forward with the paving of that location if we need it this spring/summer. We are trying to hold that off. We would like to see if we can get away with not doing that until we experience the next school peak period, which will be next February. We do have money that was bonded for this that is sitting in the bond account, about \$1 million to go out and pave that lot. As I said, we will get 800 parking spaces out of that lot and that will certainly add to our parking. The Airport access road, again I continue to be assured by the State Department of Transportation that that project is on track and is moving forward. However, we are still not anticipating completion until 2006 at best. That is why the Brown Avenue work that we will be awarding to Continental hopefully is so important to the Airport because that is what is going to carry us through until the completion of that State access road. Something that we have recently surfaced that we want to talk with the State about is the potential of establishing a rail connection in conjunction with the State access road. As you know, there is a rail line that runs right along the corridor where the State access road will be. Right now there are plans that are hopefully moving forward to bring rail service up from Lowell to Nashua. Ultimately, that is supposed to be expanded into Manchester. What we would like to do is take advantage of that and hopefully get a rail station established in conjunction with the access road, which would give us the ability to send the Airport buses back and forth across that access road for the one to two minute trip it would take to get back and forth to the Airport. We think it would be a great service, not only for the passengers but certainly a great service from an environmental standpoint. We could start developing a high occupancy vehicle alternative at the Airport. If we were not able to establish that in conjunction with the Airport access road we do have the opportunity to look at the Brown Avenue area. Tracks do cross the river and come over into the Brown Avenue industrial area very close to the part where we have purchased that piece of property for parking. So there is a possibility there. Again, we would operate that the same way in terms of running buses back and forth. A project that we are going to be kicking off, it is a study project, to look at the runway 624 safety area. One of the things that Airports need to comply with now if they do any major work or touch their runways in any major way is to comply with FAA rules and regulations that call for a 1,000 foot safety overrun at the end of the runway. It is a safety measure to protect against overruns for short

landings. Right now we have about a 500' safety overrun. We are in a much better shape than most airports in this country. Many airports, LaGuardia Airport for example, has less than 100' of safety area off of some of their runways. There are many airports that cannot meet this condition and will never meet this condition. However, the FAA is pushing for us to meet it on runway 624, which is our secondary runway. We will meet the criteria on runway 1735. What we have asked the FAA to do is to work with us on a study to determine how we can meet the criteria and the study objective or the study scope will look at really three possible scenarios. One is to extend Runway 624 across Willow Avenue and not to enhance the useable length of that runway but simply to look if we build a safety overrun area across Willow Avenue and then to press Willow Avenue into a tunnel type scenario underneath the runway. We are also going to be looking at the Runway 6 end. There is the ability to maximize the safety overrun on the Runway 6 end by about 150'. That still wouldn't put us in compliance but would put us over the 500' that we are able to supply today. Lastly, the study will take a look at some of these other airports across the country that are not compliant and what the economic justification is at those airports and compare it to an economic justification at Manchester Airport for not complying and getting a waiver from the FAA. That is something that we will be doing shortly and studying over the next month.

Alderman DeVries stated let's start with the Brown Avenue widening. We had spoken five or six weeks ago in reference to some minor changes that you might be making to the proposal for the Brown Avenue widening. Now we were going to look to scale back the scope of the work but based on concerns that I have about the State's ability to deliver the airport access road in a timely fashion I think it really behooves us to move forward with the project as fully anticipated. The project will now include the full improvements.

Alderman DeVries asked regarding the terminal expansion it appears from the articles in the paper that they might be heading towards smaller jet craft or turbo prop service. Is that anything that is affected by having changed some of your terminals over to the full jet scale?

Mr. Dillon answered at Manchester we continue to enjoy great success in terms of load factor. I don't see anything on the horizon taking full size jets and bringing them back to smaller jets. Even if we did see that, for example if US Airways as part of their organizational plan decided to fly smaller jets there will always be a combination of full size jets with smaller ones. Once that situation occurs they want to operate in a very efficient manner and a coordinated manner with their affiliates so they would still be operating at the airport. What we will be doing is there is a program where we are going to retrofit all of our jet bridges to accommodate both full size jets as well as small jets. There are modifications that

run in the area of about \$10,000 to \$15,000 per gate that will allow us to do that. The bridge can actually go up or down depending on the size of the aircraft.

