

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
TUESDAY, OCTOBER 23, 2012
SPECIAL MEETING MINUTES

A special meeting of the Providence Economic Development Partnership, Inc. (PEDP) Board of Directors was held at the office of the Department of Planning and Development, 444 Westminster Street, 1st Floor, Providence, Rhode Island, on October 23, 2012. The meeting was called to order at 8:05 PM, with Mayor Angel Taveras, Chairman, presiding. Roll call was conducted.

MEMBERS IN ATTENDANCE

Members in attendance included Joseph Caffey, Adriana Dawson, William DiStefano, Jr., Mark Feinstein, Gary Glassman, Stephen Lane, Gerald Massa, Councilwoman Sabina Matos, and Clay Rockefeller.

MEMBERS ABSENT

Members not in attendance were Daniel Baudouin, Kas DeCarvalho, Juana Horton, Paul Mithun and Janet Raymond.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included: James Bennett, Director of Economic Development and Executive Director, PEDP; Stuart MacDonald, Director of Fiscal Operations, Department of Planning and Development (DPD) and Assistant Director, PEDP; Kathy Cosentino, Gail McGowan, Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance included Gonzalo Cuervo, Deputy Chief of Staff, City of Providence and Representative for Mayor Angel Taveras; Mark Ryan and John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Arianne Lynch, Deputy Chief of Staff, City of Providence; David Ortiz, Press Secretary, City of Providence; Roger Suchite, Mayor's Director of Advance, City of Providence; Garry Bliss, Director of Community Development, City of Providence Department of Planning and Development; Ann Gooding, Director of Communications, Department of Planning and Development; Doris Blanchard, PEDP Loan Committee member; Ivannia Blanco, Moravia City Hall, Costa Rica; Judith Reilly, Providence resident; Alisha Pina and Mary Murphy, Providence Journal; Dan McGowan, GoLocalProv; Andrew Adamson, WPRI; Mario Hilario, WJAR; Jim Hummel, Hummel Report; and Karolina Wojcik, resident of Pawtucket.

MEETING MINUTES

The minutes of the June 29, 2012 PEDP Special Board of Directors meeting were submitted for review and approval. Upon a motion made by Joseph Caffey and seconded by William DiStefano, it was voted to approve the minutes of the June 29, 2012 Special Board of Directors meeting. Motion passed by unanimous vote.

NEW BUSINESS

The agenda items under New Business entertained by the Board of Directors were the change of Agent for Service of Process and the Access to Public Records Act (APRA). Mayor Taveras asked that John Garrahy, PEDP Legal Counsel present these requests. Mr. Garrahy stated that these agenda items are two (2) housekeeping matters. Moses Afonso Ryan is PEDP's new legal counsel and as such, should be the Agent for Service of Process for the corporation. The Agent for Service of Process would be changed from Joshua Teverow, former PEDP Legal Counsel, to John J. Garrahy, current PEDP Legal Counsel. Upon a motion made by Mark Feinstein and seconded by Joseph Caffey, it was voted to change the Agent for Service of Process for PEDP to John J. Garrahy, Esq. Motion passed by unanimous vote.

The next agenda item under New Business entertained by the Board of Directors was the Access to Public Records Act (APRA). Attorney John Garrahy presented this agenda item and provided a brief

explanation for the adoption of a policy on access to public records by PEDP. A Public Records Officer for PEDP is named in the policy and it was suggested that instead of naming a person in the policy that a certain position be named instead. A brief discussion followed regarding this matter. Mayor Taveras suggested that PEDP include both the name and the job title so that PEDP will be certain to respond to any public records requests within the required timeframe. Upon a motion made by Joseph Caffey and seconded by Mark Feinstein, it was voted to adopt the policy on APRA as presented with the name, Ann Gooding, and title, the Director of Communications, to be included in the final policy. Councilwoman Sabina Matos abstained from voting in connection with this agenda item. Motion passed by vote.

Adriana Dawson arrived at the meeting.

OLD BUSINESS

The first agenda item entertained by the Board of Directors under Old Business was the review of the letter dated July 3, 2012 regarding recommendations from HUD. Mayor Taveras presented this agenda item. Mayor Taveras wanted to provide the board with a little context first. HUD reviewed the PEDP activity over the past decade and the letter was received earlier this year regarding the operations here. There were findings regarding PEDP's operations and serious issues were raised by HUD. The draft of the response letter that was also provided to the board outlines what we have done to address the issues that were raised, even previous to our written response. The response addresses what we have done, what we are doing and what we will be doing to address these issues. Mayor Taveras recognized Jim Bennett and the staff that has worked diligently to address this matter. Jim has currently stopped all loans not in the pipeline. Mayor Taveras concluded by saying that he would turn over the discussion of the letter and PEDP's response to Stuart MacDonald and Garry Bliss and then will open the meeting to questions, suggestions and concerns. Mayor Taveras noted that the letter is dated July 3rd and that PEDP had thirty (30) days to respond. PEDP requested additional time for its response and HUD gave us until November 3rd, which is why we have convened the meeting today.

