

MINUTES OF MEETING

RHODE ISLAND AIRPORT CORPORATION

FINANCE AND AUDIT COMMITTEE

TUESDAY, JUNE 14, 2011

AT 2:00 P.M.

IN THE MARY BRENNAN BOARD ROOM,

T. F. GREEN AIRPORT, 2000 POST ROAD

WARWICK, RHODE ISLAND

The meeting of the Rhode Island Airport Corporation (“Corporation”) Finance and Audit Committee was called to order by Chair of the Board, Kathleen C. Hittner, M.D. at 2:00 p.m., in the Mary Brennan Board Room at T. F. Green Airport, 2000 Post Road, Warwick, Rhode Island, in accordance with the notice duly posted pursuant to the Open Meetings Law.

COMMITTEE MEMBERS PRESENT: Kathleen C. Hittner, M.D., Joseph M. Cianciolo; Deborah M. Thomas.

BOARD MEMBERS PRESENT: Robert D. Sangster; Michael F. Ryan; Bradford S. Dimeo (arrived at 2:08 p.m.)

ALSO PRESENT: Kevin A. Dillon, A.A.E., President and CEO; and those individuals listed on the attendance sheet attached hereto.

1. Approval of the Minutes:

A motion was made by Mr. Cianciolo and seconded by Ms. Thomas to approve the Minutes of the Finance and Audit Committee Meeting of February 18, 2011. The motion was passed unanimously.

2. Discussion Item:

(a) Discussion Related to Capital Construction Financing.

Mr. Dillon gave an overview of RIAC's Capital Improvement Program explaining how projects are prioritized, and how funding sources are applied. Mr. Dillon specifically discussed the upcoming priorities which are the Deicer Management System and two projects related to the EIS; the Runway 16-34 safety areas and the Runway 5-23 extension. Mr. Dillon reported that a financial analysis had been performed on the three priority projects included in the CIP which compared the potential impact to Airline Rates and Charges and parking revenues based on various federal funding levels. Mr. Dillon explained the various assumptions that were used in the analysis and also gave an overview of current costs and financing estimates, along with estimated debt service related to the projects. There was also detailed discussion of potential sources of funding for additional debt service, and Mr. Dillon provided an overview of the various scenarios which showed potential impacts to the Airline CPE and parking rates. Committee Members discussed the assumptions used in the financial analysis and specifically the enplanement and parking data. There

was also discussion on the project financing and project construction timelines.

(b) Discussion of Year to Date Financial Statements for the Quarter Ended March 31, 2011.

Mr. Schattle gave an overview of financial statements for the quarter ended March 31, 2011. The overview focused on revenues and expenses, with a specific focus on variances versus budget in the various line items. Discussion focused on enplanements and the impact to parking revenues. Mr. Schattle noted that the Corporation is still focusing on aggressively managing its cost structure.

3. Action Item:

(a) Consideration of and Action Upon Approval of the Fiscal Year 2012 Budget.

Mr. Schattle gave an overview of the FY 2012 budget process. Discussion focused on revenues, including airline rates and charges, concessions and parking. Mr. Schattle gave an overview of the assumed Cost Per Enplanement (CPE) for airlines. He noted that certain concession agreements contain minimum guarantees that protect RIAC's revenue streams. Mr. Schattle also explained that the Corporation was continuing to promote the use of on-site parking facilities at T. F. Green noting that new parking spaces had been

opened on the ground level of Garage A.

Mr. Schattle discussed personnel expenses with the Committee noting that the budget assumes some efficiencies that have been attained as a result of the new Collective Bargaining Agreement. He also noted that the budget assumes a 2% pay increase for current employees.

Mr. Schattle gave an overview of O&M expenses noting that some benefits are now being realized as part of the Energy Savings project. He also noted that the Corporation is continuing to closely monitor all of its expenses including outside services.

Mr. Schattle gave an overview of revenues and expenses for the General Aviation Airports. He noted that AvPorts will take over management of the airports on July 1, 2011, and the Corporation expects to see an increase in revenue streams as they focus on marketing the airports.

