

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, DECEMBER 2, 2010 – 4:30 P.M.**

The regular monthly meeting of the Finance Committee of the Non-Flood Asset Protection Management Authority was held on Thursday, December 2, 2010 at 4:30 P.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 Hoffman called the meeting to order at 4:50 p.m. and led in the Pledge of Allegiance.

The roll was called and a quorum was present.

PRESENT:

Chairman William Hoffman
Commissioner Michael Bridges
Commissioner Stanley Brien
Commissioner Carlton Dufrechou

FURTHERMORE PRESENT

Commissioner Joe Hassinger

STAFF:

Rob Aucoin, Non-Flood
Dawn Wagener, Non-Flood
Sharon Martiny, Non-Flood

ALSO PRESENT:

Steve Nelson
Charles Curtis
Albert Pappalardo
Gerard Metzger
Wayne Francingues

OPENING COMMENTS:

Chairman Hoffman addressed the Authority's significant financial challenge regarding the previous budget ending on June 30, 2011 which was balanced through the use of one time funds from the Bally's settlement. Without these funds the budget would show a deficit of approximately \$2.5 million. Based on budgeted numbers as of June 30, 2011, the Authority will have approximately \$1.5 million left from the Bally's settlement. Assuming a standstill budget for year ending June 30, 2012, the Authority will be depleted of cash halfway through the fiscal year. This obviously is not acceptable. Over the next few months each committee needs to work with management to prepare a budget for 2012 that will be balanced without the use of these one-time funds. We will have to find ways to increase revenues and reduce expenses in the range of approximately \$2.5 million which may result in some very tough decisions over the next few months. Chairman Hoffman requested that management look at all aspects of the Authority's operations, what activities the Authority is legally obligated to perform, what activities generate revenue and what activities control costs. We need to develop a list of recommendations to present to the Board which allow the Authority to adopt a balanced budget for fiscal year ending June 30, 2012. Chairman Hoffman also requested that management develop recommendations for reducing expenses for the remainder of the current fiscal year and also to help develop a plan to educate the public about the Authority's fiscal challenge seeking thoughts and ideas on how we might address these challenges.

Commissioner Bridges agreed and added that this year is balanced with one-time funds and this is something to be very careful about as we don't have a recurring revenue base. Anything that we save now will help towards next year because monies carry over from fiscal year to fiscal year. Anything we save now will help us in the long term.

APPROVAL OF AGENDA:

Commissioner Brien offered a motion to adopt the agenda, seconded by Commissioner Dufrechou, and unanimously adopted.

APPROVAL OF MINUTES

There were two sets of minutes from the Finance Committee for approval, October 21st and November 4th. Commissioner Dufrechou moved to adopt the minutes of October 21, 2010, seconded by Commissioner Brien, and unanimously adopted.

Chairman Hoffman noted one correction on the minutes of November 4, 2010. A motion to adopt the minutes of November 4, 2010, as amended, was offered by Commissioner Brien, seconded by Commissioner Dufrechou, and unanimously adopted.

PRESENTATIONS

Mr. Capo presented a detailed analysis and P&L for all current properties and functions. The Non-Flood Administration includes admin staff, property maintenance, Senator Ted Hickey Bridge and bridge tenders and the OLD police department. The revenue is comprised of police take home vehicles, flood side police 50/50 cost sharing, and transfers in from the Bally's settlement. We project \$3.9 million in revenue and \$4.8 million in expenses for this current fiscal year. We will have an operating loss of approximately \$860 thousand. The operating loss will balance out once we combine the revenues with our other revenue generating properties.

Mr. Capo stated that under contractual services the most notable items were grass cutting - \$750,000; the Insurance - \$160,000; Workers Comp. Insurance - \$55,000; Utilities - \$68,000.

Chairman Hoffman questioned if these are annual premiums paid in the beginning as opposed to this being an overrun for the first four months of the year. Ms. Wagener explained all insurances were paid except auto liability which will catch up around March.

Interdivisional Goods - \$81,000; those are the goods and services that are provided by the flood side to us.

Chairman Hoffman referred to Trash Collection Services - \$31,000 in year to date compared to the \$80,000 in the budget and questioned if we are going to overrun for the year unless we don't collect trash during a few months.

Mr. Capo explained during heavy months of spring and summer we pick up trash on Lakeshore Drive 5 days a week at \$1,900 per week. During the winter this is reduced to twice weekly. Additional services will pump that number up slightly. Currently, trash pick-up is approximately \$1,400 per week. There is \$48,000 remaining which will cover us through next spring. Trash pick up is similar to grass cutting, heavy in spring and summer and slower in the winter.

