

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
MINUTES OF THE AIRPORT COMMITTEE MEETING
TUESDAY JANUARY 7, 2013 – 9:30 A.M.**

The regular meeting of the Airport Committee of the Non-Flood Protection Asset Management Authority was held on Tuesday, January 7, 2014 at 9:30 a.m., in the Lake Vista Community Center, 2nd Floor, 6500 Spanish Fort Blvd., New Orleans, Louisiana after due legal notice of the meeting was sent to each Board member, the news media, and a copy of the call was posted.

Chairman Heaton called the meeting to order at 9:46 a.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

Chairman Wilma Heaton
Commissioner Pearl Cantrelle
Commissioner Darrel Saizan

ABSENT:

Commissioner Michael Stack

STAFF:

Louis Capo - Executive Director
Sharon Martiny – Non-Flood
Fred Pruitt – Airport Director

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Steve Nelson – Stuart Consulting Group
Brayton Matthews – Flightline First
Addie Fanguy – Landmark Aviation
Jonathan Buff – Hawthorne
Richard Cassler - BSW

APPROVAL OF AGENDA

Commissioner Baudy offered a motion to adopt the Agenda, seconded by Commissioner Stack and unanimously adopted.

APPROVAL OF PRIOR MINUTES

Commissioner Baudy offered a motion to approve the minutes of the October 1, 2013 and November 5, 2013 Airport Committee meetings, seconded by Commissioner Stack and unanimously adopted.

OPENING COMMENTS

Commissioner Heaton advised of a meeting with Flightline regarding the insurance issue. Chairman Scott requested that the Insurance Committee review the issue and that staff distribute a recap of the insurance issues addressed so the matter can proceed forward. This item is on the Agenda, but it should be noted that during the follow-up meeting some new information was learned. Secondly, as Chairman of the Airport Committee a commitment was made to meet with the FBOs on a monthly basis. Due to the holidays there was no meeting in December, but meetings will resume in January so please advise of your availability so a meeting date can be scheduled. These informal discussions are helpful and address various pending issues that affect the FBO's business.

REPORT ON CURRENT AIRPORT ISSUES

Mr. Pruitt reported that the fire truck has been repaired and is fully functional. A valve, which was under warranty, was installed in the E-1 fire truck that is normally installed in northern climate trucks. The valve would allow water to drain each time the truck was used in extremely cold weather. Both the E-1 manufacturer representative and the maintenance man determined the best repair plan was to install a straight pipe eliminating the problem in the future. The manufacturer absorbed the cost of retrofitting the truck. Some costs were paid to repair damage due to the initial water hammer. One aviation radio was lost due to the deluge of water, but that radio was replaced with a back-up radio.

The company that repaired the E-1 fire truck is interested in purchasing the older dilapidated 1990 Osh Kosh fire truck that does not run. Negotiations are underway to determine a price. Commissioner Heaton stated no objection to sale of the fire truck and requested that Mr. Metzger review the issue to determine if the Authority is required to have an auction. There are state requirements on public properties and how those properties are disposed of. In principle the fire truck can be sold if the Authority stays within the law. Mr. Pruitt advised that he contacted the FAA regarding sale of the fire truck and the FAA did not have an issue with selling the truck.

The NBAA Schedulers and Dispatchers Convention is January 14, 2014, followed by the National Automobile Dealers Association (NADA) convention and the All Star Game. The peak operational count during Sugar Bowl was 295 operations on Friday, January 23, 2014. The Airport currently averages 185-200 operations daily. Since Katrina operations remain down approximately 30-40%. Operations were higher pre-Katrina due to the National Guard being housed at Lakefront Airport which boosted operational counts considerably. Fuel sales for 2013 were \$2,454,870.

NEW BUSINESS

1) Update by Stuart Consulting Group on Airport projects

Steve Nelson, Stuart Consulting, stated that the three major construction projects on Lakefront Airport are the Bastian-Mitchell Hangar, James Wedell Hangar and the Terminal Building. Both projects reached substantial completion and the clear lien certificates have been received. There is one remaining issue with cracking on the site paving and a proposal was received for the repairs. The contractor is proposing to lay a glass grid over the cracked concrete topped with asphalt. The engineer of record is concerned the cracks may be structural. The contractor has retained a licensed engineer to prepare a stamped report addressing the issue.

