

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY  
FINANCE COMMITTEE MEETING MINUTES  
THURSDAY, FEBRUARY 3, 2011 – 4:30 P.M.**

The regular monthly meeting of the Finance Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, February 3, 2011 at 4:30 P.M., in the Lake Vista Community Center, 2<sup>nd</sup> 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 4:30 p.m. and led in the Pledge of Allegiance.

The roll was called and a quorum was present.

**PRESENT:**

Chairman William Hoffman  
Commissioner Stanley Brien  
Chairman Robert E. Smith Lupo  
Commissioner Carlton Dufrechou

**ABSENT**

Commissioner Michael Bridges

**STAFF:**

Louis Capo, Executive Director  
Rob Aucoin, Non-Flood  
Dawn Wagener, Non-Flood  
Sharon Martiny, Non-Flood

**ALSO PRESENT:**

Steve Nelson

**APPROVAL OF AGENDA**

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

**APPROVAL OF PRIOR MINUTES**

Commissioner Brien offered a motion to approve the minutes of the Finance Committee meeting of December 2, 2010 and January 13, 2011, seconded by Chairman Lupo and unanimously adopted.

Chairman Hoffman suggested after Item No. 1, Accounts Receivable and Aging reports would be addressed followed by discussion on the 2012 budget. Chairman Hoffman distributed a memorandum with proposed budget cuts. See Attachment A.

**OLD BUSINESS**

**1) Fiscal Year 2011 Budget to Actual**

Mr. Capo addressed the agency budget versus actual. Total revenues projected in the budget for 2011 is \$7.7 million. Through January 31<sup>st</sup> we have received \$4.4 million with \$3.3 million to be received. So far this fiscal year we have transferred \$638,000 from the Bally's settlement with \$2.5 million projected. In April we have a large insurance premium due in the range of \$300-\$390,000 and we may need to draw down from the Bally's settlement. Currently, we are at \$638,000 of the \$2.5 million projected transfer from the settlement.

Chairman Hoffman noted that the financial statements are on a cash basis as opposed to accruals. It is only the revenue we recorded because of advance payments for rentals. Some expenses recorded, such as insurance, are for the whole year.

Ms. Wagener stated that \$1 million of our Operating Revenue has yet to be collected. We have collected 2/3 of that and it looks like we will be ahead on those revenues. The Airport is going to collect a bit more - particularly in fuel flowage - than we anticipated. Personal Services is where it should be. There is not much budgeted in Travel. Contractual Services, we have spent \$1.8 million and we have \$100,000 left in the budget. Most of the money being spent is grass cutting, the biggest line item in that category of expenses.

Chairman Hoffman questioned the insurance. Ms. Wagener informed this is property insurance due April 20<sup>th</sup>. Also noted we have increased the legal budget for this year twice which is not reflected in the expenses. There is a large expense in Other Charges of \$480,000 which is mostly a bad debt expense written off this year. This was not budgeted because that is not a cash item at this point. Computers were purchased early in the year for \$10,000. We are on track for a deficit of \$668,000 for the year but we still have money left. In that \$668,000 is the \$480,000 for debt expense.

Chairman Hoffman asked if travel expenses were reviewed by Mr. Capo. Mr. Capo stated that state guidelines are followed and everything is approved and reviewed for compliance to the state travel regulations. Some of the firemen had to travel for training to keep with their certification. Ms. Wagener and Mr. Capo attend GFOA conferences in Baton Rouge which is overnight travel and very minimal.

## **NEW BUSINESS**

### **1) Discussion on Wedell Hangars – Potential Alternate Project Funding**

Steve Nelson of Stuart Consulting Group presented three spreadsheets highlighting options for the Wedell Hangars: highest potential cost burden, least cost burden and potential alternate funding sources should the Authority choose not to use Walter Wedell as an alternate project. On the first sheet the terminal is estimated at \$7.5 million and FEMA has obligated \$2.5 million on paper that will be covered leaving a delta of almost \$5 million. Walter Wedell bid at \$5.3 million and the insurance deduction is \$958,000. There is a 5% rebid and redesign fee of \$33,000 which we will pursue reimbursement on and there is an estimated \$100,000 in ineligible scope for the portico share of the landscaping, which leaves \$4.2 million. FEMA has confirmed that on other alternate projects they do not take the 25% cut until insurance is deducted and these other numbers would not apply to that 25% deduction which saves about \$300,000. The deduction that you would lose the finance charge would be just over \$1 million leaving us a remainder of \$3.1 million that Walter Wedell would yield. \$1.8 million would have to be covered using other sources. There is an alternate project with the FAA Building to use \$1.2 million to cover this delta. The Naval Reserve PW has \$1.9 available in alternate funding which was to be used at the Harbor or the Marina and we do not want to tap into.