Mr. Schattle gave an overview of revenues and expenses for the InterLink facility.

Mr. Schattle gave an overview of debt service and bond financing.

Mr. Schattle gave an overview of the operating capital and the annual Capital Improvement Program with a focus on projects and related

funding sources.

Committee Members thanked Mr. Schattle and his staff for their work on the FY 2012 budget.

A motion was made by Mr. Cianciolo and seconded by Ms. Thomas to approve the FY 2012 budget in substantially the form presented to the Committee, subject to Board approval. The motion was passed unanimously.

(b) Consideration of and Action Upon Approval to Bind Insurance Policies that are Effective June 30, 2011.

Mr. Dillon gave an overview of the policies noting that RIAC utilizes the services of a broker, Willis, to competitively market its insurance program. Discussion focused on the types of insurance that RIAC carries. The recommendation is that the Committee authorize the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2011 as recommended by Willis of Massachusetts, Inc., and RIAC management, subject to Board approval.

A motion was made by Mr. Cianciolo and seconded by Ms. Thomas to approve the following resolution:

WHEREAS, the Rhode Island Airport Corporation (RIAC) is

responsible for the maintenance and operation of airport facilities at the six Rhode Island airports; and

WHEREAS, RIAC carries General Liability Insurance, Aircraft Hull and Liability Insurance, Property Insurance, Automobile Insurance, Inland Marine (Mobile Equipment) Insurance, Crime Insurance, Workers' Compensation Insurance, Pollution Insurance, Flood Insurance, Storage Tank Insurance and Director's and Officer's Insurance policies; and

WHEREAS, all policies except for Director's and Officer's, Storage Tank and Flood have renewal dates of June 30, 2011; and

WHEREAS, RIAC utilizes the brokerage services of Willis of Massachusetts, Inc. (Willis) to competitively market its Insurance Program; and

WHEREAS, after an extensive marketing process, Willis and RIAC management recommend that the following policies be bound effective June 30, 2011; and

Policy Carrier Premium¹ FY 2012 Expense

**Property American Guarantee and Liability Insurance Company
(Zurich) \$ 388,181 \$ 388,181**

General Liability Commerce and Industry Insurance Company (A

Chartis Company) 119,929 119,929

Automobile The Wausau Underwriters Insurance Company (a Liberty Mutual Co) 61,090 61,090

Mobile Equipment The Hartford 23,396 23,396

**Crime Travelers Casualty and Surety Company of America
4,976 4,976**

**Fiduciary Travelers Casualty and Surety Company of America
5,051 5,051**

Aviation Hull Liability USAU:United States Aviation Underwriters (USAIG) 50,000 50,000

**Workers Compensation Beacon Mutual Insurance Company
316,553 316,553**

**Pollution Great American Insurance Company 266,456
53,291**

Total \$ 1,235,632 \$ 1,022,467

1 – All premiums are for one year except Pollution Liability which is for a five year policy.

WHEREAS, RIAC has a fiscal year budget which provides funding for

these policies through its Operating & Maintenance (O & M) budget.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

That the Committee authorizes the President and CEO, or his designee, to bind the insurance policies that are effective June 30, 2011 as recommended by Willis of Massachusetts, Inc. and RIAC management, subject to Board approval.

The motion was passed unanimously.

4. Future Meetings:

The next meeting will be announced.

5. Adjournment:

Mr. Cianciolo moved to adjourn at approximately 2:45 p.m. Ms. Thomas seconded the motion. The motion was carried by acclamation.

Respectfully submitted,

Kathleen C. Hittner, M.D., Chair

**Finance and Audit Committee of
the Rhode Island Airport Corporation**

**ATTENDANCE SHEET
RHODE ISLAND AIRPORT CORPORATION
FINANCE AND AUDIT COMMITTEE
JUNE 14, 2011**

Brian Schattle RIAC

Peter Frazier RIAC

Doug Dansereau RIAC

Robert Goff NEP

Paul Davis Providence Journal

Jim Kennedy Gilbane

Armand Lusi Lusi Construction

Frazier Walsh URS Corporation

John Howell Warwick Beacon

Val Mendonca HNTB