MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

January 21, 1999

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 21st day of January, 1999, beginning at 9:30 a.m., in the second floor conference room of the Authority's Woods Hole terminal, located at the foot of Railroad Avenue, Woods Hole, Massachusetts.

Present were all four of the Authority's Members: Chairman Paul R. Kelleher of Falmouth; Vice Chairman Grace S. Grossman of Nantucket; Secretary Ronald H. Rappaport of Dukes County; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were two members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Engineering and Maintenance Manager James P. Swindler; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Mr. Kelleher began the meeting by congratulating Messrs. Rappaport and Murphy on their re-appointments by the Dukes County Commissioners, observing that the Authority will continue to value their advice during what will undoubtedly be another year of difficult decisions.

<u>Minutes</u>:

At Mr. Kelleher's suggestion, the Members deferred consideration of the minutes of their December 17, 1998 meeting, as they had just received those minutes earlier in the week due to the length of that meeting.

Renewal of Pied Piper License:

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- to authorize the General Manager to execute a new license agreement with Cape & Islands Transport, Inc. (d/b/a Falmouth-Edgartown Ferry) to carry up to 75 passengers for hire on its ferry, the *Pied Piper*, only on its 6:45 PM trip from Edgartown to Falmouth on Sundays and holidays, and up to 60 passengers for hire on all other trips of the vessel during the 1999 summer season.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Revised Long-Term Capital Improvement Plan:

Mr. Tiberio reported that management had revised its proposed Capital Improvement Plan that had been presented to the Members at their December 17, 1998 meeting based upon certain priorities and available resources and in light of the Members' suggestions at that meeting, and that those revisions were set forth in Staff Summary #A-378, dated January 14, 1999. Mr. Tiberio then reviewed certain changes to the program for the years 1999 through 2004, as those changes were reflected on the attachment to the Staff Summary:

1. The revised program included $500,000 in the year 2000 to pay for the design of a vessel to replace the *Islander*, and an additional $17,500,000 in the year 2002 to pay for the construction of that replacement vessel, which would then be delivered around May 2003. However, Mr. Tiberio noted that this schedule was built upon an assumption that the Authority would receive a federal grant in the amount of $2,000,000 for the project under the Transportation Equity Act for the 21st Century ("TEA-21"). While Mr. Tiberio said that there was a high probability that the Authority would receive that grant, he also cautioned that the schedule would be delayed by one year if the Authority were not successful in obtaining those federal funds.

2. The revised program also included $100,000 in the year 1999, $250,000 in the year 2000, $350,00 in the year 2001, and $400,000 in the year 2002 to pay for the design, engineering and permit-related expenses for the Oak Bluffs Terminal Reconstruction Project. As a result, Mr. Tiberio said, by the year 2002, the Authority will have developed a very comprehensive plan for the project with hard engineering estimates of what the cost will be for each of the project's phases. Mr. Tiberio stated that it was necessary for the Authority to proceed to this point so that it would then be competitive for federal funds for the project.

3. The revised program further included $150,000 in the year 2001 and $250,000 in the year 2002 for preliminary design and engineering related to the Woods Hole Terminal Reconstruction Project. In this regard, Mr. Tiberio stated that the Authority did not know at that time what the reconstructed Woods Hole terminal should consist of and what functions it should serve. Therefore, Mr. Tiberio said, those monies would be spent for a total review and analysis of the facility and the development of a conceptual plan with community input.

4. Finally, the revised program included $6,000,000 in the year 2004 to pay for the refurbishment of the *Nantucket*, after the replacement vessel for the *Islander* is delivered and in service.

Mr. Tiberio also noted that the revised program envisioned deferring approximately $36,000,000 of other capital projects. Mr. Tiberio stated that none of those other projects was frivolous; rather, it was simply a question of priority.

In response to a question from Mr. O'Brien, Mr. Tiberio stated that the Authority would enter into only one contract for the design and engineering of the Oak Bluffs Terminal Project, but that certain milestones would be built into the contract based upon deliverables, as specified in the request for proposals for that contract. Mr. Tiberio said that those milestones would include such things as traffic studies, public meetings, the filing of the Environmental Notification Form, and preliminary design and budget estimates in the year 1999, the submission of the draft Environmental Impact Report and appropriate permit applications in the year 2000, the submission of the final Environmental Impact Report and design and engineering services in the year 2001, and the preparation of working drawings, specifications and final cost estimates in the year 2002.

Mr. O'Brien expressed his concern that the *Nantucket's* refurbishment was not scheduled until the year 2004, observing that the vessel already was in tough shape. In response, Mr. Tiberio acknowledged that the Authority would have to be disciplined in maintaining the vessel and not letting her continue to deteriorate over the next five years, while at the same time remembering that she will then be totally gutted. Similarly, Mr. Tiberio said, the Authority will have to continue to operate and maintain the *Islander* until both the *Nantucket* and the *Eagle* are refurbished and back in service.

