

# RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

## MEETING OF DIRECTORS

### PUBLIC SESSION

OCTOBER 22, 2007

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, October 22, 2007, in Public Session, at 4:00 p.m., at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Mr. Frank Montanaro, Mr. Keith Stokes, Ms. Cheryl Merchant, Mr. Alexander Biliouris and Ms. Kimball Hall.

Directors absent: Governor Donald L. Carcieri, Mr. George Shuster and Ms. Alma Green.

Also present were: Executive Director Saul Kaplan, members of the Corporation's staff and Attorney Robert I. Stolzman.

Mr. Frank Montanaro presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

#### **1. CALL TO ORDER**

Mr. Montanaro called the meeting to order at 4:05 p.m.

#### **2. EXECUTIVE DIRECTOR'S REPORT**

Executive Director Kaplan reported that the Rhode Island job numbers are improving, stating that the latest numbers issued by the Department of Labor and Training (See **Exhibit A**) indicate a net addition of 300 jobs for the last month, the eighth consecutive month of job growth. He noted that over 21,000 jobs have been created during the current administration.

Mr. Kaplan reminded the Board that at the last meeting the news from Amgen was that over 450 jobs were to be cut from its Rhode Island work force, but that executives at Amgen have reviewed the situation and it now looks like that amount will be reduced by at least one-third (1/3). He called upon Ms. Kimball Hall to update the Board on the status.

Ms. Hall explained that Enbrel, which is the primary product produced by Amgen in Rhode Island, is in high demand, which has a positive impact on the Rhode Island

work force. She noted that November 1 is the impact date of the work force reductions and that 1,200 employees will remain in Rhode Island.

Mr. Kaplan continued his report by presenting a recently updated package to be used in making presentations to the market place to promote doing business in Rhode Island (See **Exhibit B**). He noted that each sector has a section in the package with fresh new materials.

Mr. Biliouris commented that the use of the phrase "Size as a Secret Weapon" can also have a negative impact, as recently reported. Mr. Kaplan acknowledged the recent reports ranking Rhode Island as the most taxed state in the country and noted that Ms. Jean Robertson would be addressing this issue later in the meeting. Mr. Kaplan stated that Rhode Island's small size is an advantage on the innovation side of the size argument.

Ms. Jean Robertson, Senior Director of Policy and Research for the Corporation, reported that a report by the Tax Foundation recently ranked Rhode Island on the bottom, at #50, as having the highest taxes in the country. After analyzing the information, Ms. Robertson noted that the way the report did the ranking accounted for such a negative result.

As an example, Ms. Robertson noted that the corporate income tax rate is 9%, but the effective rate is actually lower due to tax credits that are not reflected in the report. In addition, the state's unemployment tax also hurt the state's ranking; Rhode Island one of only four states with a TDI program. Ms. Robertson conceded that the state does have very high property taxes, which accounted for its ranking of 48 in that category.

As far as personal income taxes, Ms. Robertson stated that if the state's income tax system had been better analyzed, the state would have fared better. Similarly, the state's sales tax on business purchases had a negative impact, but that was without the tax credit of 10% being considered.

Ms. Robertson stated that size is not the entire reason for Rhode Island doing so poorly in this report, noting that Delaware, which is second in size to Rhode Island, ranked 9<sup>th</sup>.

Mr. Kaplan suggested that the state should be more pro-active in working with the various ranking groups in order to have the information fairly analyzed and improve Rhode Island's position. He stated that the tax climate does not make it easy to grow businesses in Rhode Island, and that in order to improve doing business in Rhode Island the state must take advantage of its assets and create a "high wage knowledge" economy.

Mr. Stokes agreed that the state must take some control over these studies and perform its own analyses of performance, perhaps partnering with local economists and educational institutions. He suggested that Rhode Island based criteria be determined,

and noted that the state would never win against so many different economic reports that are generated by other states. In addition, Mr. Stokes noted that the state should take another look at its tax credits, with the idea that it might be better to reduce taxes and eliminate the credits. He noted that the state should work on what it can control and become a leader in benchmarking.

In response to an inquiry by Mr. Biliouris, Mr. Kaplan stated that the Corporation has liaisons who go out into the various communities to provide assistance with economic development. He noted that Mr. William Parsons is in charge of the community development sector, which works with each and every community in the state. Mr. Stokes suggested that the EDC hold training sessions with the communities to better educate community leaders with some best practices regarding economic development.