Commissioner Stack informed the Committee that soil conditions in New Orleans do not result in the desired life of concrete due to movement and cracking. If asphalt is used, overlays can be made to the asphalt every 10 years to address cracking issues. Mr. Pruitt advised that the design was forwarded to the FAA who is not in favor of the design and will forward it to the next engineer. The Authority has to determine the best solution for all parties. Mr. Nelson agreed to forward a synopsis of the findings to Commissioner Stack for DOTD to review.

Substantial completion was signed for the Terminal Building and the Lien Certificate was received. The 45 day prescriptive window for sub-contractors to file liens has passed so there should be no issue with the Clear Lien Certificate. There are minor punch list issues that will be completed shortly. The biggest remaining issue deals with the exterior. Messina's reported water intrusion into the bar area approximately one month ago, which may be due to the sweeps on the doors or the portico roofs. Lathan examined the portico roofs and feels that the work has been properly completed. Mr. Nelson recommended pulling several pavers to ensure that Lathan completed the work. The statement from Lathan is still under warranty and the situation will be monitored. If evidence indicates that the work was not actually performed on the portico roofs, Lathan will be pressed

to complete the work. All Glass is installing new sweeps and felts on the doors which may take care of these issues.

The contractor on the James Wedell Hangar has moved ahead quickly and estimates work will be complete in January. Substantial Completion should be in February or March as that project progressed over the holidays. Chairman Heaton addressed marketing the James Wedell Hangar. Mr. Pruitt advised that Hawthorne expressed interest in leasing the James Wedell Hangar. Chairman Heaton noted that the RFP process for the Bastian-Mitchell Hangar was grueling with many months of advertising the RFP. If it is possible legally, the Authority should look to the current FBOs first as those FBO's are struggling and fuel sales are not where they were pre-Katrina. Mr. Metzger advised that under State Law the Authority has plenary authority and can enter into negotiations to lease property in the reclamation zone. It would be prudent to contact Andy Velayos of the FAA prior to requesting proposals to lease the Hangar.

Chairman Heaton noted for the record that from a policy standpoint, it is better to publicly advertise the RFP to see what proposals come back. The Authority recently exercised the RFP process at great expense and market rate has been determined. Staff, Legal Counsel and Mr. Pruitt should prepare a report and recommendation prior to the Board meeting regarding whether this lease could be fast tracked. The information will be reviewed by the Airport Committee and placed on the Board Agenda.

Mr. Nelson continued that the James Wedell Hangar is currently at \$180,000 in liquidated damages and a January completion is anticipated. At this point, the contractor is disputing the liquidated damages and has recently signed a Change Order for additional time and reserved the right to negotiate later. The contractor is progressing in a prudent manner, completing the project and reserving the right to discuss issues after project completion. There are two scenarios to address how the liquidated damages will be withheld. One scenario (the Terminal) is a capped project where the money is in the bank and the Authority pays the contractor. The contractor is not paid for LDs as FEMA is not reimbursing the Authority anything additional. The second scenario, the James Wedell Hangar, FEMA is a reimbursement program and the Authority is reimbursed what has been expended. In following the Stafford Act, the Authority has to expend the money and negotiate with the contractor to cut a check back to the Authority for FEMA to reimburse for the costs. Commissioner Stack noted if the money was expended and reimbursed by FEMA, then the Authority should forward the check received from the contractor back to FEMA. Mr. Nelson informed that liquidated damages, at a minimum, include damages incurred by the contractor's actions such as architectural expenses over and above the contract and additional costs for Stuart Consulting as Project Manager. It is written into the contract that \$500 per day is given up, which the contractor agrees to pay back. Mr. Metzger suggested consulting with FEMA representatives regarding this issue. Chairman Heaton added that the Legal Committee Chair should be informed of this issue as well.

Commissioner Stack noted if the contractor was given the money, getting that money back is not going to be easy. Mr. Nelson advised that LDs were being withheld above and beyond retainage as instructed by the Board. The Authority is paying the contractor because at the end of the job to be reimbursed by FEMA the Authority must show that the funding was expended.