With respect to the Oak Bluffs Reconstruction Project, Mr. Tiberio stated that the $1,000,000 in the budget for 1999 was simply for the engineering and construction costs to rebuild the existing pier, which would continue to be part of the Oak Bluffs terminal after its reconstruction. Mr. Tiberio said that the work, which would be accomplished after the 1999 summer season, was required to maintain the structure so that it would not fall down, and would not result in strengthening the structure so that it could be utilized in rougher weather or longer into the off-season.

Mr. Tiberio also stated that funds in the budget relating to the Martha's Vineyard Airport Off-Site Parking Facility in 1999 were only for the initial clearing, grading and preparation of the site so that the Authority can use the property for the staging of vehicles in the event of an emergency. By contrast, Mr. Tiberio said, both the development of an off-site parking facility and the construction of a Reservations Office building at that location would be deferred under the revised Capital Improvement Program.

Saying that he was uncomfortable about delaying those needed projects, as well as the Oak Bluffs Terminal Reconstruction Project, Mr. Rappaport expressed his hope that all of them could be accelerated by keeping expenses within budget forecasts and funding the projects with additional revenues the Authority might receive in the future that turn out to be higher than projected.

IT WAS VOTED -- on Mr. O'Brien's motion, seconded by Mrs. Grossman -- to approve the Revised Capital Improvement Plan, as set forth in Staff Summary #A-378, dated January 14, 1999, and to direct management to take the appropriate actions necessary to complete those projects, provided that each individual project will be subject to final budget authorization and approval.

VOTING AYE: **Mr. Kelleher, Mrs. Grossman and Mr. Rappaport**

VOTING NAY: **None**

New Bedford Freight Review:

Mr. Tiberio announced that the Authority had received the final report from Cambridge Systematics, Inc. regarding its New Bedford Freight Economic Impact Study, and that management had made it available to the Members earlier that day. Mr. Tiberio also stated that, at the same time, management had provided the Members with a synopsis of operating parameters and a range of options for managing projected freight traffic to the islands through the year 2005. Mr. Tiberio stated that he expected both documents, which he said were also being released to the general public later that day, would serve as a basis for discussion at a number of meetings on the subject that were scheduled to take place over the next month.

At Mr. Kelleher's suggestion, the Members deferred any consideration and discussion of the subject until their February 1999 meeting so that they would first have an opportunity to review in depth the documents that they had just received. Mr. Rappaport also asked Mr. Lamson to analyze the cost assumptions contained in the report, which Mr. Rappaport had questioned at the December 1998 meeting, to determine whether those assumptions were correct or needed to be supplemented. Mr. Tiberio stated that Mr. Lamson already had prepared such an analysis, and that both the Members and the public would receive it under separate cover.

Mr. Tornovish similarly noted that the Authority would have to take a hard look at the projected operating costs of any proposed service from New Bedford, and asked Mr. Tiberio whether the Members would have an opportunity to question Cambridge Systematics about their assumptions and have those projected costs described in more detail. Further, Mr. Tornovish noted that a number of shippers had expressed concern that they had not been accurately surveyed and that, as a result, inaccurate information might have become the basis for the report. In response, Mr. Tiberio stated that he was certain Cambridge Systematics would welcome the opportunity to attend a working session with the Members regarding the report.

Mrs. Grossman then recounted how, at the December 1998 meeting, Marc Cutler of Cambridge Systematics had said that no shippers had been personally interviewed for the study, even though the Members had selected that firm at a higher expense because it had proposed to conduct such personal interviews. Mr. Tiberio agreed that the issue was a legitimate one to the extent it may have affected the integrity of the data that Cambridge Systematics used to support its conclusions, and said that he would look into the matter.

Resolution Authorizing the Issuance
of $5,000,000 Bond Anticipation Notes:

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. Rappaport -- to adopt the Note Resolution, in the form attached to Staff Summary #A-377, dated January 13, 1999, authorizing the Treasurer to issue and sell up to $5,000,000 bond anticipation notes, on a competitive or negotiated basis, with the approval of the Chairman.

VOTING AYE: **Mr. Kelleher, Mrs. Grossman and Mr. Rappaport**

VOTING NAY: **None**

Treasurer's Report:

Mr. Lamson reported that, although the Authority had not yet closed its books for the 1998 calendar year, he expected the Authority's net operating income for the year to be somewhere between $1,500,000 and $2,000,000, depending upon certain year-end adjustments that still had to be finalized. Mr. Lamson also noted that this amount would be lower than the $2,279,000 net operating income that had been projected in the Authority's revised 1998 budget, due to higher than estimated expenses -- in particular, higher payroll expenses, workers compensation premiums (as a result of higher payrolls) and consulting fees. Mr. Lamson said that he soon hoped to have a full analysis of the Authority's final year-end budget variances, including a financial report on the first year of the Authority's high-speed passenger service to Nantucket, and that the independent auditors were scheduled to begin their work on Monday, February 1, 1999.

