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QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT-FINANCE COMMITTEE

SEPTEMBER 19, 2011

PUBLIC SESSION MINUTES

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the "Corporation") was held at 4:00 p.m. on Monday, September 19, 2011, at the offices of the Corporation located at 95 Cripe Street, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit-Finance Committee 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: Robert H. Breslin, Jr., Barbara Jackson, and John G. Simpson. Also present were: Steven J. King, P.E, Managing Director; Kevin M. Barry, Finance Director; Lindsey Alvarez, Braver Accountants; Joseph Spagna, Braver Accountants; and Dylan Zelazo, QDC Intern.

1. CALL TO ORDER:

The meeting was called to order at 4:00 p.m. by Ms. Jackson.

2. APPROVAL OF MINUTES:

Upon motion duly made by Mr. Simpson and seconded by Mr. Breslin, the Committee:

VOTED: To approve the public session minutes of January 10, 2011 as presented.

Voting in favor were: Mr. Breslin, Ms. Jackson and Mr. Simpson.

Voting Against were: None.

Unanimously Approved.

3. REVIEW OF FY2013 OPERATING BUDGET:

Mr. Barry asked the Committee to review the first page of the FY 2013 budget (Exhibit A) and pointed out there was an error on the FTE variance of forty-four (44) employees between 2012 and 2013. Mr. Barry stated that there is a zero (0) variance in FTE's.

Mr. Barry advised the Committee that for FY2013 revenue projections are up while expenses remained relatively flat. The increase in revenue comes mainly from lease income (72% total revenue) from

recent agreements with EB, Banneker, NOAA, and Amtrak.

Mr. Barry noted that personnel and operating expenses were flat in FY2013 compared to FY2012. Personnel expenses including medical and dental were reduced. Mr. Barry remarked that in a time when medical expenses are hurting most companies, QDC managed to cut costs. The Committee discussed the recent changes to the employee health benefit noting that the employees pay 15% of the cost across the board and are now participating in a HRA (Health Reimbursement Account) vs. HAS (Health Savings Account). Mr. Barry stated, however, that most of the savings in the fringe benefits comes from reduced pension contribution due to excellent market conditions.

Lastly, Mr. Barry talked about the Capital Infrastructure Funding, pointing out that the Corporation has carefully grown this funding from $1.3 million in the FY 2011 budget to $2.95 million in the FY2013 budget. Mr. Barry and Mr. King reviewed some of the upcoming capital projects with the Committee (Exhibit B) and showed the total capital needed for the planned improvements are just under $4 million. Mr. Barry identified $2.95 million of the money will come from the Capital Infrastructure Funding as indicated in the FY2013 budget and the remaining funds would be sourced from cash within the operating budget. The Committee discussed the possibility of using a line of credit in the future and how it could lessen the need to manage cash flow on a daily basis.

Mr. Simpson asked about reducing the dependency on consultants. Mr. Barry noted that the only trade off would be to hire new employees to do the consultant work which would actually have a higher cost. The Committee reviewed the Corporation's current consultants:

- **Hinkley, Allen, & Snyder,LLP – Legal**
- **Brave River – IT**
- **New Harbor Group – Public Relations**
- **Real Estate – CB Richard Ellis**
- **Braver Accountants - Audit**

Upon motion duly made by Mr. Simpson and seconded by Mr. Breslin, the Committee:

VOTED: To recommend to the Board of Directors for approval the operating budget as presented.

Voting in favor were: Ms. Jackson, Mr. Simpson, and Mr. Breslin.

Voting Against were: None.

Motion passed.

4. ACCEPTANCE OF THE FY 2011 AUDITED FINANCIALS:

Mr. Barry introduced the auditors from Braver Accountants, Lindsey Alvarez and Joseph Spagna who helped to prepare the FY2011 Financial Statement.

Mr. Barry asked the committee to turn to page 4 of the statement and reviewed, "Summary of Operations and Change in Net Assets". Mr. Barry noted that from 2010 to 2011:

- **Operating Expenses increased only 3.5%**
- **Operating Revenues increased 20.6%**
- **Capital Contributions increased funding from bond issue, ERA grants, and TIGER grant.**

The Mr. Barry noted that this information further supports the FY2013 budget and the estimated revenues.

Mr. Barry then noted for the Committee on page 5, "Summary of Major Operating Expenses":

- **Personnel Expenses increased 3.6%: including salaries, fringe benefits, and pension contributions from 2010 to 2011.**
- **Other Expenses increased 7%, mainly due to commissions to CBRE. He remarked that although money is going out, it is a good thing and it means that business transactions are increasing.**

Lindsey Alvarez reviewed some minor comments from the Rhode Island Auditor General's for the committee. The one item of note was the removal of a sentence in that had previously appeared on the financial statements stating that the Corporation had no outstanding debt. Mr. Barry explained that this statement is no longer true since the Corporation acquired the land in West Davisville.

Mr. Barry asked for questions. There were no additional questions from the committee. Mr. Barry remarked the statements were proof that the Corporation is moving in the right direction and solidifies the FY2013 budget.

Upon motion duly made by Mr. Breslin and seconded by Mr. Simpson, the Committee:

VOTED: To approve FY2010 Audited Financial Statements as modified, subject to the approval of the Auditor General.

Voting in favor were: Ms. Jackson, Mr. Simpson, and Mr. Breslin.

Voting Against were: None.

Unanimously Approved.

Respectfully submitted:

By:_________________________________

Kevin M. Barry

Finance Director