2) Discussion and approval of a contract with BLD Services in the amount of \$55,800 for the Lakefront Airport Drain Line Repair & Inspection project.

Mr. Nelson advised that Stuart designed this as part of the IDIQ contract. There are two areas of subsidence on the airfield that need attention. This issue was discussed several months ago. There are two catch basins that need work and 180 feet of drain line that has to be reviewed. Two quotes were received:

Wallace C. Drennan for \$58,350 and BLD Services for \$55,800. This is sub-surface drainage work on the airfield. An alternate was included for 1,100 linear feet of CCTV work. It is recommended that the Committee accept the alternate given the condition of the airfield and the fact that the lines run underneath the taxiway. Mr. Capo advised that this repair is not included on the budget, but money to pay for the repairs can be pulled from Contractual Services, Materials and Supplies and Professional Services.

Commissioner Stack noted the alternate is for a video inspection of the remaining lines in the area. BLD, the low bidder for the alternate, submitted a bid of \$22,000 and Wallace C. Drennan is half of that on the base bid. Mr. Nelson advised that BLD's base bid is \$32,700 and Wallace C. Drennan's base bid is \$46,800, but Drennan was lower on the cost of Alternate No. 1. The unit prices for CCTV are slightly high, but it is unlimited quantity and there are only three entities in southeast Louisiana that do CCTV.

Mr. Pruitt advised that there are also issues with the lines involved in Alternate No. 1. One drain line is collapsed by a drain outlet and a second line contains five collapsed areas along the drain line on the opposite side of the taxiway. The line goes underneath the taxiway, has one collapsed area on one side of the taxiway and the collapse starts on the other side of the taxiway. These are C and I, which are the base bid. Mr. Nelson noted that lines C and I have ongoing damage and the remaining lines are in areas where there is a strong suspicion of damage given the condition of the lines and catch basins. Commissioner Stack clarified that the base bid is for emergency work and the Alternate is a video inspection. The base should be awarded and another contractor could be contracted as a stand along to inspect the lines.

Commissioner Stack offered a motion to rescind the bid with the alternate included, seconded by Commissioner Baudy and unanimously adopted. Commissioner Stack offered a motion to approve the base bid without the alternative, seconded by Commissioner Baudy and unanimously adopted.

3) Discussion to allow Flightline Ground, Inc. to acquire property, flood and general liability insurance

Chairman Heaton advised that it has been a policy prior to this Board's inception that the FBOs reimburse the Non-Flood Authority for insurance premiums. One of the major issues is that the premium is based on a replacement value, which makes a big impact on the premium. Chairman Scott requested the Insurance Committee review this issue as this is a major policy change.

Richard Cassler, Legal Counsel – Flightline, stated that there are two separate, but related issues regarding insurance premiums. The first issue is the amount required to be insured and if the building is required to be re-built in a specific manner or can the building be re-built to a lesser, but legal standard.

The second issue is who is required to purchase the insurance; the Non-Flood Authority or can Flightline purchase insurance with the Non-Flood Authority named on the policy. A representative from GOHSEP confirmed it is acceptable for the FBO to purchase the insurance with the Non-Flood Authority properly named on the policy. Flightline is in the process of having an appraisal prepared for actually rebuilding the building and is communicating with insurance entities to determine if a cheaper premium can be obtained. Relief is being sought for both issues addressed above. Flightline is requesting that the lease be amended to allow the FBO to purchase insurance on the building at a cheaper rate if possible and to clarify the exact amount to be insured. The building value for Flightline rose from \$2 million two years ago to over \$9 million for the exact piece of property.

Chairman Heaton stated her support for fairness to all FBOs. The amount of insurance the Authority requires the FBOs to cover should protect the Authority first and foremost, but should be fair and equitable to the FBOs. The Authority must first determine what is needed as an agency to have proper coverage. Secondly, a policy decision must be made regarding who should acquire the insurance. After reviewing this issue it was discovered that one hangar was required to carry one amount of insurance and a second hangar with the same square footage was required to carry a different amount. Board Chairman Scott requested the Insurance Committee review this issue at length to ensure that bigger problems are not created in solving Flightline's issue. The Authority must protect its property, but at the same time treat everyone fairly.