Mr. Capo then addressed Auto Repairs which is for police vehicles sent out for repairs such as engines, transmissions and body work. There are two groups of repairs, in house and outside vendors. Contractual Services is budgeted at \$1.37 million. We have spent \$614,000 and have \$764,000 remaining. The large numbers are for insurance and we will have another hit next April. Previously, the insurances expired at the same time at the end of the fiscal year but since the storm they are out of sync, expiring and renewing at different times.

Chairman Dufrechou questioned the motorcycle annual budget of \$1,000. Mr. Capo stated this was for police motorcycles that are used, weather permitting, for traffic control and special details. Motorcycles are also used when dignitaries come to Lakefront Airport seeking an escort.

Autos/Trucks Fuel is mainly for the police. Year to date we have spent approximately \$30,000 on fuel and we have \$76,000 remaining.

Chairman Hoffman questioned Accounting and Auditing of \$8,000. Mr. Capo explained that part of that is the actual audit cost with Rebowe. Last year we paid \$10,000 – 12,000 to Rebowe's firm for the audit. Although Non-Flood did not have a separate audit last year, we are looking into the possibility of a separate audit going forward.

Chairman Hoffman requested this be put on a list of things to talk to the Flood side about because it may not be appropriate to pick up audit fees from June 30, 2010 which was prior this Authority. We did not receive a specific audit report on just the Authority, it was on a consolidated statement.

Lake Vista Community Center is projected to have \$131,000 in revenue. We have received \$44,000 for this building and we anticipate another \$87,000 by the end of the fiscal year. Utilities, gas and water; we have one property in this building with two different tenants and one meter who share a 52/48 cost. The second tenant moved out so the 48% is placed on us. Utilities Income is when we receive the bill and charge the tenants money for the reimbursement. Three units are not leased and two of the units are in bad shape needing extensive work.

Orleans Marina is split into two revenue sources. The open boat slips and the boathouses. Between the two we are projecting \$1.25 million in revenue. We received \$619,000. These are billed on a quarterly basis with rents due every quarter. It seems high because we probably have unearned revenue.

The Orleans marina currently has one office coordinator, a manager over both Marinas, two security personnel and one maintenance person. We pay for water and tenants contract with Entergy for electrical services. Janitorial Service includes cleaning restrooms, the laundry room and the showers. The prepaid insurance was higher than we anticipated; \$60,000 was paid and \$54,000 was budgeted. Trash Collection and keeping the piers clean for tenants is done on a regular basis. Contractual Services is budgeted at \$217,000 and we spent \$132,000.

Piers/Catwalks/Bulkheads - \$25,000 is what we budgeted for repairs to finger piers and/or docks. For those repairs, we have spent just under \$1,400. Professional Services deals with boathouse tenants as we have taken back boathouses and placed some tenants in default. Net Income, revenue over expenses for Orleans Marina, is a positive net income year-to-date of \$363,000.

South Shore Harbor is revenue projection is approximately \$300,000 this fiscal year. Year to date we received \$194,000.

At South Shore we use day laborers to help with clean up and repair as opposed to hiring a Civil Service employee. This was not budgeted because South Shore was not up and running. Mr. Capo added this includes security. South Shore Harbor contracts with Weiser Security for security guards Monday through Friday from 7:00 p.m. to 7:00 a.m. and 24 hours on the weekend. There are no current full time South Shore employees. Insurance is slightly over what we expected; \$81,000 versus \$70,000. Utilities are over spent with water being a big component because of issues with Sewerage and Water Board regarding broken lines. We have astronomical bills from Sewerage and Water Board and our water usage does not increase by doubling or quadrupling.

We project Lakefront Airport revenues of approximately \$1.5 million and year to date we received \$560,000. Total expenses are projected at \$2.03 million resulting in a net loss of approximately \$533,000. Currently, the YTD loss is \$286,000 for these four months.

Chairman Hoffman questioned if that is being recorded in the internal financial statements as a loan so when the Airport starts making money it is going to pay back the Administrative side. Mr. Capo stated that historically we have not. This may be a legal question we have to confirm with FAA on the proper way to record this as a loan not violating any revenue diversion assurances of the FAA.

Chairman Hoffman added that the money is a surplus or revenue and when the Airport gets into the black, it is restricted to Airport functions. Monies the organization spends to support the Airport has to be paid back by future Airport funds. We need to track that because that is money that eventually we are going to need.