M/V Gay Head Conversion Contract:

Mr. Tiberio reported that Eastern Shipbuilding Group had submitted the lowest bid for the *Gay Head* Conversion Contract, Contract No. 19-98, in the amount of $2,497,171, and that management was recommending that the Members at that time formally affirm the award of the contract to the shipyard. Mr. Tiberio also reported that the total budget for the project was $3,993,000, which included not only the contract with the shipyard, but also $1,000,000 for owner-furnished equipment (such as the main engines and gears, fire pumps and marine sanitation devices), $175,000 for engineering fees, and $100,000 for project management and other associated costs. In response to a question from Mr. O'Brien, Mr. Tiberio said that a contingency in the amount of $250,000 was also included in the budget, although management was very comfortable that none of the contingency would have to be used.

Mr. Rappaport and Mrs. Grossman expressed their concern that Eastern Shipbuilding Group's bid was approximately fifty percent lower than the next low bid received by the Authority for the project. However, Mr. Tiberio stated that management had reviewed the bid and confirmed that it was a responsible one. In this regard, Mr. Tiberio said that at least one other shipyard had submitted an intentionally high bid because it already had work during the time that the contract would have to be performed, and he suggested that other shipyards possibly had done the same thing.

Finally, Mr. Tiberio advised the Members that the *Gay Head* had arrived at the shipyard the previous Tuesday, and that she would be completed and back in service around the end of May of the beginning of June.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- to confirm the award of Contract No. 19-98, for the *Gay Head* Repowering and Mid-Body Addition, to Eastern Shipbuilding Group, of Panama City, Florida, in the amount of $2,497,171, as described in Staff Summary #E-9001, dated January 14, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Head Start Reservations:

Mr. Tiberio reported that the Authority's Headstart Reservations Program was working well again that year, noting that the Reservations Department had processed even more reservation requests over the past two months than had been processed during the same time period the year before. Mr. Tiberio also stated that, out of the 12,000 Headstart reservations that had been made this year, approximately twenty percent of them, or 2,475 reservations, were transferable to other customers on or before April 15, 1999.

State Ethics Commission:

Mr. Tiberio reported that the State Ethics Commission had entered into a Disposition Agreement with Robert Muzik, a Martha's Vineyard limousine operator, pursuant to which Mr. Muzik had agreed to pay a fine of $500 for violating the Conflict of Interest Law in offering gratuities to Authority employees in the hope of receiving preferential boarding treatment for his vehicles on the Authority's ferries. Mr. Tiberio declared that the three employees involved in the matter -- Cheryl Perkins, Stephen Perkins and James Glista -- had acted with the highest degree of integrity in immediately turning over those gratuities and informing management so that appropriate action could be taken. Mr. Tiberio also noted that a newspaper article had implied that Mr. Muzik might have occasionally received preferential treatment, but there was no evidence that any misconduct had ever occurred. To the contrary, Mr. Tiberio said, it was worth noting that these three Authority employees had acted very properly in the uncomfortable circumstances in which they found themselves.

Old and New Business:

The Members welcomed Dukes County Commissioners Daniel Flynn, E.B. Collins and Robert Sawyer, and expressed their hope that the Commissioners would continue to attend the Authority's meetings in the future.

In response to a question from Mr. Rappaport, Mr. Tiberio stated that, despite some preliminary confusion which since had been worked through, the day-of-sailing reservations program was working well and the public appeared to be receptive to it. Mr. Tiberio said that a decision had been reached whereby reservations were being accepted for particular boats until an hour before their sailing times, after which any empty spaces were then being filled with vehicles from the standby line.

In response to another question from Mr. Rappaport, Mr. Tiberio said that, while the Authority's Reservations Offices are closed on Thanksgiving and Christmas, customers calling the regular Reservations telephone numbers on those days are referred to the terminals and their reservations are then made by terminal employees instead.

The Members then expressed some concerns that they had regarding the Authority's 1999 pocket schedules and, at Mr. Rappaport's suggestion, agreed to submit their comments to management so that they could be reviewed.

In response to a question from Mr. Rappaport, George Leontire, City Solicitor and Economic Development Director for the City of New Bedford, stated that he had made many telephone calls to the Authority beginning in January 1998 that had not been returned, that a meeting which had been scheduled with the Authority had been canceled by the Authority on the stated basis that it could not take place for political reasons, and that he had memoranda on this issue. However, Mr. Tiberio stated that he had never refused to meet with Mr. Leontire, although he may have taken the position that there was no reason for them to meet and, as a result, no meeting had ever taken place.

