

**QUONSET DEVELOPMENT CORPORATION  
MEETING OF BOARD OF DIRECTORS**

**SEPTEMBER 17, 2007**

**PUBLIC SESSION MINUTES**

A meeting of the Board of Directors of the Quonset Development Corporation (the "Corporation") was held at time 5:00 p.m. on Monday, September 17, 2007, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Board of Directors 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: Steven Campo, Robert Crowley, Kas R. DeCarvalho, David A. Doern, Thomas Hazlehurst, Barbara Jackson, Saul Kaplan, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson. Also present were: Steven J. King, P.E., Chief Operating Officer; E. Jerome Batty, Secretary; Kevin M. Barry, Controller; members of the Corporation's staff and members of the public.

**1. CALL TO ORDER:**

The meeting was called to order at 5:03 p.m. by Chairman Kaplan.

**2. APPROVAL OF MINUTES:**

Mr. Crowley questioned whether the Public and Executive minutes could be voted on separately. Mr. Batty stated that was appropriate in this case.

Mr. Doern asked if the vote last month to grant Steve King the authorization to exercise the powers granted to the Managing Director was temporary. Mr. Kaplan stated that the vote granted him authority and was not temporary.

Upon motion duly made by John G. Simpson and seconded by John A. Patterson, the Committee:

**VOTED:** To approve the Public Session minutes of the August 20, 2007 meeting, as presented.

Voting in favor were: Steven Campo, Robert Crowley, David A. Doern, Kas. R. DeCarvalho, Thomas Hazlehurst, Barbara Jackson, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

Mr. Doern expressed concern that considerable discussion was left out of the Executive minutes. Mr. Doern requested that the minutes be resubmitted to the Board transcribed verbatim.

Mr. Kaplan asked if the Board was requesting that the vote on the Executive Minutes be tabled until a later date.

Mr. Crowley confirmed.

Upon motion duly made by David A. Doern and seconded by Kas DeCarvalho, the Committee:

**VOTED:** To table the Executive minutes of the August 20, 2007 meeting, as presented in favor of a complete transcription of the Executive session.

Voting in favor were: Steven Campo, Robert Crowley, David A. Doern, Kas R. DeCarvalho, Thomas Hazlehurst, Barbara Jackson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting Against were: John A. Patterson

Motion Approved.

Chairman Kaplan announced that the agenda was light but that this was a very important week for the Corporation. The State Planning Council will be meeting on September 20<sup>th</sup> to vote on the revised Gateway proposal. Mr. Kaplan commended Steve King and his team on their work on packaging and submitting a better proposal and working diligently to initiate dialogue with State Planning staff.

### **3. STAFF REPORTS:**

Mr. King thanked Mr. Kaplan for his kind words. Mr. King noted the Gateway renderings are on display in the hallway outside the conference room. Mr. King stated that these pictures were on display when some of the members of the State Planning Council who came to Quonset for guided tours last week.

Mr. King drew the Board's attention to the staff report located at tab 2 of the Board Packet. Mr. King noted that staff had received a draft conformance report from State Planning Council and that the Gateway project was found to be in "substantial conformance with the State Guide Plan".

Mr. King informed the Board that the Statewide Planning meeting will be held at 9:00 a.m. on Thursday, September 20<sup>th</sup>. The Council will be voting on the Gateway plans at that meeting and Mr. King will notify the Board members via email of the outcome promptly following the meeting.

Mr. King informed the Board that the IGY Memorandum of Understanding (“MOU”) had been executed effective September 6, 2007. The due diligence period is 180 days and IGY has an option to extend for another 60 days. The MOU allows the developer time to research the property to determine if they are interested in pursuing the property any further. Mr. King explained that pursuant to the MOU, IGY submitted a \$250,000 refundable deposit and in return, QDC and RIAC agreed not to market, sell, or lease the properties in the interim.