New Basin Canal is the cleanest and easiest. We are projecting \$600,000 in revenue and we have received \$333,000 to date. We have insurance and rental costs. We are projecting New Basin Canal will generate \$579,000 in revenue; year to date we received \$328,000. Commissioner Brien questioned legal expenses for New Basin Canal. Mr. Capo informed these are defaults. We have funds in there for the Landry's lawsuit. We have placed J&J Partners in default, and the lease was cancelled and we have a Judgment against one of our tenants. There is also the proposed lease for the Pontchartrain Ferry that we have been working on.

Chairman Hoffman added that we need to keep in mind these financials are prepared on a cash basis as opposed to the accrual basis. That is why on the 2011 budget you see a revenue of \$7.7 million and expenses of \$7.7 million. There are two major items; Personal Services which are payroll and related costs of \$4.2 million and Contractual Services of \$2.8 million. Within that number there are large numbers such as Grass Cutting - \$750,000 and Insurance, which is several hundred thousand. We will have to look at personnel and what we are legally obligated to provide and what we are not as we develop recommendations for next year. We need to focus on what we can reduce between now and the end of the year. Additional revenues from outside our own resources may take time so we need to watch all of our pennies real careful.

Commissioner Bridges commented we are 1/3 of the way through the year and we spent about 38% of our budget. We had a lot of stuff up front so we are right on track.

Commissioner Brien addressed policy periods on insurances and ways to bring those back together at one concurrent period. Operations are disparate in terms of types of insurances and markets available. Since this is such a large item, if we are able to bring those back to one anniversary period without it being terribly punitive - if insurers want a short rate to change the policy period - that might be an opportunity to stream-line this. There may not be the opportunity to right all of them but it would be an opportunity to look at insurance at one time.

Mr. Capo stated it fell out of sync after the storm because properties were not insurable and we could not afford general liability. When we could afford, we acquired it so properties' insurances were out of sync. Budget wise it is easier because come June or July 1st we know the budget for insurance. It is easier to spread that across the 12 months of the fiscal year. We are crossing fiscal years and it becomes trickier. I will check with our insurance carriers and inquire as to the mechanism of getting these in sync under the fiscal year calendar.

OLD BUSINESS

1. Budget Considerations for Remainder of 2010-2011

Chairman Hoffman recommended the Board to institute a hiring freeze for the remainder of this year as a policy to protect any remaining funds.

Commissioner Bridges questioned vacancies. Mr. Capo informed in Police we have vacancies in dispatch and there are vacancies where officers have left. We are in the process of setting up a new ISIS number with Civil Services. As a position becomes available, we petition Civil Service to create that position. Commissioner Bridges questioned the number of permanent positions. Mr. Capo informed we have 63 permanent positions, 65 on our budget and 63 on the payroll.

Commissioner Bridges supports the motion to recommend to the Board a hiring freeze subject to a critical need that it has to come back to the Committee and then recommend it back to the Board.

Chairman Hoffman then addressed a release from the State Division of Administration regarding a freeze on state hiring under Civil Service and questioned if we fall under that. Commissioner Bridges informed each agency has authority to implement hiring freezes if they care to do so. Currently, there is no statewide hiring freeze.

Commissioner Bridges offered a motion to recommend to the full Board to institute a hiring freeze. If there are any critical needs that come back to this Committee we would recommend that to the Board, seconded by Chairman Dufrechou and unanimously adopted.

Chairman Dufrechou questioned the number of police dispatchers. Mr. Capo stated there was one dispatcher. A ranking officer serves as a dispatcher so we have someone 24 hours. We have been operating like this since after the storm.

2. Health Insurance

Mr. Francingues addressed the health, dental and vision program. Health and vision came through with a zero rate increase. If we keep our plan the way it is it would have a -1% renewal. If we allow the new preventative health care program that allows for new procedures available under the Health Care Reform law become part of our contract, it is a 1% charge. The choice a 1% savings keeping the plan the way it is or apply additional preventative measures keeping costs where they are today. We went to Aetna, Blue Cross, Signa, and Coventry. Each carrier said the rate renewal is fair and they could not compete. Blue Cross did not participate because of the high percentage of retirees. The dental plan had a 14% rate increase which is nothing more than a factor of usage in a dental plan. Crescent Dental, our carrier for years has had rate increases through the years. This is one of the higher ones which impacted our rates about 14%. We had two proposals that have come back based on our letter, the others declined to quote. Our recommendation is to stay with Crescent Dental because the people are satisfied and the dentists on the plan have performed well. This increase is a little higher than normal but it is something that should smooth its way through the year and we should be in better shape for next year.

