

CAPITAL BUDGET OVERVIEW COMMITTEE

Legislative Office Building, Room 201

Concord, NH

Thursday, June 14, 2012

MEMBERS PRESENT:

Rep. Gene Chandler (Chair)

Rep. Ken Weyler

Rep. Will Smith

Rep. Bill Belvin

Rep. Walter Kolodziej

Sen. Jim Rausch

Sen. David Boutin

(Convened 11:34.)

1. Acceptance of Minutes of the April 3, 2012 meeting

CHAIRMAN CHANDLER: We will open the meeting of the Capital Budget Overview Committee. Minutes, anyone wish to approve the minutes?

** REP. WEYLER: So move the minutes of April 3rd.

CHAIRMAN CHANDLER: Representative Weyler moves. Anyone second?

SEN. BOUTIN: Second.

CHAIRMAN CHANDLER: Second by Senator Boutin. Any questions or discussions? All those in favor of accepting the minutes say aye? Opposed no? Motion is accepted.

*** {MOTION ADOPTED}

2. Old Business:

CHAIRMAN CHANDLER: New Business. Old Business. Nothing under Old Business.

3. New Business:

CHAIRMAN CHANDLER: New Business. Harbor Dredging and Pier Maintenance Fund, CAP 12-018, Pease Development Authority. Welcome, Mr. Bartlett.

WILLIAM BARTLETT, JR., Pease Development Authority: Good morning, Mr. Chairman, Members of the Committee. For the record, I'm William Bartlett, Jr. I'm the Operations Officer at Pease Development Authority, and I appear before you regarding the dredge of Hampton Harbor and Seabrook.

We have an agreement with the Corps of Engineers to participate in the development of the harbor to keep it navigable. And we started off with an estimate of about 1.3 million. Those estimates come from the Corps and that would be our part of the money. We had that money appropriated and it's available. Then comes along the middle of May and they tell us that their estimate now jumps \$488,000, and they won't be doing the dredging till next spring. We have got about 188 -- 188,000 contingency knowing the possibility of the continuing filling of the harbor that it's possible that we may not have enough money if the Corps changes the estimate. If we don't have enough money available for the estimate, the Corps will not proceed to work. They won't wait for us to come another session.

So we have in our dredge and fill program about \$500,000. We are asking that you give us the permission to take a maximum of \$200,000 as a contingency if it's required by the Corps to complete the job.

One of the important things about this development here, the dredging of the Hampton and Seabrook Harbor, is that this should be the last time that the State of New Hampshire will participate in funding this. That the Corps has agreed that they will do all the dredging and filling on their part with exception of about a small portion of land upriver which they say is recreational and not commercial. So it's extremely important that we have enough

Capital Budget Overview Committee

June 14, 2012

money available for when they come in this fall and say they're ready to do the dredge and fill. So our request is to allow to be able to take, if necessary, \$200,000 for the dredge and fill.

CHAIRMAN CHANDLER: Any questions? Representative Smith.

REP. SMITH: Thank you, Mr. Chairman. Thank you for your testimony. What extra reasons were given for this rather dramatic under -- underestimate, particularly since they presumably have done this once or twice before?

MR. BARTLETT: They have done it several times. They tell us they have done a new survey of what the fill is. It's filled in faster than they thought. And, therefore, they increased their estimate, and we don't have any say one way or the other. I mean, we just participate and pay them and glad they do it. The important thing is the fact that we're paying to dig this down an extra two feet and at that time if we do that, then the Feds will take and resume responsibility and that's important.

CHAIRMAN CHANDLER: Actually double their estimate.

MR. BARTLETT: Pardon me?

CHAIRMAN CHANDLER: Double the estimate. The estimate was doubled.

MR. BARTLETT: They went from 700,000 to a million two.

CHAIRMAN CHANDLER: No, the amount. The yardage.

REP. BELVIN: Yards.

MR. BARTLETT: Oh, yeah. Okay.

CHAIRMAN CHANDLER: Representative Weyler.

