

**DRAFT**

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

**OCTOBER 15, 2018**

**PUBLIC SESSION MINUTES**

A meeting of the Audit-Finance Committee of the Quonset Development Corporation (the "Corporation") was held at 3:00 p.m. on Monday, October 15, 2018 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: Guy Asadorian, Jr., Susan Leach DeBlasio and John Justo. Absent were: Scot A. Jones. Also present were: Steven J. King, P.E., Managing Director; Kevin M. Barry, Finance Director; and Norine Lux, Staff Accountant.

**1. CALL TO ORDER:**

The meeting was called to order at 3:00 p.m. by Mr. Asadorian.

**2. APPROVAL OF MINUTES:**

A. Upon motion duly made by Ms. DeBlasio and seconded by Mr. Justo, the Committee:

**VOTED:** To approve the public session minutes of October 16, 2017 and September 17, 2018 as presented.

Voting in favor were: Mr. Asadorian, Ms. DeBlasio and Mr. Justo.

Voting Against were: None.

Unanimously Approved.

**3. REVIEW FOR RECOMMENDATION TO THE ADOPTION OF THE  
FY2020 OPERATING BUDGET:**

Mr. Kevin M. Barry began by reviewing the FY20 Budget Worksheet (Exhibit A) with the Committee; noting that "Revenue" is up 5.3% from FY18 actual numbers and 11.8% from FY19 numbers. Mr. Barry stated the increase can be attributed

mainly to the increase in rental income from new building leases; the new buildings include Dillabur Avenue, the new Gateway office building, and the new flex building. However, the Corporation does tend to be conservative with rents and only income from existing leases were included in “Rental Income”. The Corporation does expect additional rental income from the 4<sup>th</sup> Gateway office building and the 2<sup>nd</sup> flex building in FY20, however, those buildings are still under construction and their rents were not included in the proposed FY20 budget. Mr. Barry continued reviewing the revenues, noting the Town of NK Municipal Services (“MSA”) budget is expected to increase significantly, if the MSA amendment is approved by the full Board at the next meeting, as NK Fire Department rental agreement for 545 Callahan Road will move from “Rental Income” to a license agreement under the new MSA agreement (“Town NK Municipal Services”).

Mr. Barry next reviewed the FY20 “Expenses” on the FY20 Budget Worksheet and noted the Corporation employee count will increase from the current 44 FTE to 46 FTE and the Corporation has budgeted a 3% salary increase for employees in FY20. Mr. Barry also pointed out that fringe benefits, including medical costs, has been budgeted to increase 7% but forecasting medical costs can be very difficult. Overall, “Personnel Expenses” are up 7.5% over FY19.

The Committee reviewed the FY20 “Operating Expenses” (Exhibit B) and discussed changes in costs, specifically noting the decrease in “Legal Fees” which were unusually high in FY18; the increase in “Commissions” which can be attributed to Park growth; the increase in electricity cost which is primarily due to the roof replacements in West Davisville as part of the Solar Power Purchase Agreement. Mr. Barry also pointed out a new expense called “Lease Expense” which was created for the lease agreement for the flex buildings. Unlike the Gateway office buildings, the Flex Buildings will not be acquired by the Corporation but are owned by the developer and master leased by the Corporation. The Committee also discussed the increase in “Interest Expense” which was attributed to the debt service on the Dillabur Avenue building and the Gateway office buildings. Finally, Mr. Barry noted that the “Other Operating Expense” consists mainly of the Airport Property expense which is directly offset by the Airport Allocation under “Revenues”.

Mr. Barry noted that FY18 Actual Revenue on the FY20 Budget Worksheet does not include the \$13 million in Rental Income from the termination fee of the Building G-2 lease agreement because it was a one-time event and would offset the numbers. Finally, Mr. Barry stated although overall expenses were up 21%, but the majority of the increase was from the new “Lease Expense” and that the remaining expenses were only up 5% over last year.

The Committee reviewed the “Operating Capital Budget” (Exhibit C) for the FY20 totaling \$2,919,833 and the available funding including cash funding, the Water Infrastructure Fund, the Waste Water Infrastructure Fund and operating funds.

Mr. Asadorian asked about the discrepancy between the “Operating Capital Budget” total of \$2.9 million on the worksheet versus the \$2.5 million noted for “Capital Infrastructure Funding” on the FY20 Budget Worksheet. Mr. Barry stated that the Water and Waste Water Infrastructure Fee and the cash funding are not included in the total for Capital Infrastructure Funding on the Budget Worksheet but instead fall under other categories on the Worksheet.

The Committee discussed the Corporation’s current revenues and expenses as compared to budget and Mr. Barry confirmed the Corporation is well ahead of budget.

Mr. Justo asked how much revenue was a result of the \$1.2 million increase in debt service. Mr. Barry stated that about \$1.4 million includes \$900,000 in rents from the Dillabur Avenue building and approximately \$300,000 from the new office buildings.

Ms. DeBlasio suggested that going forward, a page of notes and/or assumptions should be provided with the budget worksheet to add clarity to the numbers.

The Committee agreed to recommend for approval, by the full Board, the FY20 Operating Budget.

There being no further business to come before the Committee the meeting was adjourned at 3:33 p.m.

Voting in favor were: Guy Asadorian, Jr., Susan Leach DeBlasio and John Justo.

Voting Against were: None.

Unanimously Approved.

Respectfully submitted:

By: \_\_\_\_\_  
Kevin M. Barry,  
Finance Director