Stuart MacDonald began by introducing Garry Bliss, who runs the Community Development Block Grant (CDBG) program for the city and is the Director of Community Development in the Department of Planning and Development. Garry Bliss began by stating that the first review by HUD was done in 2011, which was a periodic, regular review for all grantees looking at policy, practices and documentation for our CDBG work. PEDP was included in this review because the program is funded with CDBG funds. Some of the issues that were raised were addressed and closed and some will be closed with the response letter. The 2011 review prompted a second review in 2012 of PEDP. Mr. MacDonald added that PEDP received a second report, which highlighted PEDP's deficiencies. We are addressing those deficiencies and making sure that they do not happen again. HUD is coming in next week and is bringing in a technical assistance team with them. HUD is paying for this technical assistance. Mr. MacDonald noted that HUD does not give these contracts to cities that they do not feel have a future. The ineligible expense reviews are on-going. Some of the expenses met eligibility and some did not. However, expenses could be re-classified and we have other funds that could have paid for the ineligible expenses. As a result, the number indicated will be significantly reduced, probably decreasing by two-thirds and we are working on the remaining one-third.

Mayor Taveras asked that the response letter be gone through item by item. Mr. Bliss presented the first finding of Section A, Administration, Financial Management, and Internal Controls, Finding A1, Inadequate Grantee Oversight and Contractual Controls and its related response. The question was raised as to whether the board will see a copy of the sub-recipient agreement between the City of

Providence and the PEDP. Mayor Taveras responded by saying that the agreement can be made available to the members and requested that it be sent out with the next meeting agenda.

The discussion proceeded to Finding A2, the City did not have adequate policies and procedures to ensure that the federal requirements for financial management standards were met. Mr. MacDonald presented this finding and its related response. Mr. MacDonald stated that policy and procedures binders will be available to the board. Mayor Taveras noted that all payments, except for loan disbursements, will be submitted to HUD for approval before a check is disbursed.

Questions were raised and answered with regard to the technical assistance that is to be provided. Mr. MacDonald noted that approximately 1,500 man-hours have been assigned to the department totaling approximately \$375,000.00.

Clay Rockefeller arrived at the meeting. Mayor Taveras noted that Mr. Rockefeller arrived and noted that Adriana Dawson had also previously arrived and that the minutes should reflect their attendance.

The discussion continued to Finding A3, CDBG Expenditures and questioned for administrative expenditures including lodging, but not limited to food, transportation, lodging and consultants. Mr. MacDonald explained that the program income from the revolving loan fund, both interest and principal, is ours to use and re-lend, twenty percent (20%) of which can be used to pay administrative expenses. We can re-classify ineligible expenses and utilize these funds. Mayor Taveras asked that we not just look at re-classifying expenses so that they are eligible but also look to the future to see if these types of expenses are what we want to fund in the future. Mr. MacDonald stated that PEDP was primarily sited for consultants that were paid for a lot of planning studies that were done for other parts of the city. HUD objected to the payments of those studies because they were not PEDP specific. Activities that are paid for out of PEDP have to be for PEDP or economic development activities. Mayor Taveras requested that we identify allowable expenses that we may not want to expend for in the future and discuss as board. Mayor Taveras asked that the categories of expenses that are allowed and not allowed be presented to the board.

Section B, Eligibility and National Objectives was discussed next. The finding was that eligibility and National Objective compliance was not adequately documented. Stuart MacDonald presented this finding and its related response. This was primarily the concern of HUD. Mayor Taveras referred the members to page 11 of their packages, which provides a listing of the National Objectives for HUD/CDBG. Mr. MacDonald briefly reviewed the criteria for meeting each of the National Objectives. PEDP's loans are primarily low-and moderate-income persons activities. Mr. MacDonald also briefly discussed the job monitoring that is conducted by PEDP. Mayor Taveras noted that in the report, the big issue with HUD was that there was no monitoring of whether the loan recipients met their objective. Mr. MacDonald stated that this is an issue that we have with HUD as we do have the documents in the files, however, HUD wanted them more prominent and the first page of the files. PEDP did have the information there, but it was hard to glean it out and HUD wants it to be more transparent. Mr. MacDonald also added that we are making it clear what National Objective is to be met for each loan. The National Objective determination will be determined and documented at the pre-application level, prior to a loan even being underwritten. The length of the job monitoring that is required by HUD was questioned. Mr. MacDonald explained the job monitoring that we conduct and further added that we do more than we are required to do. Mayor Taveras then questioned whether Mr. MacDonald disagrees with this HUD finding. Mr. MacDonald responded by saying that he does not

disagree with it but believes that the information is there but is not as transparent at HUD wants, so he understands their comment. We are changing this so that we will not see this finding again.

Ann Gooding, Director of Communications, Department of Planning and Development, arrived at the meeting.

Section C, Transparency and disclosure of Economic Development Activity, Finding: consolidated planning requirements were not met. Transparency and disclosure of economic development activity to citizens was not adequate. Stuart MacDonald presented this request, adding that the action plan was deficient in the past. We are working on that now and have submitted it to HUD for review.