Capital Budget Overview Committee

June 14, 2012

REP. WEYLER: Thank you, Mr. Chairman. I remember we did a very extensive project to the south of this upriver in Seabrook side with extensive piling and something that's supposed to slow the siltation. Is there any results? Is this less siltation than there would have been had that extensive project not been done a few years back?

MR. BARTLETT: I'm not familiar with that.

REP. WEYLER: Okay. There was lots of sheet piling and so on, so forth. Doesn't seem like it was that many years ago. Anybody remember --

CHAIRMAN CHANDLER: I don't.

REP. WEYLER: --- when we did that?

SEN. RAUSCH: Hum --

CHAIRMAN CHANDLER: Senator Rausch.

SEN. RAUSCH: Thank you, Mr. Chairman. I had a prior discussion with Mr. Bartlett because that was -- it was a UNH study.

REP. WEYLER: Yeah.

SEN. RAUSCH: And they were going to prevent erosion of the banks, and I guess we actually funded that in a capital project.

REP. WEYLER: Three years ago.

SEN. RAUSCH: I don't know if -- there was a study, there was funding, and I don't remember if the funding was all for the study or if we funded improving the erosion of the banks of that river. But I had the same question you did.

REP. WEYLER: Yeah.

Capital Budget Overview Committee

June 14, 2012

SEN. RAUSCH: And I don't know if there's anybody who -- I don't see anybody from UNH; was a UNH study. So I don't know where we are on that.

REP. WEYLER: Whether it even got done.

SEN. RAUSCH: Correct.

CHAIRMAN CHANDLER: Anyone else have any questions? Yes, Representative Belvin.

REP. BELVIN: Thank you, Mr. Chairman. Mr. Bartlett, in effect, we are encumbering \$200,000. Are there other alternate needs that might come before Pease relative to rivers and harbors that would then not be possible because of the encumbrance of these funds?

MR. BARTLETT: We have approximately \$500,000 in the Dredge and Pier Maintenance Fund. This takes 200 out of it. The real reason, the necessity of this is the fact that if we don't do this, and they -- we don't meet the contract that we have, the verbal contract we have with the Corps, that we will be responsible year, after year, of approximately half a million dollars. And they will be assuming that fee so that we save by having them take over the responsibility about a half a million dollars a year.

CHAIRMAN CHANDLER: Further question.

REP. BELVIN: Follow-up. Agreed. But is there some other harbor requirement along the New Hampshire coast for which you are responsible that would be delayed or not possible because we gave this decision?

MR. BARTLETT: The answer is no.

REP. BELVIN: Thank you very much.

CHAIRMAN CHANDLER: Any other questions? Senator Rausch.

Capital Budget Overview Committee

June 14, 2012

** SEN. RAUSCH: Not a question, Mr. Chairman, but I've been down there. We've had a lot of discussions in Public Works and Highways as a State Representative. I think this is an important project. It also revitalizes some of the beaches because this is clear sand and they pump it out on the beaches. So I will make a motion to approve.

REP. WEYLER: Second.

CHAIRMAN CHANDLER: Motion to approve the item. Seconded by -- Senator Rausch moved and Representative Weyler seconds. Any more questions? All those in favor signify by saying aye? Those opposed? The motion carries. Thank you very much.

*** {MOTION ADOPTED}

MR. BARTLETT: Mr. Chairman, Members of the Committee, thank you very much, pleasure to be here.

CHAIRMAN CHANDLER: Item 12-016, Department of Administrative Services, authorization to utilize the low bid design/build method to construct two Engagement Skill Training buildings at the New Hampshire Army National Guard Training site in Center Strafford. Good morning.

MICHAEL CONNOR, Director, Plant and Property Management Division, Department of Administrative Services: Good morning, Mr. Chairman, Fellow Members of the Committee. For the record, my name is Mike Connor and I work for the Department of Administrative Services where I serve as the Director of the Plant and Property Management. With me today is General Reddel and also Lieutenant Colonel Mikolaities. So in case you have any specific questions regarding the training facility, we're happy to have them here and they'll be glad to answer those specifically.

