

**QUONSET DEVELOPMENT CORPORATION  
MEETING OF THE AUDIT-FINANCE COMMITTEE**

**SEPTEMBER 17, 2012**

**PUBLIC SESSION MINUTES**

A meeting of the Audit- Finance Committee of the Quonset Development Corporation (the "Corporation") was held at 4:00 p.m. on Monday, September 17, 2012, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit-Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Robert H. Breslin, Jr., Barbara Jackson, and John G. Simpson. Also present were: Steven J. King, P.E, Managing Director; Kevin M. Barry, Finance Director; Lindsey Albernaz, Braver Accountants and Debbie Mitchell, Braver Accountants.

**1. CALL TO ORDER:**

The meeting was called to order at 4:00 p.m. by Ms. Jackson.

**2. APPROVAL OF MINUTES:**

Upon motion duly made by Mr. Breslin and seconded by Mr. Simpson, the Committee:

**VOTED:** To approve the public session minutes of September 19, 2011 as presented.

Voting in favor were: Mr. Breslin, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

**3. REVIEW OF FY2014 OPERATING BUDGET:**

Mr. Barry began by noting the FY2014 opening revenues balance was four hundred thousand dollars (\$400,000) which is the minimal amount of cash the Corporation can use to operate while still limiting cash exposure. Mr. Barry compared the 'total revenues' columns in FY2014 and FY2013 and commented

that the amounts were virtually flat. Mr. Barry reviewed revenue items with the Committee:

- Rental income decreased slightly; building 7 tenants removed from rent roll and some tenants in West Davisville moved out of the warehouses. A conservative approach as new tenants may rent space to fill the gap
- Port income increased due to increased activity and the new rate structure under the Tariff
- Water and Waste Water sales have increased; over the last twelve months revenue has increased but some of that increase can be attributed to the long summer and increased watering, etc.
- Airport Fund – funds the Corporation receives for managing the RIAC property; this category remains flat
- Town of North Kingstown Municipal Services or CAM funds to maintain Town property in the Park.

Mr. Barry continued by reviewing the Corporation's projected expenses for FY2014 and noted that total operating expenses have decreased:

- 43 of 44 FTE positions are currently filled
- Personnel costs increased 2.7%; increase includes the 10% increase for medical expenses (employee contribution increased as well)
- Capital Infrastructure Funding was broken out and a new separate category titled 'Debt Service/Acquisition' was created
- Debt Service/Acquisition funding represents mainly the Port of Davisville dredging project funds.

Mr. Barry briefly noted some changes in the operating expenses:

- Office supplies increased significantly due largely to the new mailing machine, copy machine contracts, and paper/toner costs
- Liability and property insurance costs increased due to the addition of the new mobile harbor crane
- D & O insurance increased since the Corporation is no longer covered under the RIEDC policy and began a new policy with no history
- Training and Education decreased as the Corporation has no employees in college level courses.

Finally, Mr. Barry reviewed the Corporation's Capital Expenditure Plan, noting, the five projects under Capital Maintenance Projects came in just under five hundred thousand dollars (\$500,000). Planned Capital Projects include \$1.07 million dollars for Zarbo Avenue Bulkhead repairs. Repairs are dependent upon receiving an EDA grant; the grant is contingent upon the Corporation's ability to produce a 25% match to the funds up front. The remaining funds will be for Site Readiness of parcel 30 and the demolition of building 7. Mr. King verified for Ms. Jackson that should the Corporation not receive the EDA Grant, those funds under the match would then be applied toward another project needing funding. Ms. Jackson suggested some wording in the financials to indicate such plans. Mr. Barry continued by stating the Planned Cash Expenditures included the

dredging debt service, the mortgage in West Davisville, the building lease of the former OSTI building, and the final expenditure is the worst case exposure on the new office space.