Mayor Taveras stated that this is a good opportunity for us to evaluate what we are doing well and what we are not doing well. Questions were raised with regard to what a good portfolio looks like. Mayor Taveras requested that we discuss at a future meeting the types of loans that have worked well in other cities. Mayor Taveras was thanked by the members and Mayor Taveras thanked the staff as well. Mayor Taveras looks at these issues as opportunities to improve, which is what he wants to see here and thinks that is the direction that we are going in.

The next finding, Section D, Underwriting guidelines, policies and procedures, was discussed next. Staffing capacity was questioned as well as availability of technical assistance and whether it could be extended to the board. Mr. Bliss indicated that technical assistance for the board could be arranged for the next meeting.

Mayor Taveras asked that if the board was amenable to approve our response to HUD, with our attorney to put into the response the appropriate language that the sub-recipient agreement with the city has not yet been reviewed by the board, he would accept a motion. Mr. Garrahy added that he would phrase the motion, which would be to approve the response to HUD that was presented to the board subject to approval of the sub-recipient agreement with the city. Upon a motion made by Joseph Caffey and seconded by William DiStefano, it was voted to approve the response to HUD as presented, subject to approval of the sub-recipient agreement with the city. Motion passed by unanimous vote. It was questioned whether a copy of the final letter will be distributed to the board. Mayor Taveras indicated yes and that we will also make responses from HUD available or as an agenda item. Mayor Taveras thanked Stuart MacDonald, Jim Bennett and Garry Bliss and all members of the department for all of their help. This has been going on for a while and they have been diligent. We are making progress and wouldn't be doing that without your help.

OTHER BUSINESS/PUBLIC COMMENT

The next agenda item was Other Business/Public Comment. Mayor Taveras stated that there are some ground rules to the public comment portion of the meeting, which he asked that attorney John Garrahy review. Mr. Garrahy stated that the public may only speak on topics related to the matters before the Board today. It is not a question and answer period, but a comment period. Each member of the public must limit their comments to five (5) minutes or less. No member of the public shall be disruptive and their comments must be relevant to the activities of the Board. The entire public comment period shall not exceed fifteen (15) minutes. If the press has any questions, the Mayor will be available after the meeting for press questions.

Mayor Taveras asked if any member of the public would like to make a public comment. Judith Reilly indicated that she wished to make a public comment. Ms. Reilly began by stating that there is still

\$550,000.00 in disallowed costs and that \$375,000.00 is being paid for HUD's technical assistance. Ms. Reilly then addressed Mr. MacDonald's comments relative to correcting disallowed costs with accounting, the existence of undocumented policies and procedures; and her belief that the job monitoring was not being done. Ms. Reilly stated the dollar amounts of the portfolio that are in default, delinquent and in payment moratoriums, as of October 16, 2012. Ms. Reilly feels that PEDP is making progress but is in serious trouble. The board needs to buckle down and ask questions about what you are being told. The previous board was told that your attorney was drawing up an agreement between PEDP and the city, which was supposed to have been done and that PEDP was audited, when there was no separate audit of PEDP, but was just audited as part of the city's audit. The Treasurer kept asking for performance reporting and financials and never got it. The board knew about phantom loans and the previous board was told about smoke and mirrors accounting. Ms. Reilly asked Mayor Taveras to finally implement a city Code of Ethics. Ms. Reilly stated that things went very wrong at PEDP and thinks that it is more than messy accounting. Ms. Reilly stated that she thinks there are many other items that need to have a serious investigation by the federal authorities.

Ms. Reilly suggested that things that the board can do specific to PEDP would be to: stop the bizarre dual existence of PEDP as a not for profit corporation and make it an entity that is on the city's own books; stay voluntarily suspended until it can come back with a new body with serious internal controls; stop the staff approvals of loans under \$75,000.00; stop the insider dealing, conflicts of interest, and have some sort of methodology to keep questionable loans from being made to campaign contributors; and put into place accountability that has not been here before. PEDP spends a lot of money to keep its 501(c)(3) status and to keep up PEDP as a corporation and there does not seem to be a reason to do that. The city council has to take back control and have a checks and balances situation.

Ms. Reilly concluded, as an aside, that the board may want to take a look at the \$365,000.00 loan to Fete. As of October 16th, it had missed its first payment. According to PEDP minutes, Thom Deller, when he was here, told you that there was a personal guaranty to shore up the collateral because the real estate appraisal was too low, but he said that to protect the privacy of the Guarantor, he did not put the guaranty in the file. Ms. Reilly told the board that they should find out where the guaranty is in case you need to put it into play in the future. Again, as an aside, Fete is applying for some type of zoning change and the board may want to find out why and if it will have an effect on its \$365,000.00 loan.

Ms. Reilly wished the board the best of luck on its job and called on the members to protect taxpayer money from fraud, waste and abuse and to really bring economic development to Providence. Mayor Taveras thanked Ms. Reilly for her comments.

Upon a motion made by Councilwoman Sabina Matos and seconded by William DiStefano, the meeting was adjourned at 9:18 AM.

Approved: November 14, 2012