Alderman DeVries asked the Barnett parking lot that you may or may not be paving, when would you be making that decision.

Mr. Dillon answered we would probably be making the decision within the next few months. If we are going to get utility out of it in the spring and summer we are going to have to move very quickly. There is grading work and some surface drainage work to be done. There is the potential that we could tie this into the Brown Avenue work, although a change order to that magnitude I wouldn't necessarily be in favor of but depending on the details and the timing we could consider that as well.

Alderman DeVries asked if you are not using it this spring will it be available for the Junior Deb league to use it for practice fields again.

Mr. Dillon answered I have had conversations with the FAA and while they are certainly not thrilled with Airport facilities being used for non-Airport purposes, we could utilize it for that. However, there is no doubt in my mind that we will have to move forward with this for next year so it will be very short lived unless they can operate on an asphalt surface.

Alderman DeVries asked but you will have that answer sometime within the next month as to whether it will be available for this summer.

Mr. Dillon answered yes.

Alderman Garrity asked, Kevin, could you give me a little update on the north/south runway. Are you going to be doing any more soundproofing on the northern end of the runway and if so when is that going to start taking place?

Mr. Dillon answered we will be. Again, we are still waiting to hear about some of our soundproofing grants. We do have money for this year. We are still in the planning and design phase of a number of units. As you know what we have tried to do is chase the noise so to speak. With most of the activity being on 624 we have dedicated all of our resources to those runway ends. As we start to get back to full use of 1735 we will then swing around. It will all be on the 17 end, the Manchester side, simply because Londonderry is all completed. They only had 35 homes that were eligible. Certainly I would imagine that this summer you will see us back out there focusing on 1735.

Alderman Garrity responded and you said that the north/south runway is going to be active again in what June.

Mr. Dillon answered yes.

Alderman Garrity asked so would it be in the June/July timeframe where you will be back on the northern end of the runway doing soundproofing. Is that your estimation?

Mr. Dillon replied again when I say we will be out there, yes we will be out there but we will probably be into the design phase. A lot of our construction is already programmed and again I just can't tell you off the top of my head. There might even be some construction that is already programmed on the 17 end but at a minimum we would certainly be out there in terms of designing.

Alderman Garrity asked as we get closer to that date maybe you could just follow up on me as to which homes are going to be done and where they are as we get into that season.

Mr. Dillon answered sure. The next time I can come in and maybe give you a complete overview of exactly what has been done and where we are going.

Alderman Garrity responded that would be helpful.

c) Airport Security

Mr. Dillon stated there are two things that I want to touch on quickly if I could before security. I wanted to let you know that we have service enhancements at PanAm starting on March 20 providing non-stop service to Bangor, ME, St. John's, New Brunswick the Cape and Islands. They are also going to be providing one-stop service through Bangor up to Halifax. Delta is also offering some additional services. They will be going to LaGuardia three times a day. In terms of security, I would like to bring you up-to-date quickly on a couple of items. Our explosive detection system is essentially complete in terms of the construction. We met all of the deadlines we had to meet for December 31. Right now we are pretty much in a punchlist mode trying to work out some of the bugs. It is a very sensitive technology but we are getting there and I do believe we have a very good system when you compare our system to other airports. Screening point modifications. If you have been to the Airport you see that the Airport has undertaken a project to widen both of our screening points. It is something that we were disappointed that we had to undertake the cost of. The Federal government did not have the budget to do the work but we felt it was necessary to move forward with this because we were running into delays. We set a goal at the