In response to a question from Dukes County Commissioner Robert Sawyer, Mr. Tiberio stated that $50,000 had been approved in the 1999 Capital Budget, which would paid out of the Replacement Fund, for improvements to the Mashpee Reservations Office.

At approximately 10:45 a.m., Mr. Kelleher entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

A TRUE RECORD

RONALD H. RAPPAPORT, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

February 18, 1999

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 18th day of February, 1999, beginning at 8:30 a.m., in the second floor conference room of the Authority's Woods Hole terminal, located at the foot of Railroad Avenue, Woods Hole, Massachusetts.

Present were all four of the Authority's Members: Chairman Paul R. Kelleher of Falmouth; Vice Chairman Grace S. Grossman of Nantucket; Secretary Ronald H. Rappaport of Dukes County; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were two members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Mr. Kelleher announced that a number of people who wanted to attend the meeting apparently had not yet arrived because of the difficulties they had encountered in making the earlier 8:30 a.m. start time. Therefore, Mr. Kelleher stated that, in an effort to accommodate those individuals, the Members would adjourn the public session after discussion of the minutes to go into executive session until 9:30 a.m., at which time they would reconvene in public.

Mr. Kelleher then asked how the other Members felt about starting the meeting at this earlier time, noting that they had agreed to do so that day only on a test basis. In response, Mr. Rappaport said that he had received several telephone calls the previous night from Martha's Vineyard residents who told him that the change in time was a great inconvenience, complaining that it prevented them from taking their children to school and taking the 8:30 a.m.

ferry to Woods Hole. Mrs. Grossman also observed that the change had made it more difficult for Nantucket residents to make the meeting, and suggested that the Members should allow more time for those island residents to travel.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to approve the minutes of the Members' meeting in public session on December 17, 1998 and the supplement to those minutes.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Rappaport -- to approve the minutes of the Members' meeting in public session on January 21, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

At approximately 8:34 a.m., Mr. Kelleher entertained a motion to go into executive session, and announced that the Members would reconvene in public at approximately 9:30 a.m. after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Later that same morning, at approximately 9:30 a.m., the Members reconvened their meeting in public session in the second floor conference room of the Authority's Woods Hole terminal.

Present were all four of the Authority's Members: Chairman Paul R. Kelleher of Falmouth; Vice Chairman Grace S. Grossman of Nantucket; Secretary Ronald H. Rappaport of Dukes County; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were all three members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

After further discussing the difficulties encountered by island residents in attempting to make the Authority's meetings by 8:30 a.m., the Members agreed that they would begin their next meeting, which was scheduled for Friday, March 26, 1999, at 9:30 a.m.

New Bedford Freight Review:

Recounting how he previously had presented to the Members five options for managing projected freight traffic to the islands through the year 2005, Mr. Tiberio stated that he since had reviewed those options with public officials and the freight industry at a number of public meetings. Mr. Tiberio observed that the five options fell into two general categories, one where the Authority would be responsible for carrying all freight to the islands, possibly including some freight from New Bedford, and the other where a private carrier might operate supplemental freight service from New Bedford under a license or another type of management agreement, while the Authority continued to carry freight from its existing mainland terminals.

Mr. Tiberio emphasized that the number of possible solutions to the islands' freight needs was not limited to the five listed options, or even a combination of those options, and he invited other suggestions on how the situation should be addressed. But Mr. Tiberio also made it clear that all of the options pertained only to the transportation of freight (vehicles over twenty feet long), as the Authority was not considering the possibility of carrying any automobiles or passengers from New Bedford in addition to freight.

Mr. Tiberio then reviewed in detail the five freight options, including the cost assumptions associated with each option, as set forth in Staff Summary #GM-399, dated February 10, 1999, as follows:

Option 1: Make no substantive changes to existing operations; allow all freight traffic increases to be processed through Woods Hole and Hyannis terminals.

Mr. Tiberio observed that it was conceivable that the Authority will have enough freight capacity in the year 2005 to meet both islands' freight demands without having to add another vessel to its fleet, although shippers may be required to sail at certain times of the day and the week when they historically have been unwilling or unable to sail. In addition, the Authority would have to retrofit the *Sankaty* with a fifty-foot midsection and use her as an eighth vessel instead of as a spare vessel, which was how she was then being used during the summer season. Accordingly, Mr. Tiberio said, the cost of this option was around $1,100,000 a year, which included $839,000 of additional expenses to operate the *Sankaty* and $265,000 of annual debt service to finance her retrofit.

Option 2: Direct all special commodity freight to a New Bedford terminal. A private operator for this service would be secured through a request for proposals and subsequent negotiations.

