

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

September 15, 2009

PUBLIC SESSION MINUTES

A meeting of the Board of Directors of the Quonset Development Corporation (the “Corporation”) was held at 5:00 p.m. on Tuesday, September 15, 2009, at the offices of the Corporation located at 95 Cripe Street, 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: James D. Berson, Robert H. Breslin, Barbara Jackson, John A. Patterson, Sav Rebecchi, and John G. Simpson. Absent were: Kas DeCarvalho, John G. Laramée, Richard L. Pastore, Keith Stokes and J. Michael Saul. Also present were: Steven J. King, P.E., Managing Director; E. Jerome Batty, Secretary; Kevin M. Barry, Finance Director; members of the Corporation’s staff and members of the public.

1. CALL TO ORDER:

The meeting was called to order at 5:12 p.m. by Vice Chairman Simpson.

2. APPROVAL OF MINUTES:

Mr. Breslin noted a typo on bottom of page 4, 4th line: "Alterra intents" should be corrected to read, "Alterra intends".

Upon motion duly made by Ms. Jackson and seconded by Mr. Patterson, the Board:

VOTED: To approve the Public Session minutes of the August 17, 2009 meeting, as amended.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John A. Patterson, Sav Rebecchi, and John G. Simpson.

Voting Against were: None

Abstaining was: James D. Berson

Motion Passed.

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

VOTED: To approve the Executive Session minutes of the August 17, 2009 meeting, as presented.

Voting in favor were: Robert H. Breslin, Barbara Jackson, John A. Patterson, Sav Rebecchi, and John G. Simpson.

Voting Against were: None

Abstaining was: James D. Berson

Motion Passed.

3. STAFF REPORTS:

Mr. King reviewed the Staff Report memo with the Board:

Development and Planning:

- **Received Technical Review Submittals from Electric Boat for Building 17 renovation and from Toray Plastics for improvements to the blower building on their campus.**

Grants:

- **TIGER (Transportation Investments Generating Economic Recovery) grant application. Application package was completed today and forward to the USDOT for their review. The grant asks for 45 million**

dollars for projects through out the Park, largely focusing on the port area.

- Presented application to the Transpiration Advisory Committee of the State Planning Council and received a letter of support.
- We have also received letters from the Town of North Kingstown and RIEDC. Letters are pending from several other agencies and elected officials. Currently working with Deepwater Wind on outlining long term outcomes and impacts. Katherine Trapani and Evan Matthews along with David Preston of New Harbor will attend the CONECT (Coalition of New England Companies for Trade) meeting in Washington DC September 16-17; during which meetings with Congressional staff will be organized. This is an opportunity to make congressional staff aware of the application.
- An amendment request to the Highway Functional Classification was submitted to Statewide Planning to update the road coverage of the Park (edited for new construction and abandonments) and to ensure that road projects requested in the TIGER grant application were eligible to receive Federal funding. The amendment was approved by the Technical Committee of the State Planning Council.

Construction:

- Romano Vineyard Way Bridge is in 90% design review and has received DEM approval.
- Mainsail Curve project work is underway by Cardi Corporation.
- Bids were received for the NOAA building on August 20th. A. Autiello Construction was the low bidder with a price of

\$1,827,495.00. Notice of Tentative Award has been issued.

- Okeanos Explorer berthing requirements are presently in final design. A CRMC, Category A Assent Permit Application is being prepared. NOAA has agreed to three (3) new fender units.**
- Pier 1 bollard/cleat fender project has been permitted and advertised for bids with a bid date of September 15th.**
- Northrup Road improvements from Callahan Road to Commerce Park Road realignment plans and specs are working towards completion for bid in November.**

Operations:

- Utility Pole Removal – Both National Grid and Verizon have removed excess power lines, transformers, wires and poles along Commerce Park Road and Bailey Road.**
- Traffic Marking – The Traffic markings at the intersection of Thompson Road and the new Maritime Way have been completed providing a uniform traffic pattern to be utilized at this intersection.**
- Building E319 – Roof work in almost complete. QDC maintenance has completed the exterior painting of 14 overhead doors and 12 personnel/utility doors on the building.**
- Communications Manholes – Cox's Communication has completed the replacement of 6 plastic reinforced manholes that have collapsed along the sides of several park roads with new concrete manholes. Work was completed the week of September 1st.**

Port Operations:

- **August 2009:**

9 vessels discharging, 8,638 new automobiles and 265 rail cars.

- **The NOAA ship, The Henry Bigalow made a stop at Port of Davisville.**

Finance and Administration:

- **Year End Audit included for acceptance as an agenda item.**

Mr. Berson asked if there was an increase in auto imports due to the big boost in auto sales last month and should there be concern if there was no boost.

Mr. King replied the drop off last month was due to the model year changeover for Subaru. Subaru did sell a lot of cars under the “Cash for Clunkers” program but it did not result in increased Port activity. Volkswagen and Audi sales have been fairly consistent through out the year and have not been affected by the down turn in the economy.