But I'm here today to seek your approval in accordance with RSA 21-80 -- 21-I:80 to utilize the low bid design build method to construct two new 40 by 60-foot metal

Capital Budget Overview Committee

June 14, 2012

buildings that will be utilized by the New Hampshire Army National Guard for Engagement Skill Training. The buildings will be located at their site in Center Strafford.

The Army National Guard received approval from the Federal Government to utilize funding in April of this year, with the caveat that the project be put out to bid and encumbered through the Governor and Council process by September 30 of this year. In order to put the project out to bid and encumber the funds through Governor and Council by September 30, I'm seeking your approval to use a low bid design build method instead of the conventional design bid build method to construct the two facilities. Total cost of the project is estimated at \$1,328,000.

Thank you for your consideration. I'll be glad to answer any questions you may have.

CHAIRMAN CHANDLER: Is it a fair assumption to make there's probably at least one firm that won't be bidding on this?

MR. CONNOR: Yes, it is.

CHAIRMAN CHANDLER: Any questions? Questions, really? Oh, Representative Belvin.

REP. BELVIN: Thank you, Mr. Chairman. Mr. Connor, welcome.

MR. CONNOR: Thank you.

REP. BELVIN: Could you just very briefly do the compare and contrast between conventional design bid build method and design build method.

MR. CONNOR: Typically, most of our conventional projects we would actually hire an architectural engineering firm to actually develop the specifications and drawings which would, you know, typically take six months

Capital Budget Overview Committee

June 14, 2012

or so to be able to do that and then put it out to bid. In this particular case we'll get some concept designs. As a matter of fact, I think you have a drawing here that's attached. It shows a steel building, a typical spec. So we'll get a concept and then it's the responsibility of whoever wants to bid to design/build so they put a team together. The contractor partners with an architectural engineering firm to complete the project according to all the codes that are out there.

REP. BELVIN: Thank you.

MR. CONNOR: Gets us quicker to market and quicker to get the project done.

REP. BELVIN: Follow-up.

CHAIRMAN CHANDLER: Further question.

REP. BELVIN: Perhaps this would be appropriate for others. I would just appreciate a definition of what an Engagement Skilled Training Center is.

LIEUTENANT COLONEL DAVID MIKOLAITIES, Chief Engineer, New Hampshire Army National Guard: Sir, I'm Lieutenant Colonel David Mikolaities, the Chief Engineer of the New Hampshire Army National Guard. Engagement Skill Trainer's building is for our marksmanship instruction. Instead of doing live fire training all the time going to Fort Devens, Massachusetts, National Guard Bureau has funded us and other states to build this sort of metal Butler building to put in a weapons simulator. We own the equipment, which is essentially a shooting video arcade, where you have like ten firing points and a screen that allows you to use simulation will do the laser to practice your marksmanship training. We have the equipment. We don't have the building. National Guard Bureau funded us this Fiscal Year with 100% Federal funds to build the building and put the equipment in.

Capital Budget Overview Committee

June 14, 2012

REP. BELVIN: Thank you. Thank you, Mr. Chairman.

CHAIRMAN CHANDLER: Representative Weyler.

REP. WEYLER: Thank you. Maybe I'm out of touch. I remember the last time looking at one that was just architectural drawing at \$200 a square foot seemed excessive. This design/build should be done cheaply and it seems like it's \$250 a square foot. It seems awful expensive for a steel building.

MR. CONNOR: Go ahead.

LIEUTENANT COLONEL MIKOLAITIES: All the finishes are still required. So even though it's a metal fabricated building, the interior finishes are still what you get for a conventional CMU or brick building. It's just the facade is different. We still have to have, you know, heating, cooling and ventilation, meets State plumbing code, men's and female bathrooms to code. So we are still getting all the finishes. And there's a --

REP. WEYLER: Not a lot of interior partitions. You don't have a lot of rooms.