Mr. Nelson advised that the second page would be the solution. The priority of the Board is to have the terminal built; that trumps other priorities in time being of the essence. This second option is the one that Mr. Nelson recommends in light of those circumstances. There was some discussion about splitting instead of taking the 25% hit on an alternate project. Improved projects are one to one reimbursement from FEMA. James Wedell and Bastian Mitchell projects are

both hangars. If we divert funding to these 2 projects it would be one to one and we would not take the 25% hit. Between ineligible scope, wind insurance deductions and excess NFIP deductions we would be able to divert almost \$2 million in one to one improved project changes. FEMA is willing to start discussing this so we will have negotiated with them how we want to craft these version requests. FEMA has not put this in writing, but I believe the opportunity is there. Regarding wind insurance, our wind insurer has paid us in lump sums and has not allocated those lump sums. If at some point the wind insurer tells us that this is what we actually paid you on this building, we would have to go back to FEMA and discuss potentially paying back funding. There is litigation pending so they will not tell us what they are allocating.

Chairman Hoffman commented that Steve and his team have come up with a methodology that is defensible regarding how we have allocated it for things like this.

Mr. Nelson informed of a meeting with the state's insurance specialist who informed us with the flood insurance at such time as the settlement is received there is any number of ways we can make this work.. We can choose to allocate wind insurance however we feel is needed. In essence, that is what they have told us. FEMA will reimburse for legal expenses related to pursuit of litigation. There is \$2 million we won't take the 25% hit on which leaves us with \$2.2 million and a deduction of 25% on that \$2.2 million. We would save about ½ million dollars. The alternate funding then is \$1.6 million. Insurance money that would have been used on Bastian Mitchell can now be used on the Terminal without taking a hit, which then gives us almost \$3 million. FEMA has indicated verbally that inclusion of a sprinkler system, approximately \$850,000, should not be an issue. I have not seen that in writing but feel optimistic that will be included on the next budget worksheet. This leaves a delta of only \$1.1 million which can easily be covered by the FAA alternate with additional left for changeover should that arise.

Chairman Lupo questioned if there will be savings on the fire suppression system. Mr. Davis stated that the current PW version written does not include sprinkler systems. FEMA has not yet picked guaranteed funding for a sprinkler system. Mr. Nelson added that this was always going to be part of the construction costs but it was not obligated by FEMA.

Chairman Hoffman commented that it is in the \$7.5 million but not in the \$2.5 million we were expecting from FEMA. Mr. Davis stated it is more like \$1.2 million. \$850,000 is a conservative estimate we are comfortable with getting although we could get more. We have a special platform for the generator that they have to pay for. We have a sprinkler system, paneling in the Walnut Room, hard wood flooring in the post office and additional costs for the terrazzo and marble restoration. They estimated \$2.69 a square foot but it is more expensive. We think the numbers are going to be more like \$1.2 million but we don't know. FEMA may negotiate. Mr. Davis went on to state that if you take the FAA Building when we have completed the funding we still have that \$1.9 million to go back to. This is definitely the best scenario to move everything forward as quickly as possible.

Mr. Nelson addressed the final option, should the Authority decide that they do not wish to de-obligate Walter Wedell. There is other funding available that will be pursued regardless of what we do with Walter Wedell. The first two options will likely take 4-6 months because we will have to write numerous project worksheet versions. We have get FEMA to the table and that will take time. This last option will be approximately 6-12 months in order to recoup all the funding we are looking at.

Mr. Nelson stated that the first sheet is Highest NFPA Cost Burden, the second sheet is Least Cost Burden and the third sheet is Alternative.

Chairman Hoffman recommended not proceeding with rebuilding the James Wedell Hangar and use the funds as indicated on the Least Cost worksheet to help fund the Terminal interior. Mr. Nelson stated that the second option gives you the added benefit that you will be able to move James Wedell forward as well. In the first option we are not putting any money on the James Wedell.

Chairman Lupo thanked all of the experts and also Chairman Hoffman for the concept of the meeting because this is really good news.

Mr. Davis suggested when the James Wedell is bid as an individual hangar to bid the Walter Wedell as an individual hangar also because the fact that we re-bid it as two separate PWs, we might get a more inflated cost off of both of them in which case the dollar amounts actually may go up. Chairman Hoffman stated that is a very good point. These gentlemen have been able to work with the system and obtain better understanding of the system; that is where the benefit comes in because they know the rules.