Mr. King noted that there were two closings last week:

- Ocean State Testing closed on September 10, 2007
- M & D Trucking closed on September 12, 2007

Mr. King also reported on pending transactions:

- Contractor’s Supply sale to close on October 2, 2007
- Riggs & Gallagher sale to close on October 8, 2007
- Land swaps with Full Power Radio and Spinnaker Construction still pending final agreements
- Annex Plating, Gills Services, and Pro Paint Plus are pending completion/execution of Purchase and Sales agreements

Mr. Crowley requested that lease transactions be included with sales transactions going forward.

Mr. King agreed.

Mr. King indicated that the first draft of the Master Plan had been received and the Strategic Planning Committee will be meeting next month to review the draft Master Plan.

Mr. King referred the Board to the construction section on the Staff Report and noted that the above ground storage tank cleaning at the steam plant was complete and the tanks are now in compliance with DEM.

Mr. King stated that the construction of the public access parking lots for the beaches within the Park is underway. The Zone B rail improvements are also ongoing.

Mr. Patterson asked about the condition of the rail from Post Road to Electric Boat.

Mr. King stated that the improvements for the railway were divided into three (3) zones; A, B, and C. Improvements in Zone A were completed this summer in West Davisville and Zone B improvements are currently underway in Davisville and Zone C was in the best condition but is a lower priority and therefore is scheduled for improvements next summer.

Mr. King advised the Board that the signage project was under way. This is a signage program for the freeways extending from Route 95 to Route 138 and Route 1.

Mr. King announced that D'Ambra construction had been awarded the Cross Park Phase I contract. Mr. King stated that another contract is out for bid relating to the south bulkhead replacement. The first phase is to secure the materials (steel sheeting); the bids are due by October 18, 2007. The second phase will involve the construction of the bulkhead.

Mr. King commented that the shared use path design was complete. However, one issue had surfaced involving the Narragansett Indian tribe, who asked that an archaeological survey be conducted along the bike path. Mr. King stated that The Public Archaeology Laboratory (PAL) was the sub contractor for Pare Corporation.

Mr. King noted the Operations component of the staff report indicated that DEM, (as part of the MS4 Storm Water Program), has required QDC clean and mark all the storm drains in the Park. As part of the project, there are now "no dumping" signs along the curbstones within the Park to deter dumping into storm drains that lead to the bay.

Mr. King stated that the new QDC building along Cripe Street is approximately 75% complete and should be completed by the end of November.

Mr. King concluded by noting that he received some correspondence from Director Patterson from Tetra Tek Incorporated to the North Kingstown Town Planner that related to NOAA. Mr. King stated that QDC has been in communication with NOAA for about two (2) years to site and berth the Okeanos Explorer at the Port of Davisville. This correspondence to the town, advises and requests comments related to the NEPA (National Environmental Policy Act) process requiring an environmental assessment for the Okeanos to be sited at the Park along the waterfront. Mr. King added that the Corporation is fully aware of this ongoing project.

#### **4. APPROVAL REQUESTS:**

##### **A. Approval of FY2009 Operating Budget**

Mr. Crowley stated that the Audit Finance Committee was recommending that approval of the FY2009 Operating Budget be tabled at this time. Mr. Crowley pointed out that according to the FY2008 Budget variance (Tab 4, Page 2 of the Board Packet) there was only going to be a small operating deficit of \$14,113.00. However, according to the approved State Budget, a payment from QDC of approximately \$3.5 million is due to the State Controller by June 30, 2008. Mr. Crowley added that the Corporation has made no provision for this payment in the budget. An investigation must determine how the number was calculated and whether the Corporation does indeed owe the funds. Mr. Crowley stated that since QDC does not have any debt, this should not be considered debt service but there has been reference to the payment as debt service for two outstanding General Obligation Bonds.

Mr. Crowley noted that due to the unresolved question, the Audit Finance Committee was not prepared to recommend approval of the FY2009 budget at this time.

Ms. Jackson stated the Audit Finance Committee voted the following recommendation, "A motion to table the FY2009 Budget until the FY2008 cash transfer of \$3.486 million to the State has been resolved".

Mr. Crowley added that according to the legislation that created QDC, the first obligation of the Corporation is to pay its debt service. Mr. Crowley stated that QDC is self funded so that any excess funds are used for capital improvement projects, such as the new QDC building, and future infrastructure costs.