Ms. Jackson pointed out and questioned the rationale behind the Corporation beginning the FY2014 with a cash balance of four hundred thousand dollars (\$400,000) but ending the year with a fifteen thousand dollar balance. Mr. King explained that circumstances dictate a tight budget and noted several costs in the budget were not reoccurring. Mr. King also pointed out that the Corporation has no line of credit so watching the cash balance is extremely important. Mr. Barry added that he has a cash flow spreadsheet broken out by week until June 30, 2013 that has special notifications if any week goes below a balance of two hundred thousand dollars (\$200,000).

In closing, Mr. Barry reviewed the revenue and expense charts noting that:

- 68% of revenue comes from rentals
- 20% of revenue comes from utilities
- 9% of revenue comes from port
- 2.5% of revenue comes from other
- 44% of expenses are related to operating costs
- 56% of expenses are personnel costs.

The Committee discussed getting the budget earlier for a more detailed review. Mr. Barry explained that he could possibly have the meeting a week or two earlier but any earlier and the numbers are unrealistic because they are based on the previous year actuals which are not available until the audit is completed.

Upon motion duly made by Mr. Simpson and seconded by Mr. Breslin, the Committee:

**VOTED:** To recommend to the Board of Directors for approval the FY2014 operating budget as presented.

Voting in favor were: Ms. Jackson, Mr. Simpson, and Mr. Breslin.

Voting Against were: None.

Unanimously Approved

4. **ACCEPTANCE OF THE FY2012 AUDITED FINANCIALS:**

Mr. Barry went over the Corporation's financial highlights, noting that the Corporation's actual revenues increased in 2012 by nine hundred and fifty two thousand dollars (\$952,000) compared to 2011 or approximately 10.5%, while expenses only increased one hundred and thirty thousand dollars (\$130,000) or 2.3% in that same period.

Mr. Barry noted:

- ‘Capital Contributions’ significantly increased in 2012 as a result of the TIGER Grant funds and to a lesser extent from EDA grants. The TIGER grant brought in sixteen million dollars. The Corporation’s 2004 bond fund balance also falls in this category and has one million five hundred dollars left to draw down and is fully committed.
- The Corporation’s depreciation expense is expected to increase considerably over the next few years. This category is non-cash but will negatively affect the Corporation’s operating income in the future; however operating income is shown before depreciation in the Corporation’s financials.
- The Corporation’s total operating expenses remained relatively flat over 2011 and 2012.

Mr. Simpson suggested that page 7 be referenced under Capital Contributions on The Summary of Operations and Change in Net Assets on page 4.

Debbie Mitchell from Braver Accountants advised the Committee that the financials look good but there are some minor comments. Ms. Mitchell advised that ‘Bond proceeds’ on page 8 is a net number and should be broken out to show Debit Service repayment. Mr. Breslin and Mr. Simpson questioned why changes were being suggested now when the Committee is being asked to recommend the financials to the Board. Mr. Barry and Ms. Mitchell explained it is due mostly to timing and the levels of review. Ms. Jackson advised that this change does not affect the bottom line and suggested not making the change and recommending the financials as presented. Ms. Mitchell said the financials are subject to the Auditor General’s approval and dependent on their recommendations.

The Auditors noted:

- TIGER Grant is considered a ‘Major Program’ and therefore will be audited separately under RIEDC.
- ‘Grants Receivables’ is larger than normal due to the payout processes.
- Capital Assets increased due to construction from the TIGER Grant
- Long Term obligations increased close to one million one hundred thousand dollars.

Upon motion duly made by Mr. Breslin and seconded by Mr. Simpson, the Committee:

**VOTED:** To approve FY2010 Audited Financial Statements as modified, subject to the approval of the Auditor General.

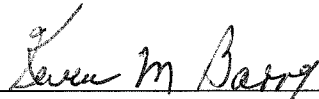
Voting in favor were: Ms. Jackson, Mr. Simpson, and Mr. Breslin.

Voting Against were: None.

Unanimously Approved.

There being no further business to come before the Committee, upon motion duly made by Mr. Simpson and seconded by Mr. Breslin, the meeting was adjourned at 4:48 p.m.

Respectfully submitted:

By:   
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Kevin M. Barry  
Finance Director 