Option 3: Direct all special commodity freight plus any freight volume increases above the 1997 freight traffic levels for the period of May through September to a New Bedford terminal. A private operator for this service would be secured through a request for proposals and subsequent negotiations.

Mr. Tiberio stated that management had not prepared any cost estimates that might be associated with Options 2 and 3, as both of those options would involve having a private ferry operator handle a portion of the islands' freight needs.

Option 4: Direct all special commodity freight to a New Bedford terminal. The Authority will realign one existing vessel to this service and will operate the vessel.

Mr. Tiberio stated that, in order for the Authority to provide service from New Bedford for special commodity freight, it would have to retrofit the *Sankaty* and crew her 24 hours a day, seven days a week from May 1st through September 30th so that she could run two round trips between New Bedford and Martha's Vineyard and one round trip between New Bedford and Nantucket on a daily basis. The total additional vessel operating costs for this option would be around $1,084,000 a year, as compared to $839,000 under Option 1, although the $265,000 annual debt service required to finance the *Sankaty's* retrofit would remain the same.

Mr. Tiberio also stated that if the City of New Bedford were unable to build a freight terminal facility, the Authority would be required to do so at an estimated cost of $3.5 million, resulting in an additional $293,000 a year in debt service to finance that project, without taking into consideration any landing fees or lease costs. Similarly, if the Authority were required to operate the terminal itself, it would cost around $398,000 a year to staff the terminal 20 hours a day to manage the *Sankaty's* three departures and arrivals. Thus, Mr. Tiberio said, depending upon the success of the City of New Bedford's efforts to build and operate the freight terminal, the total annual cost of Option 4 could be around $2,040,000, which was $900,000 a year more than the cost of Option 1.

Option 5: Direct all special commodity freight plus any freight volume increase above the 1997 freight traffic levels for the period of May through September to a New Bedford terminal. The Authority will realign one existing vessel plus secure an additional vessel (this could be a used freight vessel) and will operate the vessels.

Mr. Tiberio stated that in order for the Authority to provide the more expanded level of freight service from New Bedford under Option 5, it would have to acquire and operate a new freight vessel in addition to incurring all of the expenses described in Option 4 so that the Authority could provide four daily round trips to Martha's Vineyard and two daily round trips to Nantucket. Mr. Tiberio estimated that the cost of the additional vessel would be around $8.5 million, which would result in an additional debt service obligation of $712,000 a year. Further, Mr. Tiberio said, the cost of operating the vessel would be around $1,384,000 a year, including $1,084,000 for fuel, supplies, and crews' wages and benefits, and $300,000 for the vessel's maintenance and insurance. In the end, Mr. Tiberio stated that the cost of Option 5 could be as high as $4,134,000 a year, or $3,030,000 more than Option 1, although it obviously would be less if the Authority were able to buy a used freight vessel or if the City of New Bedford ultimately builds and operates the freight terminal at its own expense.

After reviewing the five options, Mr. Tiberio said that his recommendation was not only to continue participating in the ongoing public meetings that were taking place, but also to determine what level of interest there might be among private ferry operators to provide freight service between New Bedford and the islands. Mr. Tiberio stated that, if there were a sufficient level of interest, it might then be worthwhile for the Authority to issue a request for proposals.

Mr. Rappaport agreed, declaring that Mr. Tiberio should investigate Option 3 and determine what the costs of that option would be. Mr. Rappaport also agreed that continued public input from the various communities was essential, and said that Mr. Tiberio should feel free to attend any meetings and seek any information that he felt might be important in assisting the Authority in making its decision. For example, Mr. Rappaport said, the Authority needed to know what costs would be associated with a New Bedford freight facility, such as what the amount of any lease payments or user fees would be, and whether the City of New Bedford was willing to provide the Authority with a long term lease. Mr. Rappaport also inquired about the status of the facility, asking whether all of the necessary permits had been obtained, and when construction was going to commence and be completed.

Mr. O'Brien said he thoroughly agreed with Mr. Rappaport's comments, declaring that the Authority should pursue the possibility of having a private carrier provide the service and that the Authority could not fairly evaluate that option without first having some answers in those areas. Mr. O'Brien further stated that a dialogue needed to be developed with the City of New Bedford to find out what will actually happen if and when the Authority or a private carrier were to operate out of a freight terminal facility there.

Mrs. Grossman cautioned that the Authority had to be certain that the cost of any such service was properly allocated between the two islands, as it would clearly cost more to provide service to Nantucket due to the longer trip. In this regard, Mr. Tiberio confirmed that, while a trip between New Bedford and Nantucket would vary from day to day and trip to trip depending upon weather conditions, it would generally take four hours, plus a half hour to unload and load the vessel.

In response to a question from Mr. Kelleher, Mr. Tiberio confirmed that management had engaged in some preliminary discussions with the Executive Office of Transportation and Construction ("EOTC") to see whether the State might be able to contribute to the start-up costs of the operation. Mr. Tiberio said that he expected to continue those discussions once the Authority decided upon which direction it should go and further developed its cost estimates.