Airport that we did not want anyone to wait to be processed through screening for more than 10 minutes so we moved forward with these modifications. It was about \$150,000 in costs to us but we feel it is money that was well spent. It will give us great capacity going forward. Certainly there is another screening point that is being built into the terminal expansion but there is no doubt that we will continue to experience growth in the main part of the building. As you know about two weeks ago the terror alert status was moved to orange nationally. That does require a number of extra security initiatives to be put on line at the Airport. A number of them for obvious reasons I can't go into detail on what we are doing but there is no doubt that we have had a substantial increase in law enforcement and security staffing at the Airport. Additional posts have been put on line and there are additional patrols throughout the Airport grounds. We are also conducting vehicle inspections. On the approach road if you come to the Airport today you are warned in advance that any vehicle passing a certain point at the Airport is subject to search and inspection. We do give the people the option if they do not want to undergo that search. They can either exit the Airport or go to long-term parking but you cannot get to the terminal building in your vehicle unless you are going to subject your vehicle to a search. We don't search every vehicle. It is done on a random basis. It is being done as part of a Federal mandate. We did express a concern to the Federal government about the constitutionality of the search but we have been assured that we are on safe grounds in terms of conducting this search because we have established it very much as you would see a DWI checkpoint. It is highlighted and promoted. People do have the option to bypass the search if they wish. If they want to go to the terminal building they will be subject to a vehicle search. Unfortunately a lot of these additional posts and certainly the vehicle inspections are getting quite a bit costly at the Airport. While I gave you that very rosy financial picture, a lot of that will depend on how long we are required to stay in this orange alert. Right now if you annualize what we have had to add, it would result in an additional \$1.5 million to the Airport's bottom line. That is on top of the \$1 million that we have already added to our security costs since 9/11. As you can see these costs add up very quickly. I will be approaching the Federal government since a lot of these are Federal mandates expecting reimbursement but we cannot guarantee that we will receive it.

Alderman DeVries stated I have a couple of items. One is I understand there has been some discussion between Public Building Services and your staff in regards to the fire house on Harvey Road and the soundproofing program. Could we possibly get an update and find out the status on that? I think there was a hold up because you were trying to coordinate it with some other construction projects at the firehouse.

Mr. Dillon replied I am familiar with this situation. We would like to move forward with the soundproofing. It is something that we committed to the Fire Department we would do. They fall within the contour for eligibility. However, we are running up against an FAA regulation that says if we cannot achieve a certain decibel level reduction over and above what the building already achieves it is not eligible. That is where we are having an issue with the FAA. It is a subject that is under active discussion so I don't have a specific answer at this point.

Alderman DeVries asked could you clarify that for me.

Mr. Dillon answered the rules and regulations call for whenever we got out for soundproofing we have to demonstrate to the Federal government that in order for the project to be eligible a five decibel reduction. It doesn't matter what you started out with. If I can't achieve five decibels they are not going to spend the money. The problem with that building is it already receives a pretty good decibel level reduction. For us to bring it lower, we are having a difficult time from an engineering standpoint accomplishing that. What we are looking into is if we can't do it for the entire building there may be separate rooms, particularly the bunkrooms that would be very important for us to try to achieve that decibel reduction. So that is where we are at with it and it is something that is being actively discussed with the FAA.

Alderman DeVries responded that is good. That is a little different than what I had been told. The last item I have is regarding the State DES and the de-icing runoff into the reservoir.

Mr. Dillon replied as you know a number of weeks ago there was some concern expressed by the community about an odor in the vicinity of the Airport. I am very familiar with that odor. It is something that would occur at many airports. When I was down at Logan Airport you could be guaranteed that the toll collectors in the Ted Williams tunnel every spring would complain about the same odor. What it is is Glycol that gets discharged at the Airport to de-ice aircraft. Glycol breaks down and emits for lack of a better way to describe it a rotten egg smell. It is usually a very short-lived odor because Glycol does break down quickly. Typically though we don't experience the odor in large measures until you get warmer temperatures but I think this year the fact that we experienced it earlier this winter is reflective of the amount of Glycol we have had to use because of the severity of the winter. Maybe I can just give you a little rundown on how our system works. All of the de-icing at the Airport is done on the building ramp area. That ramp area is surrounded by drainage. That drainage goes through an oil/water separator, however, that really doesn't have any Glycol and the discharge from the oil/water separator actually goes into the retention pond at the Airport. A