Chairman Lupo offered a motion not to proceed with rebuilding the James Wedell Hangar and use the funds as indicated on the Least Cost worksheet to help fund the Terminal interior, seconded by Commissioner Brien and unanimously adopted.

### **3) Accounts Receivable Aging Report**

Mr. Capo first addressed Lake Vista Community Center stating that \$9,453.00 is for utilities for one of our tenants. This meter is a shared meter with a tenant who has moved out. These are back utilities that this tenant owes us which is in dispute. Two tenants occupy spaces with one shared meter and it is split 52/48%. The way the lease is constructed, the tenant is only responsible for 52% of that utility bill. Since we do not have the other space leased, then we are responsible for the 48%. This was not included when we wrote off bad debts in Lake Vista because that may be collectible.

The \$1,000 for Lakefront Play Palace is a Judgment against the former tenant in which they have 2 more payments. The next is the Orleans Marina. The negatives are pre-pays, people who have paid for more than one quarter, some have paid for the full year. Two are very high numbers. Charles Curtis has started eviction proceedings against two tenants.

South Shore Harbor has one tenant that we have placed a notice to seize the boat for non-payment. The Airport has two tenants who constantly dispute the square footage. We constantly have to prove to them that this is the square footage and these are your lease payments that are due. Another tenant has become very slow in paying but we stay on top of them.

Chairman Lupo informed the Committee that there has been a Complaint filed by Flightline with the FAA on the disposition of the Aeropremier lawsuit that the Authority is handling. As a result, Chairman Lupo directed the Administration to handle this very carefully as it relates to their lease as there is a possibility they would file something stating we are taking punitive action against them for filing that Complaint. Chairman Lupo noted for the record to be very, very careful on how we handle any defaults of that tenant.

Chairman Hoffman questioned whether the Fuel Flowage Fee charge is a separate document from the lease and Mr. Capo confirmed that it is separate. Chairman Hoffman then asked if there is a document that states if they don't pay within the stipulated time they can no longer access fuel on the facilities. Mr.

Capo informed that the attorneys advised that we could not do that because the fuel belongs to the FBOs, we do not own the fuel. Previously, we purchased the fuel and stored it in the tank. When the FBO bought fuel from us they would buy it at cost plus the fuel flowage fee. Since Katrina we have changed the policy and we no longer purchase fuel. The FBOs purchase the fuel and store it in our tanks.

Chairman Lupo commented that it doesn't make any difference if it is their fuel. There are container companies all over the world and you don't get your product out of their container unless they are paid. There must be problems with the agreement or how the fuel flowage works. The fact that they own it should make absolutely no difference if they are not paying us for the use of storage and the flowage.

Mr. Capo addressed the Million Air back rent. Million Air owed back money and as opposed to paying us cash, Mr. Taylor moved into that space and we are getting a credit against the money that they owed us. There are 9 months left and that is why it is important that we get the terminal up and operational.

Mr. Capo then referred to Warner Bros. and their issue of who had control of that building; Warner Bros. or Lathan Company. It is a \$7,000 figure which we are trying to get from Warner Bros. because we feel they had control of that building and should be responsible. Lathan was the construction company doing the exterior and claims he was out of the building.

Chairman Hoffman questioned if some type of resolution is expected. Mr. Capo informed that he is hoping to have that resolved by next Finance Committee meeting. On New Basin Canal, Landry's had a CPI adjustment which they are refusing to pay. Mr. Anzelmo, who is handling the litigation against Landry's, is trying to get in touch with the Landry's attorneys to have them submit the increase. \$4,125 represents the quarterly CPI adjusted increase. The courts stated that the rent should be adjusted by the CPI. If we do not get a response soon we will put them in default also. Pontchartrain Enterprises is more than 30 days and they have conveyed to Rob that they will be sending a check.

Chairman Hoffman stated that the receivables are in much better shape than they were 45-60 days ago and commended everyone for continuing the hard work to collect as much cash as we can.

## **2. Discussion and follow up to FY 2012 budget request**

Chairman Hoffman stated that in the previous Finance Committee meeting and after the budget hearing, we asked the administration to go back and look at possible ways to bring the budget into balance.