Mr. Kelleher complimented Mr. Tiberio's outreach program in both the mainland and island communities, declaring not only that the Authority should be well aware of the public sentiment regarding this matter, but also that a member of the public could well propose another option that might work as well or better than the five options presented by management. Mr. Rappaport agreed, noting that a number of the island selectmen appeared receptive to the possibility of imposing constraints on the amount of freight transported to the island during the summer season, and that a dialogue on that subject needed to be continued. However, Mr. Rappaport emphasized that it would be up to the islands, and not the Authority, to establish any priorities among different types of freight that would be carried.

In response to a question from Mr. O'Brien, Mr. Tiberio confirmed that if freight traffic continues to grow as forecast, the Authority will need to acquire an additional freight vessel or enter into a license or other contract with a private ferry operator shortly after the year 2005 irrespective of whether it commences operations out of New Bedford. But Mr. Rappaport cautioned that, in fairness, no one could say what was going to happen beyond the year 2005, noting that even Cambridge Systematics, Inc. had recognized that growth rates can change abruptly and dramatically due to local, regional, national and international conditions. Accordingly, Mr. Rappaport said, it was beyond the Authority's capability to be an economic prognosticator beyond the year 2005.

Mr. Tiberio then confirmed that, from an operational standpoint, the Authority's terminal facilities themselves would not be a restriction on the amount of the projected increase in freight traffic. Instead, Mr. Tiberio said, the Authority's ability to operate more trips in a timely and efficient manner would be much more affected by the growth of marine traffic in the various harbors, and that it would be difficult to schedule an additional two or three trips a day to Nantucket. Mr. Tiberio also noted that this problem would arise regardless of whether the Authority provided the additional service itself or contracted it out, as the generally accepted assumption was that, in all likelihood, any private freight operator would have to use the Authority's terminal facilities as well.

Mrs. Grossman further stated that at some point the islands themselves will not be able to receive any more freight because their infrastructure will not be able to handle it. Mr. Rappaport agreed, and also observed that to a certain extent the Martha's Vineyard terminals were subject to the same physical constraints as the Woods Hole terminal, because the Authority's schedules always had to be developed with the recognition that the Oak Bluffs terminal might be closed due to bad weather and that all of the trips would then have to be operated out of Vineyard Haven. In addition, Mr. Rappaport said, the Authority had accepted an 18-hour limitation on its operating day in deference to both the Woods Hole and island communities. Therefore, Mr. Rappaport again emphasized that it appeared that the islands themselves, as opposed to the Authority, were going to have to address the issue of imposing constraints on freight.

Mr. Tiberio also stated that he assumed the Authority would not be increasing its capacity to carry automobiles beyond the levels that existed in 1995 and 1996 and that, accordingly, any excess freight capacity resulting from operating additional freight vessels would not be used for that purpose. Mr. Rappaport agreed, observing that both islands had articulated their planning goals to limit the number of automobiles to 1995 and 1996 levels, and that he considered those goals somewhat of a mandate until the Authority received a new directive to the contrary.

Noting that the Authority recently had changed the manner in which it carried mail between the mainland and the islands, Mr. Tornovish requested management to make certain that any reported growth in freight traffic after 1995 was not simply attributable to the reclassification of that mail as freight. Ultimately, Mr. Kelleher summarized the Members' position that the Authority should continue to test the opinions of the public in public meetings and continue to consider the different options presented by management, with an expectation that there will be a continuing discussion on this subject at the next meeting.

Treasurer's Report:

Mr. Lamson reported that the prior week the Authority had received four bids for the sale of $5,000,000 in bond anticipation notes, and that the low bid of 2.84% had been submitted by BankBoston, followed closely by a bid of 2.845% from State Street Bank. Mr. Lamson stated that the due date for the notes was May 18, 1999, at which time the Authority planned to refund them with the proceeds from a bond issue that would also possibly provide funding for the construction of a high-speed passenger ferry.

Mr. Lamson then reported that the Authority's net operating income for the year ending December 31, 1998 was $1,521,355, which was approximately $959,000 higher than the Authority's net operating income for 1997 but still around $758,000 lower than the Authority's revised 1998 budget estimate. Noting that the Authority's operating revenues for 1998 totaled $50,851,730, Mr. Lamson also observed that 1998 operating expenses increased $6,021,000 from 1997, although over one-third of that increase had been attributable to the Authority's new high-speed passenger service to Nantucket. Mr. Lamson further noted that the Authority's labor costs (including the costs of benefits) continued to account for almost 70% of total operating expenses.

