

Central Falls Detention Facility Corporation Meeting Minutes
Thursday, November 14, 2013
Wyatt Detention Facility Training Building
935 High Street
Central Falls, RI 02863
4:00 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 4:00p.m.

1) Call to order / Roll Call – 4:05 p.m.

Members present: Chairman Doherty, Director Tillinghast, Director Cabral and Director Rios

Absent: Director Figueroa

2) Pledge of Allegiance

3) Public Comment

No public comment

4) Approval of Minutes 10/15/13

Motion to approve the minutes of the 10/15/2013 meeting made by Director Tillinghast; seconded by Director Rios. Director Cabral abstained from voting. All others were in favor. Motion passed.

5) New Business

A. 2014 Budget

Warden Murphy said that he appreciated the assistance of Director Tillinghast and Consultant Mike Geezil in formulating the budget. They worked closely with him and Mr. Cuzzupe (CFO) to develop the budget that will be presented to the Board for approval today.

Bob Cuzzupe said that the ADP used for the budget was 600. This was based on an average of the prior three years. The budget shows a \$24M twelve-month budget with salaries and fringe at about \$12M.

Chairman Doherty asked what the current detainee count was today. Warden Murphy said that we'd end the day today at 540. The year-to-date ADP for 2013 is 583. Director Tillinghast added that the budgeted ADP for the year (2013) was 634.

Mr. Cuzzupe reviewed several other line items within the budget, indicating that total operating expenses budgeted for 2014 is about \$17M. Operating income before non-operating fees is \$7M. Non-operating fees to include bondholder legal fees are \$600K. Additionally, the interest expense that is paid on the bonds is \$7.1M and depreciation is in the amount of \$2.7M. The net change in assets would be \$3.2M. The bottom section of the budget provided to the Board Members shows cash

requirements on a monthly basis. Director Tillinghast said that the cash impact of the \$3.2 M loss is about \$500K-\$600K, adding back depreciation.

Mr. Cuzzupe briefly referenced the Capital projects planned for 2014. This included the PVI-tank re-piping for \$100K.

Director Tillinghast stated that the Chairman had asked his position on the budget. He said that the operating leverage is very low. For every extra dollar that the facility gets, 95 cents of it falls straight to the bottom line. He thinks that the 600 ADP is not overly aggressive. If the downward trend stops and the count stays the where it is, that causes about a \$750K downside to the plan. Similarly, if the ADP increases to 615, this will cause a \$750K upside to the plan. Based on what is known, the plan put forth by management today is a most realistic sense of what will occur. We will talk about some of the changes to the Table of Organization in Executive session since they affect the safety and security of the facility, but overall Warden Murphy and CFO Cuzzupe have done a good job with this.

Mike Geezil commented that Mr. Cuzzupe did a good job. There was a lot of discussion just for knowledge sake. He pointed out that break-even before the bondholders' legal expense requires an ADP of 647. That includes principal and interest payments to the bondholders. In order to pay the bondholders' legal expense, another 20 – 22 detainees are needed. Capital improvements require another six (6) detainees, so to pay everybody and meet all obligations the ADP needs to be at 675.

Warden Murphy said that the facility was faced with some external factors this year, including policy and the Sequester. He is seeing a very gradual increase in the population in the last three weeks. He hopes this is a positive indicator of future development. A lot of times in law enforcement, the pendulum will swing in different ways. This is often based on public policies.

Chairman Doherty asked whether Warden Murphy was receiving positive feedback from ICE. Warden Murphy said that his team put together a piece detailing the improvements since 2008. That has been forwarded to Washington and is being reviewed. He has had several discussions with ICE officials as recently as yesterday. He pointed out a litany of changes in the facility, starting with the Colonel as the Chairman of the Board and down to the addition of various subject-matter experts that were brought on-board, one of which he will speak of today. He also focused on the improvements in the medical area. He is in-touch with Senator Reed's Office as recently as yesterday. He said that we can do it better than anybody. We just need to earn the trust of different agencies.