Mr. Capo stated that at the budget hearings the agency wide deficit was approximately \$3 million. With cuts, additions and subtractions this budget reflects an \$838,000 deficit. In reducing the budget, the OLD Police Department would be transferred to the Flood side or some other agency. Seabrook/Ted Hickey Bridge and the four employees would also be transferred. We would also hold grass cutting to the same level of spending as today. \$1 million was proposed at Monday's hearings for future grass cutting but that was rolled back to where we are today at \$750,000 which will be maintained through adjusted frequencies of cuts.

Mr. Capo went on to state that Mr. Taylor projected new numbers on the fuel sales and some of the new buildings coming on line which is a revenue increase. Those increases and subtractions brought us to an \$838,000 deficit. Some additional measures for consideration not in this proposal are to consolidate departments and functions.

Chairman Lupo provided a handout with additional considerations for budget adjustments. See Attachment B. It is also important that we put into the record that this is for fiscal year 2012 that we are making these recommendations. That has to be adopted before April 1<sup>st</sup>. Chairman Lupo stated that we will be going to legislature and presenting this case to show what the consequences are of this Authority's financial situation. We don't want employees that we cherish to get overly upset when they see this information because this is something that we are working on. We are hoping to go to the legislature and get some of this corrected. We have a lot of hope and I don't want there to be panic when this information comes out.

Chairman Hoffman added that we want to be able to show Baton Rouge what a balanced budget looks like and the real life consequences of not having any funds to take care of some of the municipal responsibilities we are currently taking care of.

Mr. Capo advised that Civil Service has a program in which anyone eligible to retire can realize savings of their retirement and we can offer up to 50% savings. Employees eligible to take retirement through drop can leave today and not lose any benefits. This is another avenue we can pursue. Office of Group Benefits is another approach we are. We could save close to \$300,000 so that could be another savings for us.

Chairman Lupo added for the record that we want to review the health, dental and life insurance plans for employees and see how it compares with the State's. We also want to review the Authority's DBE function and how that can be looked at as a whole as opposed to just construction. There are probably other DBE functions this Authority has that should be looked at. Those are two things I want to make sure are put into the record in addition to what I have written out.

Mr. Capo addressed proceeding forward on the 2012 budget and questioned what were the next steps going forward. Chairman Hoffman advised to look at this and come up with ideas to revise or incorporate into a preliminary budget to be presented at the Board meeting on February 17<sup>th</sup>. Chairman Hoffman suggested a preliminary budget for the Board to look at and adopt at the March meeting which would allow us to have it completed in time for the April 1<sup>st</sup> deadline. Some critical aspects that warrant Mr. Capo's control is looking at personnel issues and what functions we can consolidate and whether we can go under the state program and what that would entail. Chairman Hoffman requested Chairman Lupo think about how we can put together a campaign to go talk to the legislators in Baton Rouge so we make sure we do everything to get additional revenues.

Mr. Nelson addressed one item not on the Agenda regarding code and permitting reviews as required by the State Fire Marshall for building code including mechanical, electrical and plumbing and IBC compliance. This is a requirement the Fire Marshall put on us. This is not only something for the Bastian Mitchell, Terminal or Wedell, but any project hence forth whether FEMA funded or not. This will set up the process by which the Non-Flood Authority can have their own reviewer that would allow them to have this Fire Marshall required review. The expense associated with this is \$1,500-\$2,000 per building and should be FEMA reimbursable.

Mr. Davis added that the State Fire Marshall takes 4 weeks to do the code review. A consultant would take 10 days or less and is 25-30% cheaper than the State Fire Marshall fees. This consultant is a better situation and it is less expensive.

Mr. Nelson added that RCL's review was thorough, to the point and has nothing lacking. Unfortunately, the Fire Marshall has deemed that there is a conflict of interest. Mr. Davis stated that this has to be done by a certified code consultant and RCL is not certified code consultants.

Chairman Hoffman addressed funds the Authority has used this year and in previous years to help supplement the operations from a cash flow standpoint. It is Chairman Hoffman's opinion that these are in fact loans. There are questions regarding how this would work under FAA regulations. Chairman Hoffman requested that the Executive Director get with legal counsel and put documentation in place for funds spent and which we are continuing to spend to help with cash flow at the Airport. This needs to be documented as a loan from the Authority so we are able to get those funds out once they start generating excess cash. We need to start the process and do whatever needs to be done.

**ANNOUNCEMENT OF NEXT MEETING**

Chairman Hoffman announced the next meeting is scheduled for March 3, 2011 at 4:30 p.m.

**ADJOURNMENT**

Chairman Lupo offered a motion to adjourn, seconded by Commissioner Brien and unanimously adopted.

The meeting adjourned at 5:30 p.m.