lot of the Glycol leaves through an evaporative process, however, if there is a lot of precipitation over a short period of time the retention pond gets to a certain level and spills out in a controlled fashion and ultimately that goes into the brook, which goes into the river. You should understand that Glycol in and of itself is not a harmful product. In fact you will find it in a lot of the food that you eat. You will find it in mouthwash. The only time that Glycol becomes a problem is if it is in such quantity that it starts to impact the dissolve to oxygen, which in turn could impact the biology of the river. So as a result, the DES was called in and took a look at it and did a lot of sampling. I am pleased to report that we met with them about a week and a half ago and they indicated that the Airport is in full compliance with all of our permit requirements, however, as we want to show our willingness to be a good neighbor and we are concerned about the environment as well, we have agreed to participate with the DES on voluntary testing to take it beyond the standard Glycol testing to take a look at is there any diminishment to the habitat of the brook. What we are trying to do though is develop a baseline as to what are Airport activities and what are other activities from other industries in the area that if we do find that there is any deterioration, which we are not expecting but if we did that we could track it back to the actual source. That is what we have been undertaking with the DES but again as I said I am pleased to report that they have indicated that the Airport is in full compliance with our permit, which does allow us to discharge up to 100,000 gallons each year without any tests. Over 100,000 and up to I believe 250,000 gallons if we ever did get that high would call for us to go into a limited testing protocol. The Airport on its own had already done some of that testing with visual observation of the brook to make sure that the Glycol is not causing foaming or other issues. We are in very good shape. This is not a unique issue. Airports across the country...I know I spent a lot of time at LaGuardia, unfortunately discharge directly into the Long Island Sound. If you compare LaGuardia's activity to Manchester it is night and day. Again, I need to stress that Glycol is not a harmful substance.

Alderman DeVries asked when you referenced the other industries that might be causing problems in the area are you referencing some of the carriers such as FedEx.

Mr. Dillon answered no I am talking about businesses along North Perimeter Road that have nothing to do with the Airport and businesses on South Perimeter Road. They all feed into the same drainage system in and around the Airport. We want to make sure that there is a good understanding as to who is discharging what. Again, we have no information that anything is being done wrong but we felt why not take a comprehensive look along with the DES to see if there is any impact to the habitat.

Alderman DeVries asked when you talked about the de-icing procedures on the ramp does that include the private carriers. Do you all use the same area or do they have separate facilities?

Mr. Dillon answered all of the passenger carriers operating at the terminal building use the terminal building ramp. The only area where you would see other de-icing would be in cargo facilities, which have their own systems and some limited de-icing on the Wiggins ramp, which goes to a different detention pond. There are a number of detention ponds at the Airport.

Chairman Pinard asked are the smokestacks from the new energy facility in Londonderry endangering the aircraft coming in.

Mr. Dillon answered no. We have worked out an operational protocol with AES. We have good coordination between airport operations and the air traffic control tower. The understanding with AES is if the Airport indicates that there is an impact to our flight pattern they will shut down production at the plant. If you look at where the plant is situated and prevailing winds at the Airport, the impact should be less than 5% of the time that a potential would exist that a plume could drift in that location and that would have to be one big plume to impact us. I am not anticipating impacts but we have thought it fully through and worked out a shut down protocol with AES. You should also be aware too that the plant isn't operational. They are going through a testing protocol right now, which is generating far more of a plume than you would see under normal operations.

Alderman Garrity asked may I suggest that we have our next meeting at the Airport. I think it would be nice to do it over there.

Chairman Pinard replied okay.

Mr. Dillon stated we will work with the Clerk's office for recording.

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

A True Record. Attest.

Clerk of Committee