Mr. Rebecchi asked if there was a way to record incoming/outgoing rail traffic.

Mr. King stated that the only exporter, Seafreeze, has empty cars come in and full cars go out. All other traffic at the Port is imports.

Mr. Patterson asked about the Hotel.

Mr. King stated discussions are on-going.

4. COMMITTEE REPORTS:

A. Audit-Finance Committee:

Ms. Jackson announced that the Audit-Finance Committee met on September 15, 2009. The Committee approved the minutes from August 4, 2009 meeting. The Committee was also presented with the Financial Audit for Fiscal Year 2009 and is pleased to report there were no Auditors notes this year. Ms. Jackson introduced Jim Prescott and Jeff Grover from the auditing firm of Braver.

Mr. Rebecchi asked if a meeting was scheduled for the Marketing and Business Committee.

Mr. Berson noted that one will be scheduled prior to the next meeting.

Mr. Rebecchi made a formal request to be added to that committee.

Mr. Batty added that a nomination by the Chairman of the Board and Board approval is needed to add new committee members.

5. ACCEPTANCE OF THE FY2009 AUDITED FINANCIAL STATEMENTS:

Mr. Barry gave an overview of the draft FY2009 Audited Financial Statement (Exhibit A). Mr. Barry stated that under Summary of Operations and Change in Net Assets on pg 3 of the exhibit; there was a swing in operating expense dollars due to depreciation expense for the year which increased by \$368,000. Mr. Barry explained that the skyrocketing depreciation expense is directly related to all the work going in the Park and the resulting need to capitalize the Bonds. Mr. Barry confirmed that the Board can expect to see this expense to continue for several years but pointed out that the expense is a non-cash item. Upon Mr. Berson's suggestion, Mr. Barry agreed to have the summary indicate Operating Expenses prior to depreciation and list depreciation as a separate expense on the final report.

Mr. Barry also noted that Non-Operating Revenue/Expense shows a positive 154,000 dollars this year compared to FY2008 which reflects a \$2,000,000.00 loss (resulting from the \$3,000,000 transfer to the State).

Mr. Barry noted that under the Summary of Major Operating Expenses, that except for Depreciation and Utility Services, Operating expenses went down from FY2008. Mr. Barry noted that utility service expenses went up as a result of the increased cost of chemicals needed for the Corporation's Water and Wastewater Operations.

Mr. Barry also noted that on the page marked as 5, under Net Assets, Unrestricted is listed as \$4,418,928.00. Mr. Barry clarified that in the past, Note 9, was added to try to explain that while this is listed as unrestricted, the funds are used for capital short falls under the direction of the Corporation's Board. Mr. Barry added that the Audit Finance committee discussed in the afternoon meeting, making Note 9's language stronger, and adding a list of those specific projects. Ms. Jackson added that funds will be used for current and future projects. Mr. Barry noted for example; \$2,000,000 is for the new NOAA building which the Corporation is obligated by lease to build, and also the Mainsail Road realignment project.

Mr. Barry also noted that there were no Auditors comments as Ms. Jackson had already commented but that there was a restatement of FY2008 Financial Statements. Mr. Barry explained that 10 years ago, a note was written on a land sale in which the Corporation agreed to hold the note with no payments for twenty years. The sale was not recorded properly at the time and the land remained as an asset on the books and the receivable was not recorded. Mr. King questioned the transaction and upon researching an entry was booked, however, during the audit the correction was found to be a prior year entry.

Mr. Rebecchi asked how sewer and water replacement funds were set aside.

Mr. Barry responded that right now the funds are carried under unrestricted net assets, but Mr. Barry suggested working with the auditors next year in an effort to restrict these funds since these costs are built into the utility charges to the Corporation's customers.

Mr. Barry suggested the possibility of using an Enterprise fund.

Ms. Jackson suggested researching the possibility of setting aside funds for general park improvements as a restricted fund.

Mr. Simpson requested that financial reports be provided to the Board Members a few days prior to the meeting for review. The Board acknowledged that there is a timing issue but would appreciate any efforts.

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

VOTED: To approve the FY2009 Audit Financial Statements, subject to the acceptance of the RI Auditor General, and with the following modifications:

- 1. Expand Note 9 to include note page number**
- 2. Expand Note 9 to include subsequent events section**
- 3. Move depreciation into a separate category, separate from operating expense, so not to show an operating loss**
- 4. Add depreciation as a section under Financial Highlights.**

Voting in favor were: James D. Berson, Robert H. Breslin, Barbara Jackson, John A. Patterson, Sav Rebecchi, and John G. Simpson.

Voting Against were: None

Unanimously Approved.

There being no further business to come before the Board, upon motion duly made by Ms. Jackson and seconded by Mr. Paterson, the meeting was adjourned at 5:38 p.m.

Respectfully submitted:

By: _____
Secretary

E. Jerome Batty,