LIEUTENANT COLONEL MIKOLAITIES: Sir, correct; but there's also some minor site improvement that come in conjunction with that.

REP. WEYLER: You don't think \$250 a square foot is excessive for a design/build metal building? I do.

MR. CONNOR: It might be. At this point it's an estimate from architectural firms and included in that number is approximately \$100,000 in design and oversight fees for the Bureau of Public Works, Design and Construction. We are required by law for anybody that's non-general funds to basically charge our fees for the work that we've done for that work. So in that number is about 100,000 roughly. But it is an estimate. We'll actually go

Capital Budget Overview Committee

June 14, 2012

out to find the low bid design/build.

REP. WEYLER: I would hope it was below \$200 a square foot.

MR. CONNOR: We hope so, too.

REP. WEYLER: It was only a few years ago we were looking at schools and they're a little more complicated and a hundred dollars a square foot was not untypical.

MR. CONNOR: Been a long time since we've seen a hundred dollars.

REP. WEYLER: I'm going back five, six years. You know --

MR. CONNOR: Right.

REP. WEYLER: -- the economy's been relatively flat, and I thought so were construction costs.

CHAIRMAN CHANDLER: Senator Boutin.

** SEN. BOUTIN: Thank you, Mr. Chairman. Mr. Chairman, this is a vitally important -- sorry, Mr. Chairman, for my phone. This is a vitally important project and it's time sensitive so I want to move adoption of CAP 12-016.

REP. BELVIN: Second.

CHAIRMAN CHANDLER: Have a motion by Senator Boutin, seconded by Representative Belvin, to approve the project. Is there anymore discussion? If not, all those in favor say aye? Any opposed? Motion carries. Thank you very much.

*** {MOTION ADOPTED}

CHAIRMAN CHANDLER: Let's see. We have item 12-012,

Capital Budget Overview Committee

June 14, 2012

Department of Administrative Services jointly with Department of Corrections, authorization for Department of Corrections to transfer \$240,560 from Completed Capital Project for the project entitled Women's Prison and Transitional Housing Site. Good morning.

MR. CONNOR: Good morning. Mr. Chairman, Fellow Members of the Committee, again, for the record, my name is Mike Connor from the Department of Administrative Services and with me today is my Commissioner, Linda Hodgdon, and Assistant Commissioner of Corrections, Bill McGonagle.

We're here today to request your approval in accordance with Chapter 145:9, Laws of 2009, to transfer \$240,560 from a Completed Capital Budget Project to replace the sprinkler system at the MSU and administrative buildings to another active Capital Budget Project entitled Women's Prison and Transitional Housing and Design. As you're aware, the Legislature mandated that Administrative Services work with Corrections to solicit proposals from vendors to construct/renovate and operate -- and/or operate a new male and/or female prison. RFPs were issued for a male facility, a female facility, and a joint or hybrid facility. Each RFP had several options. The male and hybrid facility had four options.

Option one was to construct a new facility that the vendor would operate. Option two would be to construct a new facility and have the State operate. Option three would be to renovate and/or add on to the existing facilities and have the vendor operate; or option four would be to add on and/or build a new facility and have the State operate. Because we do not own the women's facility, there are only two options which was construct a new facility and have the vendor operate or construct a new facility and have the State operate. We received four responses for the male and the hybrid facilities. We did not receive any responses for the female facility. We have put together three different teams that are busy evaluating the proposals. The information is very detailed and we are requesting

Capital Budget Overview Committee

June 14, 2012

assistance from a consultant to review the RFPs and provide guidance and recommendation regarding the most cost effective solution for the State.

At this point, I will turn it over to Assistant Commissioner McGonagle who will brief you on the background of the initial Capital Budget Project and conclude with Commissioner Hodgdon who will provide us with an overview of the planned scope of work and the important role of a consultant to the success of our project.

CHAIRMAN CHANDLER: Good morning.

