

Central Falls Detention Facility Corporation Meeting Minutes
Tuesday, November 15, 2011
Donald W. Wyatt Detention Facility Training Building
935 High Street
Central Falls, RI 02863
6:00 P.M.
TDD/TTY 401-727-7450

A meeting of the Central Falls Detention Facility Corporation was held on the above date; in the Training Building at 6:00p.m.

- 1) Call to order / Roll Call
All members present (Directors Tillinghast, Adamo, St. Pierre, Romanowicz, and Chairman Hartford)
Legal Counsel present (Terry Fracassa, Margaret Lynch-Gadaleta)
- 2) Approval of minutes 9/14/11 & 10/25/11
Motion made by Director Romanowicz to approve the minutes from 9/14/11 & 10/25/11; seconded by Director Adamo. Motion passed.
- 3) New Business –
 - A) Third Quarter Financial Report –
Michael Fair, CEO, noted that we are barely maintaining the projected ADP for 2011 with the recent drop in count. Today the count will close at 611. Typically, the count goes up at this time of year because there aren't as many outgoing buses due to the holidays. Population breakdown is as follows: RI 18.9%; MA 46.2%; CT 34.4%.

Director Adamo asked what opportunities for increased market share in these districts were in the pipeline. Mr. Fair said that both he and the Warden are reaching out to Marshals in MA and RI to remind them that bed space is available. He will report the outcome of this contact at the next meeting. Director Romanowicz suggested that the Board look into proposing legislation to change RI's (Department of Correction) ability to contract with the facility to take their overflow. Director Hartford asked, on behalf of the Board, for Mr. Fair to convey this to the commission the when he speaks to them, as something to pursue, if not at the present time, at some point in the future.

Michael Fair presented the financial report that is provided to the bondholders to address the debt coverage ratio. Director Tillinghast requested an additional report that would include more detailed information as to the financial situation, with variance and description then tabled his request to a sub-committee that could help the facility to formulate the report. CEO Fair distributed and explained a diagram that demonstrated the flow of cash ("waterfall") through the Corporation's bank accounts. He provided and explained a cash flow report that showed all current account balances. This report will be provided to the Board on a monthly basis. Director Tillinghast suggested that management explore the possibility of sweep accounts with Bank of America to offset fees. This option will be explored further by the finance sub-committee.

Director Tillinghast stated that, with the volume variances in the ADP and the mechanics of the facility, it is essential that we modify the budget at least quarterly. Michael Fair concurred and reiterated that Management would support more frequent reviews of the budget. The obstacle will be convincing the bondholders and the Trustee that we need to be able to do this.

Frederic Clifford, Maintenance Supervisor at the facility, outlined projects totaling \$864,000 that needed attention. He pointed out that the FCC mandates that we upgrade our radio system by the end of 2012. Attorney Fracassa addressed the option of getting money from the debt service reserve for capital expenditures and negotiating a repayment plan with a grace period. Conversation ensued as to which expenses were capital expenditures and which were not. All agreed that there was a limited amount of money to address these issues. Director Adamo requested that these items be ranked according to urgency for the next meeting. Director St. Pierre added that he'd like to see vendor estimates/quotes for the items presented as priorities.

B) Financial '12 Budget

Michael Fair, CEO, said that the following budget assumptions will be incorporated into the 2012 budget preparation:

- a. Average Daily Population: 653
- b. US Marshals daily rate: \$101.76/detainee

Director Tillinghast requested two items on record: a general ledger chart of accounts for the last twenty-four (24) months and an employee roster with tenure and rates of pay and any planned changes for 2012.

Chairman Hartford said that we need to address impact fees to the City in the operating budget. He said that we should look to reducing expenses where we can and on a dollar-for-dollar basis dedicate these monies to impact fees within the budget. He would like to show the impact fees as an operating expense and see how the bondholders react to this.

Director Romanowicz asked if any effort will be expended to contact the Department of Justice (DOJ) to negotiate a CPI increase. Mr. Fair restated that the DOJ website indicated that they were not accepting requests for increases at this time and also raised the issue of out-pricing ourselves in the market. Current contract with the DOJ was signed in 2008 and remains in effect.

Director St. Pierre asked whether Mr. Fair expected that salaries and fringe benefits would increase in 2012. Mr. Fair stated that there was a cost associated with the Correctional Officers collective bargaining agreement that would factor into the 2012 budget. There will be a new, yet-to-be-determined rate for our uniformed Supervisors. There will be significant overtime savings due to increased staffing levels, especially within the Security area. He doesn't project that salary and fringe will be less than the current year, but doesn't foresee a dramatic increase in costs.

Chairman Hartford requested that a budget be prepared for presentation to the Board at the next meeting. Chairman Hartford designated Directors St. Pierre and Tillinghast as the finance sub-committee, with Director Adamo as an alternate. Mr. Fair was directed to schedule a meeting with the sub-committee in the next few weeks in order to prepare an acceptable budget. Since the budget is due to the bondholders by December 1st, Attorney Terrance Fracassa agreed to inquire about an extension.

Consultant Michael Geezil recommended that there should be a cash flow budget as well as a pro-forma statement.

4) Old Business

- A) Ernie Almonte Report – Follow-up deferred to a future meeting. Almonte was unavailable to attend this meeting.

B) Fink property tax bill; impact fees

Chairman Hartford stated that he would like to see the property tax bill addressed. Attorney Fracassa pointed out that presently there is no action against the Corporation. The City of Central Falls sent the bill (approximately \$190K) to the landlord. The landlord has expressed the opinion that it is CFDFC's obligation, under the lease. He suggested that, to be conservative, something should be factored into the budget as a contingent liability.

Discussion ensued as to whether the facility's tax-exempt status extended to the Finks and if not, the implications of the land-lease contract as to the CFDFC's responsibility for this bill. Attorney Fracassa asked if this item could be tabled until the next meeting so that he could present the RI General Laws that govern what property is deemed tax-exempt. He cautioned against admitting liability on record in this matter in which there may be pending litigation. Chairman Hartford said that he did not want to avoid paying a bill to the City and that he wanted to seriously considering resolving the bill. He felt that it could be settled for principal only (approximately \$140K). He asked if we could discuss this option with the City before the next meeting without agreeing to any liability. Attorney Fracassa pointed out that the bonds were floated under the premise that this is a tax-exempt facility. He said that he did not know if this would affect the tax-exempt status of the bonds if there was a portion of the project that was no longer tax-exempt. Chairman Hartford said that if the Board were to decide that this was an obligation and include it as part of the operating expense, the bondholders could challenge that, but he was comfortable with it. Director Tillinghast pointed out that this could come down to a business decision. Chairman Hartford agreed, stating that the Board would then make that decision. All agreed to table this issue until the next meeting, when Attorney Fracassa has had the opportunity to research this further and reports back.

C) Phil St. Pierre's financial management proposals/Mike Geezil's recommendations

Discussion was delayed until the finance sub-committee had the opportunity to meet.

5) Reports of the CEO and/or Legal Counsel (as necessary)

No discussions

Motion to go into Executive Session made by Director St. Pierre at 8:05 p.m.; seconded by Director Adamo; all were in favor. Motion passed.

6) Executive Session pursuant to R.I. General Laws § 42-46-5 for the following purposes:

Section 42-46-5(a)(2) the purpose of reviewing issues regarding litigation; potential litigation; and investigations concerning the Almonte Report; Wayne Salisbury; Ng.

Section 42-46-5(a)(3) for the purpose of receiving an operational report from the CEO.

7) Next Meeting: Tuesday, December 13, 2011 @ 6:00 p.m.