Continuing his report, Mr. Kaplan presented materials to the Board from the third annual Innovation Summit which was recently held at Trinity Repertory Company (See **Exhibit C**). Mr. Kaplan stated that, In contrast to the negative report regarding taxes, Rhode Island is leading the way with innovation. He noted that one-half of the attendees represented Rhode Island companies and the other half came from all over the rest of the country. Collaborators included representatives from General Mills, Unilever and Xerox, among others, and the program received a lot of press, including a report in Business Week magazine.

Mr. Kaplan reported that Denise Nemchev, President of Rhode Island's own Stanley-Bostitch Corporation, proved to be one of the best storytellers at the Summit and is now receiving national attention. Her story explained the development of the HurriQuake smart nail, which won a national innovation award.

Mr. Kaplan next called on Ms. Katharine Flynn, Director of business Development, to update the board on outreach efforts in the Business Development group.

Ms. Flynn told the Board that she recently attended a conference in Manchester, New Hampshire where business development leaders from the six New England states met to discuss marketing strategies, both as a region and as individual states. All who attended agreed that the region needs to lead with its knowledge assets and focus on those industries which lend themselves to those strengths. Ms. Flynn reported that a web site is being developed for "Team New England", as it will be called, and will highlight 5 key industries. Each state will have its own page highlighting its key assets. Ms. Flynn stated that she is working on populating the Rhode Island page, and described the 5 key industries as 1) Financial Services; 2) Life Sciences; 3) IT & Digital Media; 4) Defense and Marine Trades; and 5) Environmental Technologies.

Ms. Flynn is also planning to attend the annual Corenet event, which is the largest gathering of Corporate Real Estate executives and site selectors in the world. This year's gathering will be held in Atlanta, Georgia, and Ms. Flynn stated that she has

lined up 55 companies with which she plans to have a one on one conversation at that conference to share the Rhode Island story.

Specific efforts in individual sectors, reported Ms. Flynn, include the following:

Marine Trades – the Corporation recently hosted a reception around the Newport Boat Show

Defense Sector – the Corporation sponsored the Ocean Technology Expo which was recently held in Providence.

IT Sector – The RI Nexus website was recently rolled out.

Financial Services – the Corporation is sponsoring the URI Financial Services symposium and a financial service task force, comprised of industry leaders, has been formed to assist with marketing to and attracting financial service players to Rhode Island.

Life Sciences – the sector lead who worked on the BIO 2007 event last May, along with a few local companies, will be attending the Medica event in November.

Small Business – the Corporation is teaming with the Secretary of State's office to present a "We Mean Business" event on November 5. This event will be a one-stop shop where individuals and small business can meet with representatives from the various state agencies that are available to help them. A total of 86 different booths are lined up for this event, which is expected to be well attended.

Ms. Flynn reported that some 2,466 companies have met with her team this year and that the goal for the year is 3,000.

Ms. Flynn then introduced John Riendeau, head of the Defense and Homeland Security sector, and Stuart Freiman, head of the IT and Digital Media sector, to make presentations on their respective sectors. She noted that Mr. Riendeau has held his current position for over 4 years and has been with the Corporation for 18 years. Mr. Freiman joined the Corporation 3 years ago and has 22 years experience in the technology industry, both in New England and in Silicon Valley.

Mr. Freiman, using a PowerPoint presentation (See **Exhibit D**), described the IT and Digital Media (ITDM) sector as a small sector with a big impact.. He reported that the state currently has over 15,000 jobs in the ITDM sector, and that such jobs have an average salary of over \$69,000, which results in over \$1 Billion in wages annually. Mr. Freiman stated that, out of the seven different areas in the ITDM sector, the Computer Systems Design & Related Services area leads in job numbers, with average salaries of over \$103,000.

Mr. Freiman explained that the way to grow the ITDM sector in Rhode Island is to capitalize on the current momentum and visibility to create an ecosystem that attracts individuals and organizations to the state. He noted that the way to create such an ecosystem includes developing a community, encouraging research and development, making space available, education to expand the workforce pipeline, aggressive outreach, creating economic incentives, attracting new capital and leveraging technical infrastructure.