Mr. Capo addressed the change in stated building value from \$2 million two years ago to \$9 million. Properties at the Airport have not been re-appraised since the mid 1990's. As a result of Katrina it was determined that several buildings were under-insured. All buildings were re-appraised which led to the jump in value. Chairman Heaton noted that one FBO feels it is required to pay a much higher premium on the same square footage than other competitors. There is some concern regarding fairness, which is also affecting Flightline's bottom line. Mr. Cassler noted that number is based on the cost to rebuild the Bastian-Mitchell Hangar to what it looks like. This is not a fair comparison as Flightline can be rebuilt and meet all current standards without having to be built like the Bastian-Mitchell Hangar is built.

Commissioner Stack stated if the FBO can find cheaper insurance than the Authority in the market place, the insurance issue should be addressed. Chairman Heaton noted that the issue has become more about what coverage should be required versus who buys the insurance.

Addie Fanguy, Landmark Aviation, advised that one advantage of an FBO purchasing the insurance premium is the FBO has more control over construction and rebuilding the property without state issues, regulations and laws. Landmark has many properties insured with Landmark's risk management company and there was no difference in the premiums. The big issue is control over the money to start construction quickly and without any bureaucracy. Chairman Heaton clarified that Landmark was grandfathered in on the policy to be allowed to purchase its own insurance. The policy had been in place prior to Million Air and is how the lease was written. Landmark had more control of the money, but checks required dual signatures by the Levee District and Landmark's President and everything Landmark did had to be approved by the Levee District.

Mr. Metzger advised that insurance is set up on the new Bastian-Mitchell lease the same way that insurance is set up for Flightline; the FBO reimburses the Authority. Commissioner Stack clarified that in the event of a catastrophe Landmark takes responsibility for rebuilding the property. Landmark carries the insurance policy with the Non-Flood Authority is named as the co-insured. Mr. Metzger advised that the check is written to both parties. Commissioner Stack noted that part of the approval process is through GOHSEP and FEMA. Chairman Heaton noted that Mr. Nelson contacted GOHSEP to determine if there was prohibition of the Authority allowing the FBO to purchase the insurance and there is not.

Mr. Capo advised that Winn Perkins, the expert on Airport appraisals, will forward a proposal for preparing an insurable value appraisal. The request for Mr. Perkins' proposal will also address Hawthorne's request to acquire its own insurance.

Chairman Heaton advised that no action would be taken on this issue. The goal to resolving the matter is a recommendation to the full Board and to provide Board members with all of the necessary information.

Mr. Fanguy addressed the PAPI lights for the runway and noted that lack of the PAPI lights is a major safety issue. Mr. Pruitt informed that there has been no word on the PAPI lights from the FAA. A letter was directed to Mary Landrieu's office requesting assistance with the PAPI light matter. Mr. Fanguy advised several pilots wanted to contact the news media with the issue. Mr. Pruitt noted that parts for the PAPI system are in New Orleans, but it is an installation issue with the FAA. The cost to repair the PAPI system is approximately \$40-\$60,000.00, but the FAA's cost is quite a bit more. The PAPI system is FAA equipment and the FAA is concerned to some degree about flooding issues at the Airport. If the issue was pushed through the State Aviation Department, the State would fund the equipment which would then become the Authority's responsibility to maintain that equipment and the Authority does not have the technical expertise to maintain that type of equipment. Mr. Fanguy advised that the Airport and FAA have been put on notice. If a pilot is involved in a fatal crash it will be another black eye for Lakefront Airport.

Chairman Heaton requested this item be put on the Board Agenda and an action plan be prepared prior to the Board meeting. Staff should prepare a report stating the problems and obstacles that are currently in place so the matter can be reviewed and a path to the solution can be prepared. If no action is taken to move forward and a death occurs this Authority may be liable. All information and recommendations are needed. There will be challenges as there is no recommendation and the Committee will be needed to assist in pushing the issue forward with the State and Federal governments.

ADJOURNMENT

Commissioner Baudy offered a motion to Adjourn, seconded by Commissioner Stack and unanimously adopted.

ANNOUNCEMENT OF NEXT MEETING

The next Airport Committee meeting is scheduled for Tuesday, February 6, 2014 at 9:30 a.m.

The meeting adjourned at 10:39 a.m.