Old and New Business:

Mr. Tiberio reported that, pending final details, the Authority had agreed to participate in the return of the *USS Massachusetts* on March 6, 1999 from drydock to Fall River. Mr. Tiberio said that the Authority would use the *Finest* to pick up a few hundred passengers in Fall River, take them out to the aircraft carrier, and then escort the ship home.

Mr. Tiberio also reported that the Authority's Reservations Department would begin accepting reservation requests by telephone on March 15, 1999, noting that it already had processed around 33,900 reservations submitted by mail or fax through February 12, 1999, which was equal to or more than the number of reservations that had been processed during the same time period the previous year. In response to a question from Mr. Kelleher, Mr. Tiberio confirmed that many more customers this year were making their reservations by fax, noting that the fax machines had been left on to receive requests 24 hours a day.

Mr. Tiberio further reported that both the *Gay Head* and the *Governor* conversion projects were proceeding well, and that the Authority had not encountered problems with either vessel.

Public Comment:

In response to questions from the press regarding Senator Mark C. Montigny's request that the Members direct management to meet with certain public officials regarding the New Bedford freight options, Mr. Rappaport noted that Mr. Tiberio already had been meeting with numerous public officials and would certainly honor the Senator's request. Mr. Kelleher further stated that the Authority clearly was not focusing on only carrying special commodity freight from New Bedford, pointing out that two of Mr. Tiberio's options would require all growth in freight traffic from 1997 levels to be carried from New Bedford.

Mr. Kelleher also declared that the Members were very well aware of the limitations faced by the Authority's port communities, and that their awareness was reflected in the Authority's agreement with the Town of Barnstable. Nevertheless, Mr. Kelleher noted that the Authority would put itself in an untenable position if it declared that it was only going to carry a limited amount of certain kinds of freight, such as lumber, fuel or bread, and all of the Members agreed that any decision to place a limit on the amount of freight carried by the Authority, on even a seasonal basis, would instead have to be made by the residents of the islands.

In response to a question from West Tisbury Planning Board member Virginia Jones, Mr. Tiberio explained that special commodity freight included all petroleum products such as gasoline and home heating fuel, and other highly flammable products such as paints and cleaning solvents, as they all must be carried on specially designated trips. Mr. Tiberio also repeated that the Authority was not considering the possibility of carrying automobiles or passengers from New Bedford in addition to freight, and Mr. Kelleher reminded the audience that a private carrier already was carrying passengers between New Bedford and Martha's Vineyard and that it has been doing so for almost thirty years.

George Leontire, City Solicitor and Economic Development Director for the City of New Bedford, then commented that it was interesting that all five proposals began with directing all special commodity freight, *i.e.*, hazardous materials, from New Bedford, declaring that it was degrading, demeaning and outrageous. Mr. Leontire complained that the Authority had never had a conversation with the City of New Bedford about what would be coming through that port, and that directing special commodity freight through New Bedford was totally unacceptable, irrational, irresponsible and demeaning to the city's citizens.

Mr. Leontire noted that Senator Montigny had asked the Members to direct the Authority's staff to sit down with planners from FXM Associates, KJS Associates, Inc. and Cambridge Systematics, Inc. to make a determination as to what the viable options were regarding this freight issue. Mr. Leontire also advised the Members that a $200,000 study funded by the Executive Office of Transportation and Construction was being completed within the next few weeks suggesting that the Authority would be able to run all of its freight operations without adding any new vessels. Accordingly, Mr. Leontire asked again, on behalf of Senator Montigny and New Bedford's mayor, city council and entire legislative delegation, whether the Members were willing to direct their staff to sit down in earnest with all the professional planning people who have been involved in this process since 1994 and to look at the real options that do not improperly impact the islands or take advantage of the City of New Bedford with respect to the islands' hazardous materials.

In response to Mr. Leontire's statements, Mr. Tiberio noted that he already had participated in ongoing discussions with Senator Montigny and his staff, and that he expected that someone would contact him for another meeting, as stated in the Senator's letter. Further, all of the Members, as well as Mr. Tiberio, emphasized that the Authority's management always had been, and would continue to be, free to look at any other options to address the freight issue, including ones that would not direct all special commodity freight through New Bedford. Indeed, the Members declared that they would like to keep the options as far ranging as possible, which was why they were allowing a lot of time for these public meetings even though they ultimately expected that their decision would come down to a choice among only a few alternatives.

Mr. Tiberio also stated that his options included directing all special commodity freight through New Bedford simply because special commodity freight was a manageable segment of the industry that originated primarily out of Providence, Rhode Island, keeping in mind that one of the original goals of the Authority's agreement with the Town of Barnstable was to open up a new mainland terminal for freight that did not originate on Cape Cod or Southeastern Massachusetts. Mr. Tiberio further stated that he did not understand how this option could be insulting to the people of New Bedford, as petroleum products are carried through every community in America for gas stations and home fuel burners.