WILLIAM MCGONAGLE, Assistant Commissioner, Department of Corrections: Good morning, Mr. Chairman, and Members of the Committee. My name is Bill McGonagle, and I'm the Assistant Commissioner for the Department of Corrections. The project that we're asking to remove funds and transfer funds from was a project titled Design/Build Sprinkler System in the Minimum Security Unit at New Hampshire State Prison for Men. That was budgeted in the Capital Budget in Fiscal Year 2011. The contractor that won the bid was Xcel Fire Protection, a Salem, New Hampshire firm, and they proceeded to -- the notice to proceed was given on that project on September 22nd, 2010. And it was -- boy, I've got the completed date here somewhere. I thought I had the complete date. Oh, the certificate there. There we go. Thank you. The Certificate of Completion was issued on April 12th of 2011. The project came in significantly under budget and the work that was done was reviewed consistently by both the folks from Public Works and from the Facilities Administration for the Department of Corrections. And we were very pleased with the final outcome of that. So we believe that that -- that those funds are truly available for this purpose.

CHAIRMAN CHANDLER: Go ahead.

LINDA HODGDON, Commissioner, Department of Administrative Services: If I could just say we have an

Capital Budget Overview Committee

June 14, 2012

RFP that was out on the street looking for some additional help in evaluating these proposals. We've got significant paperwork in the responses and complexities in the financing arrangements and the financial responses that we got. So it was very clear to us that we needed some additional bandwidth in the financial area.

In addition to that, we want to make sure that the responses appropriately address legal decisions, such as the *Holliday-Laaman* decision, so that we don't want a responder saying yes, we can meet that. We want to make sure that their response is thorough and complete and does, in fact, keep us in compliance with court orders. And there is also a challenge in the area of some of what they're proposing with regard to the building to make sure that, in fact, what they're proposing can, in fact, be done. So this RFP would bring in some additional bandwidth and depth to the State to help us in our evaluation of those responses.

CHAIRMAN CHANDLER: Any questions? Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. So, as I recall, these RFPs are all -- all or none. Either you come in and take over all our corrections or you just come in and build us a building and go away. Is that a wrong characteristic?

MR. MCGONAGLE: No. That is -- those are the basic premises of the RFP. Yes.

REP. WEYLER: We don't do any kind of partial; you'll take 25% of our prisoners or you'll take some small percent and we'll see how you do versus our own operation?

MR. MCGONAGLE: I think if -- if you -- I'm not sure if we have spoken in front of you on this. But the -- given the size of our facilities, it being fairly small compared to lots of states that do a lot of privatization, if you start taking portions of that population and farming them out, the costs actually go up rather than go down. So it's

Capital Budget Overview Committee

June 14, 2012

either -- it really does come down to can we build a new facility that's going to be cheaper to operate totally, whether it's us or some private firm to operate. So that was the reason for the direction that was taken.

REP. WEYLER: Thank you.

CHAIRMAN CHANDLER: Motion?

** SEN. BOUTIN: So move, Mr. Chairman.

CHAIRMAN CHANDLER: Senator Boutin moves we approve the item. Is there a second?

SEN. RAUSCH: Second.

CHAIRMAN CHANDLER: Any questions or discussions? Yes, Representative Belvin.

REP. BELVIN: Thank you, Mr. Chairman. Mr. McGonagle, how would this approval accelerate a thoughtful and complete analysis of the options before you? Give me a sense of how the time line changes because this particular item will be approved?

MR. MCGONAGLE: I don't know if the time line changes. I think the risks to the Department and the State are significantly reduced by having this consultant working with us. This is a -- given the scope of it, as was alluded to, which is very comprehensive, to have a solution that doesn't work could be very risky for the State in the out years. So I think it's prudent to have this additional assistance now. But I don't think it really is going to affect the time frame that we have on the project.

REP. BELVIN: Thank you. Thank you, Mr. Chairman.

CHAIRMAN CHANDLER: Representative Smith.

REP. SMITH: Thank you, Mr. Chairman. The amount of

Capital Budget Overview Committee

June 14, 2012

money that's required for this, the 240,000, this is for a consultant operating over six months or so. So the rate is around half a million a year; is that correct?