The vision plan came in also with a no rate increase. For frames there is an allowance of up to \$130.00 with United Health Care. The United Health Care plan allows frames, lenses and exams every 12 months. The recommendation is United Health Care with no rate increase as the plan that will give employees the best benefits for the dollars being spent.

Chairman Hoffman questioned if the Flood side agreed to what is being recommended. Mr. Francingues stated there has been no final vote at this point. Without each division having its own federal ID number United Health Care cannot quote it as two separate organizations. Currently, we are considered a large group with 200 plus employees covered by the plan. When split, this falls into the small group area with little flexibility in plan design and higher rates with a 6-8% change right off the top. A small group is under 100 employees, a large group is over 100 employees.

Chairman Hoffman addressed the federal ID number and who owns the number. We want to confirm that Flood side has their own separate number because they have been part of the larger entity and I question whether they have to get a new federal ID number. Mr. Capo stated that The Orleans Levee District retains that number.

Mr. Capo questioned grandfathered status if we get a new tax ID. Mr. Francingues informed after March 23, 2010, a new plan is created which would mean that you will be non-grandfathered. One other issue that comes up is the one retiree over 65 on Medicare who would not be eligible under a small group program. The dental company will set it up as two separate groups with one ID number which would be the first step into the split between Flood and Non-Flood.

Chairman Hoffman recommended to not split until the overall game plan is devised and then do everything at one time as opposed to having different programs.

Mr. Francingues referred to the proposal Carol prepared stating for 58 people Orleans Levee District has an annual premium in the \$690,000 range with employees picking \$123,000 for approximately \$800,000 total premium. The premium for the one 65 year old retiree is \$7,300 and the five who are pre-65 is approximately \$52,000. For the three separate actives and retirees, the Levee District has an exposure of approximately \$729,000 and employees have approximately \$143,000 for a total of \$873,000. That is not an increase. The United Health Care vision plan in place today has no increase. Non-Flood Asset's Delta Dental is a 14% rate increase that totals about \$25,000. Retirees pick up the cost of their dental plan which is about \$3,800. We don't handle the Non-Flood or anybody's life insurance here, the total cost paid by you would be about \$1,900 for the year and on the employee assistance program it is about \$1,600. Those are all dollars by plan that you will be looking at come 2011. This based on a calendar year.

Commissioner Bridges suggested it might be advantageous to sync it with the fiscal year because if we approve this we are committing to a year and it is going into the next budget year which has not yet been prepared.

Mr. Francingues stated the health insurance program, deductibles, co-insurance and out-of-pocket maximums all work from a calendar year basis. If the plan has an anniversary in August you will have an overlap for the next four months. Deductibles are still accumulating from January with a new plan year starting. You have a difference between plan year and fiscal year or the calendar of the benefit schedule and that does not change. Insurance is on a month to month basis so at any time you could discontinue and start a new plan.

Mr. Capo recommended approval of the current insurance proposal and to continue reviewing this for upcoming budget hearings. Historically the employee never paid for health care. In '06 we imposed a 15% cost share with the employee. That may be one of the things I will put into my cost saving measures as we go forward. As presented today, my recommendation would be to approve it.

Chairman Hoffman agreed with the caveat that it be dependent on approval by the Flood Authority.

A motion was called for approval of the health plan with the caveat that it is dependent upon approval by the Flood Authority since we are actually part of their plan. The motion was called by Commissioner Bridges, seconded by Commissioner Dufrechou and unanimously adopted.

Mr. Capo referred to the hiring freeze with the State and stated earlier this year the State froze the merit increase for classified positions and classified ranks from July 1, 2010 through June 30, 2011. Also, the employee contribution for LASERS increased from 18% to 22% which is a significant increase the agency pays toward employees' retirement.

NEW BUSINESS

1. GOHSEP Letter

Mr. Capo stated that in November GOHSEP reviewed FEMA projects and found no violations. The FEMA projects we have left are all in accordance with FEMA guidelines.

ANNOUNCEMENT OF NEXT FINANCE COMMITTEE MEETING

Mr. Capo announced the next Finance Committee meeting is scheduled for Thursday, January 13, 2011 at 4:30 p.m.

ADJOURNMENT

A Motion to Adjourn was called by Commissioner Bridges and seconded by Commissioner Brien and the meeting was adjourned.

The meeting adjourned at 6:15 p.m.