Mr. Freiman stated that Rhode Island already has technology and programs in place that it can use to its advantage. He noted that the state is already a leader in wireless technology, having the highest internet speed and lots of wire in the ground. In addition, he stated that the state's ITDM community is growing, and currently includes RI Nexus, Providence Geeks, Tech Collective, Brown Forum for Enterprise and the Business Innovation Factory. STAC initiatives, including the Collaborative Grant Award, are proving beneficial to research and development in the state.

Mr. Freiman reported that ideas are currently being tested to attract capital for debt financing and equity investment, and efforts are being made to develop an ITDM Center to promote incubation and co-working in the ITDM sector. He stated that the state has the Innovation Tax Credit as an economic incentive and education is being focused on with STEM Initiatives and the First Technology Challenge. In addition, there is an aggressive outreach being conducted to improve communication in this sector.

Mr. Freiman included an example of the RI Nexus web page in his presentation. He described this recently established web site as an online community for the ITDM sector, which includes current news, job listings and a daily blog.

In response to an inquiry of Mr. Stokes, Mr. John Riendeau stated that many of the 3,000 computer jobs in the state are defense-related. Mr. Riendeau noted that there is a lot of overlap between the ITDM and Defense sectors. Mr. Stokes commented that defense contracts have declined in the last several years.

A report on the Defense and Homeland Security sector was next presented by Mr. Riendeau (See **Exhibit E**). Mr. Riendeau stated that this sector has a \$2 Billion annual impact on the state, with over 16,000 people employed with an average salary of \$66,700. Employment in this area includes private companies as well as active National Guard members. Mr. Riendeau reported that the defense sector in Rhode Island generates 25% of annual patents, 22% of the state's scientists and almost half of the state's professional and technical services employment.

Mr. Riendeau reported that since the 2005 Base Realignment and Closure Act (BRAC), Rhode Island plays an important role in naval training, with the Naval War College being THE place for senior officer education and the Naval Undersea Warfare Center (NUWC) being the nation's repository for undersea warfare knowledge. In addition, Mr. Riendeau noted the strategic location of the Quonset Airbase for the

National Guard. He reported that about 500 new jobs were to have been added as a result of BRAC.

Mr. Riendeau stated that the Naval Station Newport currently employs over 4,900 and is expected to employ over 5,300 by fiscal year 2011. The employees consist of officers, enlisted and civilian personnel with an average salary of \$70,000. The educational component at the Naval Station Newport is also growing at a rapid pace.

The way to leverage US defense spending in Rhode Island for the 21<sup>st</sup> century, noted Mr. Riendeau, is through innovation economy. Innovation economy players in Rhode Island include those associated with Defense Technology for Homeland Security, such as NUWC, Raytheon, Electric Boat, SAIC, SEA Corp., MRC, Rite Solutions, Purvis Systems, Smith Detection LiveWave, FarSounder, Subchem Systems and ASA. In addition, continued research and development for Defense Technology, Homeland Security and commercial applications will continue to be important and includes next generation undersea warfare, using Narragansett Bay for testing new technologies, a port security network through RI-WINS and War Games for emergency officials. Other contributors include the Center of Excellence in undersea Technology (CoEUT) and DEPSCoR proposals. Mr. Riendeau described Rhode Island as the "Ocean Tech State". He noted the first annual "Ocean Tech Expo" sponsored by Blue Wave Media in September 2007.

Mr. Stokes commented that the Portsmouth, Bristol and Providence waterfronts have also been affected by BRAC, with the Navy consolidating its operations in Aquidneck. He noted that the EDC can be of assistance to these communities with redevelopment. Mr. Kaplan stated that the team that worked on BRAC is to be commended, and that the EDC must stay focused in order to achieve the 500 jobs anticipated by BRAC.

**3. APPROVAL OF THE MINUTES OF THE MEETING HELD ON SEPTEMBER 24, 2007**

Upon motion duly made by Mr. Stokes and seconded by Ms. Merchant, the following vote was adopted:

**VOTED:** To approve the public session minutes of the meeting held on September 24, 2007, as presented to the Board this date except for a minor amendment as requested by Ms. Merchant.

Voting in favor of the foregoing were: Mr. Montanaro, Mr. Stokes, Ms. Merchant, Mr. Biliouris and Ms. Hall.

Voting against the foregoing were: None.

There being no further business in Public Session, the meeting was adjourned at 5:10 p.m., upon motion made by Mr. Stokes and seconded by Mr. Biliouris.

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Robert I. Stolzman, Secretary