MR. CONNOR: Actually, working on a much tighter time line. If we're successful in obtaining your approval today, our goal is to get it to the first meeting in July, the only meeting in July of Governor and Council, which I believe is scheduled for July 11th. The anticipated completion date of the report is mid-September. So that's our goals. By the end of September, we hope that they'll have something to come back to the Legislature, to the Governor and Council, to present options.

REP. SMITH: Follow-up.

CHAIRMAN CHANDLER: Further question.

MR. CONNOR: It's a very tight time line.

REP. SMITH: So I assume what you mean by "a consultant" is a consultant firm. You've got a bunch of people doing this.

MS. HODGDON: Yes.

REP. SMITH: And another question.

CHAIRMAN CHANDLER: Further question.

REP. SMITH: I wasn't sure I understood what your comment about you're not having been able to get from the bids. Does this mean that at the end of this process you now will take the offer out for bid for operating or not or is this going to be operated by the State?

MR. CONNOR: That hasn't been decided. We have different options; some for them to operate, some for us to operate.

Capital Budget Overview Committee

June 14, 2012

REP. SMITH: I was unclear.

MR. CONNOR: We have to look at all of those.

REP. SMITH: Thank you, Mr. Chair.

CHAIRMAN CHANDLER: Any other questions? Seeing none; we have a motion that has been seconded. All those in favor say aye? All those no? Motion carries. Thank you very much.

*** {MOTION ADOPTED}

4. Miscellaneous:

5. Informational:

CHAIRMAN CHANDLER: Next item 12-019, Department of Transportation requests approval to spend a portion of the Railroad Bridge Repair Funds not to exceed \$466,525 for repairs to structures on the Mountain Division Railroad Line as specified in the letter dated June 11, 2012. Good morning.

MICHAEL PILLSBURY, Assistant Commissioner, Department of Transportation: Good morning, Mr. Chairman, Members of the Committee. For the record, my name is Michael Pillsbury. I'm the Deputy Commissioner at the Department of Transportation, and I do appreciate understanding and considering this late item. Thank you.

You have before you a requested action that will allow us to utilize funds from a previously appropriated Capital Budget to assist with the -- what would -- some would call the match or the unreimbursed portion of the repairs to the State-owned rail lines that occurred during Hurricane Irene last fall. The Department on those rail lines experienced just a tad under \$2 million worth of damage to the rail lines. Attached to the requisition is a letter that -- I mean, a spreadsheet that indicates bridges that were

Capital Budget Overview Committee

June 14, 2012

repaired as a part of that work. And we are requesting the use of that for -- to cover the unreimbursed expenses that FEMA would pay us. We had anticipated -- we know that these are general funded. We had anticipated, perhaps, a legislative action to assist during the session or another means. That never came to fruition. We had been informed just as the books are closing that we cannot have a negative balance on those accounts going into next year. It would be a negative balance against the general fund. And that we need to try to locate the funds to reimburse the account that paid for those damages from highway funds.

I recognize that the capital project will require -- it originally came before you with three bridges a year ago. We came before you and said that there was some funds remaining or not remaining but that the estimates were such that we could take care of some bridges that needed immediate attention, and you authorized that. This action today would delay work on the Lebanon river bridge. I recognize that we'd be before the Capital Budget in the next appropriation to continue that work, but this seemed the only source of funds to be able to cover those expense.

The other source that covers the balance is the Special Railroad Account. That is funds that come to the Department from the leases and the crossings, the annual fees, but that does not have enough to cover the total expense and that is what is used to do the ongoing maintenance repairs and things that are ongoing. So we would be using these funds that were expended on the bridges and we would then be finished completing what we needed out of the Special Railroad Fund. So with that, we hope that you'll approve this and I'm prepared to answer questions. Thank you, Mr. Chairman.

CHAIRMAN CHANDLER: Questions. Representative Weyler.