Motion to accept the 2014 Budget was made by Director Cabral; seconded by Director Tillinghast. All were in favor. Motion passed.

Chairman Doherty asked Mr. Cuzzupe to explain the hot-water tank project.

Chairman Doherty asked Warden Murphy if the RFP for the two vehicles that he was interested in purchasing would go out to RI contractors. Warden Murphy said that there would be an RFP, but he was not sure of the specifics. He said that he would have his Maintenance Supervisor at the next meeting to advise Chairman Doherty of the process. Chairman Doherty said that he'd like to talk about how that process is going forward in everything, to include the gym flooring and the lighting. Warden Murphy assured him that the facility would follow procurement regulations.

B. Table of Organization

Warden Murphy commented that there are some changes that he'd like to make to the structure of the organization that he thinks will make it function more efficiently. He requested to discuss those changes in Executive session.

C. Report of CFO

1) Current Cash Report

The following is a brief summary of the financial results for Central Falls Detention Facility Corporation for the period ended October 31, 2013.

REVENUE

Total revenue for the month was approximately \$1.8M, a increase of \$14K compared to September. ADP for the month was 527 compared to 542 for September.

Revenue for the month was unfavorable to budget by \$314K. The budgeted ADP was 634 for the month compared to the actual of 527.

YTD Revenue is \$19.4M, \$1.6M unfavorable to budget.

OPERATING EXPENSES

Total operating expenses for the month were \$1.4M, \$39K lower than September. Total operating expenses for the month were \$57K favorable to the budget.

YTD operating expenses are \$14.3M, \$16K favorable to budget.

Salaries and Fringe

Total salaries and fringe were approximately \$1M, \$48K favorable to budget attributable to lower than budgeted for payroll taxes \$9K, employer medical expenses of \$19K and wages of \$20K.

Inmate Care Expenses

Total inmate care expenses were approximately \$125K, \$16K favorable to budget. The decrease was due to lower food service expenses \$9K, inmate clothing \$1K and professional services \$5K.

Direct & Administrative Expenses

Total direct and administrative expenses were approximately \$160k, \$27K unfavorable to budget. The increase was due to legal expenses \$18K, and inmate legal expenses of \$8K.

Insurance Expense

Total insurance expenses were approximately \$46K which is \$2K favorable to budget. The decrease was due to medical malpractice insurance renewing at a lower premium.

Building & Utility Expenses

Total building and utility expenses were approximately \$92K, \$17K favorable to budget. This was due to lower than expected gas and water costs for the month.

OPERATING INCOME

Operating income for the month was \$418k, \$257K unfavorable to budget. The decrease is the primary result of the shortfall in revenue related to the lower than anticipated ADP.

YTD operating income is \$5.0M, \$1.6M unfavorable to budget.

NON-OPERATING REVENUE/EXPENSE

Non-Operating Expenses for the month were \$802K, \$73K favorable to budget. The variance is due to the way interest income is being recognized and the change in depreciation.

CHANGE IN NET ASSETS

Change in net assets for the month was a decrease of \$384K compared to a budgeted decrease of \$201K.

2) Overview of accounts update

The following are the cash balances in the trustee accounts as of October 31, 2013:

General Revenue Fund	\$1,000,672
Debt Service Fund	\$1,078,597
Debt Service Reserve Fund	\$5,325,083

Director Tillinghast asked Warden Murphy what the current count was. Warden Murphy said that it was 536, with an end of day count of 540. Director Tillinghast commented that November so far seemed better than October. Warden Murphy said that the buses have been a bit lighter that last couple weeks, meaning that less detainees are leaving the facility allowing the count to creep up.

Motion to accept the financial report was made by Director Tillinghast; seconded by Director Rios. All were in favor. Motion passed.