Ms. Jackson noted that QDC has always operated on a short fall of about \$20 million for capital projects. Therefore, any appearance of surplus funds is not in fact surplus but has been committed by the Board for future projects. Ms. Jackson emphasized that it was important that the issue surrounding the \$3.5 million be resolved for FY2008 before approving the FY2009 budget.

Mr. Sams asked whether the Corporation will meet the submission timeline for the State if the Board delays voting on the FY2009 budget.

Mr. Kaplan answered that given the issues with the FY2008 budget, it should be understood that QDC may not meet the submission timeline. Mr. Kaplan added that there are already discussions in place with the Budget Office to address the \$3.5 million payment and alternatives are being considered.

Mr. Crowley stated that the budget submission deadline is September 27, 2007.

Mr. Kaplan added that in years past, budgets have been submitted as late as January.

Mr. DeCarvalho suggested that the Corporation send a letter to the Budget Office explaining the delay.

Mr. Patterson asked for an explanation of the term “bad debt”. Mr. Barry answered that a “bad debt” expense is the portion of receivables that can no longer be collected. This happens when a company goes bankrupt and the Corporation has anticipated a certain amount of revenue from that company which can not be collected, the debt is then written off as an expense.

Upon motion duly made by Mr. Rebecchi and seconded by Mr. Crowley, the Board:

**VOTED:** To table the approval of the FY2009 Budget pending resolution of FY2008 deficit.

Voting in favor were: Steven Campo, Robert Crowley, David A. Doern, Kas R. DeCarvalho, Thomas Hazlehurst, Barbara Jackson, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting Against were: none

Unanimously approved.

**B. Acceptance of the FY2007 Audited Financial Statements**

Mr. Crowley stated that the Audit Finance committee met with Mr. Prescott and Ms. Mitchell today from the firm of Braver PC regarding the audited financial statements for FY2007. Mr. Crowley stated that the Committee was recommending approval of the audited statements but amended with a proposed ‘Note Number 9’ next to ‘unrestricted’. Mr. Crowley added that the Committee was also recommending that the management letter drafted by the Corporation respond to the specific item relating to separation of duties. Mr. Crowley stated that Ms. Jackson will explain the need for ‘Note 9’.

Ms. Jackson referred back to the previous discussion regarding the \$3.5 million payment to the State. Ms. Jackson indicated that one of the reasons it might appear that QDC has excess funds to make the payment is that on the net asset page (page 5) of the FY2007 Financial Statements, there is \$90 million and change invested in capital assets and there is \$6 million in the column called unrestricted. Ms. Jackson noted that in this case, the term “unrestricted” is an accounting term meaning that the funds are not restricted by law or other calls on it by other pending contracts; unrestricted funds does not mean that the funds are available. Ms. Jackson added that ‘Note Number 9’ (there are eight (8) previous notes in the statements) will indicate that these funds are unrestricted in the technical sense of the word but the funds are not available and are committed by vote of the Board for capital projects and are currently insufficient to meet those

projects. Ms. Jackson told the Board that Braver PC was consulted to insure that this type of a note was legal and proper under FASB standards and the Committee was assured it was appropriate.

Mr. Crowley requested that Mr. Barry email to the Board members the long sheet from the multi-year capital expenditure account that was used in the meeting with the accountants. Mr. Crowley concluded that the overall Audit was good, timely and reasonable.

Upon motion duly made by Sav Rebecchi and seconded by David A. Doern, the Committee:

**VOTED:** To accept the Audit subject to adding Note 9 and that the Corporation provide a response to the Management Letter.

Voting in favor were: Steven Campo, Robert Crowley, David A. Doern, Kas R. DeCarvalho, Thomas Hazlehurst, Barbara Jackson, John A. Patterson, Sav Rebecchi, M. Paul Sams, and John G. Simpson.

Voting Against were: none

Unanimously approved.

There being no further business to come before the Committee, upon motion duly made by Mr. DeCarvalho and seconded by Mr. Rebecchi, the meeting was adjourned at 5:45 p.m.

Respectfully submitted:

By:   
E. Jerome Batty, Secretary