REP. WEYLER: Thank you, Mr. Chairman. Commissioner, don't we also have an item next Monday before Fiscal --

Capital Budget Overview Committee

June 14, 2012

MR. PILLSBURY: Yes.

REP. WEYLER: -- for 394,317 for maintenance and repairs to active State-owned rail lines from that same account?

MR. PILLSBURY: Yes, sir.

REP. WEYLER: Are we still worried about deficit?

MR. PILLSBURY: What that -- when the funds come and collected from the monthly fees and things, they go into the account. Then we have to come before Fiscal and G & C to transfer those from the -- to gain authorization to accept and expend and transfer them from the receiving account to the expenditure account. So once that happens, that would be what we would be using the balance that is not covered in this. So it -- that is -- that is the Special Railroad Fund I referred to.

REP. WEYLER: Further question.

CHAIRMAN CHANDLER: Further question.

REP. WEYLER: When was the last time the fees were increased to make certain that the amount in the Special Railroad Fund was sufficient?

MR. PILLSBURY: With me also is Kit Morgan who's the Administrator of the Rail and Transit. I think Kit would be better to answer that. If I could ask him to come forward?

CHAIRMAN CHANDLER: That's fine. Thank you.

CHRISTOPER "KIT" MORGAN, Administrator, Bureau of Rail and Transit, Department of Transportation: The fees are made up -- they're user fees on the railroads and there're also fees for crossing agreements and leases. The lease fees are based on the appraised value. So it depends on individual property. The crossing fees and the railroad

Capital Budget Overview Committee

June 14, 2012

fees haven't been increased in probably at least ten years. It's a matter of what -- what the market would bear in the case of crossings because those are abutters who would probably be reluctant to pay an increased fee.

REP. WEYLER: How about the piece that the railroads pay?

MR. MORGAN: The fees that the railroads pay are a percentage of their revenues. They pay, in the case of the tourist railroads, they pay 10% of their gross revenues to the State. And they also pay a minimum of 10% of their gross revenues in the form of maintenance on the lines, and in most cases more than that. The freight railroads pay 5% of their gross revenues in a user fee and 20% of their revenues in maintenance. That large majority of the revenue from the railroads comes from the two tourist railroads, the Conway Scenic and the Hobo in Winnepesaukee. I would say, in my opinion, that increasing the user fee percentage would make it more difficult for those railroads to remain viable.

REP. WEYLER: Well, if the track is more expensive to maintain, who do we expect to maintain it?

MR. MORGAN: Well, we have a partnership with the railroads. We use the revenues that come in; and when revenues fall short, we have to cutback on the maintenance.

REP. WEYLER: Thank you.

CHAIRMAN CHANDLER: Any other questions? I do have one. Up at the -- the North Stratford line now, it's not directly on this but as long as I got you here anyway, are those people, are they paying something for the storage of those?

MR. MORGAN: Yes, they do.

CHAIRMAN CHANDLER: Now they are paying something?

Capital Budget Overview Committee

June 14, 2012

MR. MORGAN: Yes. In their last contract we amended it to include the storage fee that they receive --

CHAIRMAN CHANDLER: Right.

MR. MORGAN: -- as revenue on which they pay a percentage.

CHAIRMAN CHANDLER: Thank you very much. Representative Belvin.

REP. BELVIN: Thank you, Mr. Chairman. Welcome. I have a hard time getting my hands around the level of activity and the negative economic impact on the State if these were not to be repaired. It's not a particularly crisp question but what economic harm is being done at the present time because these lines are not able to produce?

MR. MORGAN: Well, they were repaired. The storm took place right before Labor Day, and the two lines that were affected that you have the pictures from are the two tourist lines -- the two lines that the tourist railroads operate on. In the case of the Conway Scenic Railroad, their lease on the Mountain Division, up through Crawford Notch where those pictures were, provides the majority of our revenue to the user fee. It also is a major contributor to the tourist economy in the Mount Washington Valley and foliage season is, by far, their busiest time. So September and October are when they have most of their ridership, especially on the State-owned line through the Notch. And the same is true for the Hobo running down through Thornton and Woodstock and through Lakes Region. So the timing wasn't very good for the railroads to have to put the lines back together before foliage. But I would say without having repaired these lines in the very short order, it would have been -- had a significant impact, both on the railroad businesses and on the tourist businesses in those regions.