D. Reports of the Warden and/or Legal Counsel (as necessary); ADP update; Emergency purchases.

- We have expended about \$94K this year on suicide watch hours. We seem to be getting more individuals who require direct and constant observation. In November alone, 577 hours have been expended for these watches. This is having a significant impact on our budget.
- He will proceed to fill the Major/Chief of Security position. A panel that included a former Director from Massachusetts and two staff members was convened. Warden Murphy selected Daniel Martin, a retired Warden with twenty-five years experience to fill this position. He has managed male and female facilities. He has also worked for a firm that has audited ICE facilities. He has sub-contracted and is an expert for NIC, the National Institute of Corrections. He is the strongest candidate and the best fit for the Facility. He will be starting on Monday.

Chairman Doherty asked where he was from. Warden Murphy responded that he is from Connecticut.

- In regards to marketing, he has been in discussions with ICE as recently as yesterday. He has more information that he will share with the Board in Executive Session.
- Class 34 stands strong at 15 recruits. They are graduating on December 13th @ 3pm. Board Members will be receiving invitations to this event. He encouraged them to attend.
- We are doing a lot of things to benefit the community. We are making Thanksgiving meals. We are working with Progresso Latino in coordination with the Union to collect coats and clothing to be distributed at the Christmas Party for the children of Central Falls.
- There were two tours this month. One was the State Medical Examiners' office. It was an excellent tour. They were very impressed. The U.S. Postal Inspectors toured the facility, too.
- The facility received 100% on a pharmacy audit. That's an important one.
- RI Department of Health did an unannounced inspection of our kitchen. There were three minor discrepancies that were corrected on-the-spot.
- He included a copy of a letter from an Attorney from Florida who gave a staff member accolades in the Board's packets.
- The Quarterly Report that was sent to the Bondholders is included in the Board's packets.
- One minor detainee on detainee fight since the last meeting. There were no weapons involved or staff hurt.
- Chairman Doherty asked Warden Murphy if he'd received a response back on the letters that he sent out for tours. Chairman Doherty instructed him to follow-up on that again.
- Chairman Doherty asked the ratio of recruits, as to what state they were from.
- Warden Murphy said that he believed that 14 of the 15 are RI residents.

Chairman Doherty asked Attorney Lynch-Gadaleta if there was any money available for Board development. She said that the Attorney General's Office would do it for free. Chairman Doherty said that other individuals that could provide training that would be beneficial to the Board might charge a fee, although he didn't expect it to be much. He would like to get the training scheduled for January. Attorney Lynch-Gadaleta said that this should not be a problem.

6) Agenda items for next Board Meeting scheduled for December 18, 2013 @ 5:30pm

Next meeting was rescheduled to December 19, 2013 @ 4:00 p.m. No agenda items were discussed.

Motion to go into Executive session made by Director Rios; seconded by Director Tillinghast. All were in favor. Motion passed.

7) Executive Session pursuant to RIGL § 42-46-5 for the following purposes:

- A. RIGL § 42-46-5(a)(2) and RIGL § 42-46-5(a)(4) for the purpose of reviewing issues regarding Almonte Report related issues.
- B. RIGL § 42-46-5(a)(2) and RIGL § 42-46-5(a)(3) for the purpose of discussing proposed changes to the Table of Organization, discussing the proposed 2014 Budget and reassessment of the model for legal services.

C. RIGL § 42-46-5(a)(3) for the purpose of receiving an operational report from the Warden.

Motion to return to Open Session made by Director Tillinghast at 6:04p.m.; seconded by Director Rios. All were in favor. Motion passed.

Motion to seal the minutes of Executive Session made by Director Tillinghast at 6:05p.m.; seconded by Director Rios. All were in favor. Motion passed.

Chairman Doherty stated that the Board voted unanimously to approve the revised Table of Organization presented by Warden Murphy.

8) Adjournment

Motion to adjourn made by Director Tillinghast at 6:06p.m.; seconded by Director Rios. All were in favor. Motion passed.