Mr. Tiberio also agreed that there was a high probability that the implementation of any of his proposed options involving New Bedford would result in an increase in fares, especially if the fares for freight service from Hyannis and Woods Hole were equalized with the fares for freight service from New Bedford. Mr. Tiberio also noted that all of the Authority's constituent communities had expressed their concern over continued growth in the Authority's service levels and, if such growth did not take place, there would be even more pressure on the Authority to increase fares, either for freight, automobiles, passengers, or some combination thereof.

Mr. Rappaport agreed, observing that even Cambridge Systematics had estimated that there would be increases in freight tariffs ranging from 22% to 50%, depending upon various assumptions. Mr. Rappaport also declared that he wanted to make clear the Members' position that Mr. Tiberio was to attend as many meeting as he felt appropriate to fully explore this matter, including meetings with New Bedford's representatives and consultants, and that no restrictions had been, nor would be, placed upon Mr. Tiberio regarding who should attend those meetings and what options should be explored.

Observing that the implications of this decision were far reaching and would have an enormous impact not only on the islands, but on all of the communities served by the Authority, Mr. Rappaport further declared that the Authority, as well as he personally, would continue to look at this freight issue systematically in order to make a decision based upon the facts. Nevertheless, Mr. Rappaport cautioned that he would not be pushed into making a decision; rather, he would take action only when he felt he had enough information to make a reasoned decision.

At approximately 10:45 a.m., Mr. Kelleher entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

A TRUE RECORD

RONALD H. RAPPAPORT, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

March 26, 1999

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 26th day of March, 1999, beginning at 9:30 a.m., in the second floor conference room of the Authority's Woods Hole terminal, located at the foot of Railroad Avenue, Woods Hole, Massachusetts.

Present were all four Members: Chairman Paul R. Kelleher of Falmouth; Vice Chairman Grace S. Grossman of Nantucket; Secretary Ronald H. Rappaport of Dukes County; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were all three members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Minutes:

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mrs. Grossman -- to approve the minutes of the Members' meeting in public session on February 18, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Inter-Island License Agreement:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to renew the "Inter-Island" License Agreement of Hyannis Harbor Tours, Inc. for the 1999 summer season on the same terms and conditions as its previous inter-island license agreement, as recommended in Staff Summary #L-306, dated March 18, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Amendment to Licensing Policy:

Mr. Tiberio reported that management had prepared for the Members' consideration a proposed supplement to the Authority's licensing policy to establish procedures for the Authority to follow when processing requests for reconsideration, and briefly described those proposed procedures as set forth in Staff Summary #L-307, dated March 19, 1999. However, Mr. Rappaport raised a number of concerns that he had with the proposed procedures, and asked that the matter be deferred until management had the opportunity to address them.

Specifically, Mr. Rappaport observed that the proposed procedures did not contain any time period within which a person aggrieved by a grant or denial of a license must submit a request for reconsideration of that decision, and noted that requests for reconsideration are usually required to be made promptly after the original decisions are rendered. Mr. Rappaport also asked that a provision be inserted requiring all affected carriers to be notified whenever a request for reconsideration is submitted. Indeed, Mr. Rappaport said, he felt that the Members, and not management, should decide at a public meeting whether the Authority should conduct hearings on each particular request for reconsideration, which would also ensure that all affected persons would be aware of the process before the Members took any substantive action on the request at a later meeting.

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating loss for the first two months of 1999 was approximately $68,000 below the Authority's budget estimate. However, Mr. Lamson advised the Members that, due to some rather large engine overhaul expenses that were expected to be incurred in March and April, he anticipated that the Authority's net operating loss over the next few months would be somewhat higher than the Authority's budget projections, resulting in a cumulative net operating loss for the first four months of 1999 of almost $7,000,000. Mr. Lamson stated that the management's projection was then for the Authority to finish the year with a net operating income of around $2,300,000, assuming that revenues and expenses continued as projected for the remainder of the year. In this regard, Mr. Lamson noted that operating revenues for the first two months of 1999 actually had been lower than the estimates contained in the Authority's 1999 Operating Budget by nine-tenths of one percent.

Public Comment:

E.B. Collins, a former Authority Member from Dukes County, told the Members how island residents appreciated the very deliberate approach that both the Members and the Authority's management staff had taken to the problem of growth and traffic. Noting that the Authority had been under very intense pressure, Mr. Collins observed that the Members had resisted that pressure with a determination to get all of the relevant factual information before making a decision. Mr. Collins also declared that island residents were confident that the Members would make good decisions once all of the relevant factual information was obtained, and he thanked the Members for their dedication.

At approximately 9:49 a.m., Mr. Kelleher entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mr. O'Brien -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

A TRUE RECORD

RONALD H. RAPPAPORT, Secretary