Capital Budget Overview Committee

June 14, 2012

CHAIRMAN CHANDLER: The Conway Scenic, they are well over 100,000 now they contribute to the fund; right?

MR. MORGAN: Yes. Around 100,000. And the Hobo in Winnepesaukee is roughly around 60.

CHAIRMAN CHANDLER: Any other questions? If not -- yes, Representative Smith.

REP. SMITH: Thank you, Mr. Chairman. Just to follow-up on Representative Belvin's question. Their contribution is around, between the two, is about 160,000. What is their total take? Do you have a handle on how much --

CHAIRMAN CHANDLER: Representative, it's 10%.

REP. SMITH: I'm sorry?

MR. MORGAN: Yeah, be about 1.6 million.

CHAIRMAN CHANDLER: I don't want to bore you with the story, but quite a few years ago we were having a little controversy with that and we asked them the question how much they took in. They said, well, we don't have to divulge that. So I had a Representative sitting on Ways and Means, well, just ask them how much they pay the State. That's 10%. So we quickly figured out what they were making. So anyway, okay. Is there any motion? Senator Boutin moves we approve the item, seconded by Representative Weyler. Any questions or discussions? If not, all those in favor say aye? Opposed no? The motion carries.

*** {MOTION ADOPTED}

6. Date of Next meeting and Adjournment:

CHAIRMAN CHANDLER: Anyone else to come before us today? No. Okay. Thank you very much.

Capital Budget Overview Committee

June 14, 2012

We have some -- if you're reviewing any of the informational items, you have any questions that you need answers to, just let me know and I will go to the right place to get them for you, and we will go from there. Otherwise, we will recess.

REP. WEYLER: I'm curious about what's happening on 93 around the Hooksett tolls. What's all that work going on? Just curious.

SEN. BOUTIN: That's for the toll -- open road tolling.

REP. WEYLER: That's the rapid tolling?

JEFFREY BRILLHART, Deputy Commissioner, Department of Transportation: That's the rapid road tolling. It would be like Hampton.

REP. WEYLER: Is there also a liquor store going in there?

CHAIRMAN CHANDLER: Not yet.

MR. BRILLHART: That's a little further away.

REP. WEYLER: It seems like that's a lot of work just to widen that out.

MR. BRILLHART: It is a lot of work. It's \$25 million or thereabouts. And it's the dividends you get paid back with the fact that the road's going to work so much more efficiently in the future. The backups we have experienced in Hampton, which were five miles and longer, at times, have completely disappeared. And the backups that happen in Hooksett during race weekends and other particularly busy weekends, that should all be smooth sailing in the future. Concord will become the new --

REP. WEYLER: So all of that work is open road tolling. Thank you.

Capital Budget Overview Committee

June 14, 2012

CHAIRMAN CHANDLER: I guess they're working at night, I understand.

MR. BRILLHART: They're working at night. In fact, they were working a little too late last night and traffic was a little rough this morning for awhile but smoothed out.

CHAIRMAN CHANDLER: We are recessed.

REP. BELVIN: Call of the Chair, Mr. Chairman?

CHAIRMAN CHANDLER: Yes.

(Meeting concluded at 12:09 p.m.)

Capital Budget Overview Committee

June 14, 2012

CERTIFICATION

I, Cecelia A. Trask, a Licensed Court Reporter-Shorthand, do hereby certify that the foregoing transcript is a true and accurate transcript from my shorthand notes taken on said date to the best of my ability, skill, knowledge and judgment.

Cecelia A. Trask

Cecelia A. Trask, LSR, RMR, CRR
State of New Hampshire
License No. 47



June 14, 2012