

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, AUGUST 4, 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, August 4, 2011 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 4:30 p.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

Chairman William Hoffman
Commissioner Michael Bridges
Commissioner Carlton Dufrechou

ABSENT

Commissioner Stanley Brien

STAFF:

Louis Capo, Executive Director
Dawn Wagener, Non-Flood
Sharon Martiny, Non-Flood
Charles Dixon, Marina Director

ALSO PRESENT:

Albert Pappalardo
Gerard Metzger

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Commissioner Dufrechou offered a motion to approve the minutes of the Finance Committee meeting of June 9, 2011, seconded by Commissioner Bridges and unanimously adopted.

REPORT ON CURRENT FINANCE COMMITTEE ISSUES

1) Discussion on 2012 Budget Revisions

Mr. Capo informed that Administration is putting together a budget revision and major maintenance project list that will begin with the Bally's account reflecting funds remaining in the Bally's account at the end of June 30, 2011. The 2012 budget that was passed in March reflects a transfer of approximately \$763,000 of the \$2.6 remaining, leaving projected available funds of \$1.9 million. Staff has put together expenditures not in the 2012 budget that we have contracted or will be contracting shortly.

One project is the Bally's passenger walkway at a cost of approximately \$82,000. A resolution was passed to contract with JP & Sons for additional removal of the cooling system and to fill and grade the area at a cost of \$20,000.

There are increased costs for additional legal defense regarding a tenant that filed an informal Part 13 that the Authority will have to respond to. There is also an increase to cover the cost of appraisals and real estate related matters for \$25,000. The Authority is also seeking to standardize signage for Lakefront

Airport in which the architect submitted a proposal not to exceed \$25,000. These projects come to \$232,000.

Marina Director Chuck Dixon and Marina Committee Chairman Stan Brien addressed the need to hire a structural engineer to determine the structural soundness of the former Bally's Terminal building. The firm that submitted the original plans for the Bally's Terminal building was Jeffries, Thomas and Avegnue (now Bailey & Associates) and they are retired or semi-retired and are not interested in doing the work. The plans were lost during Katrina. Mr. Metzger informed we may have to issue an RFQ for professional services. Commissioner Bridges added that as a state agency there are procedures to be followed regarding the RFQ procedure. Mr. Capo informed that the Bally's terminal building is a metal framed structure built in 1993 for the Star Casino. There is no blow out from water going through the building or any knocked out walls. It has been vacant since the storm and it is in bad shape on the inside.

There are items at South Shore Harbor which the Counselors of Real Estate addressed such as including landscaping throughout the Marina and updating the bath houses. The Marina Center and Point Building need to be cleaned up for possible future events next year. It is in the Authority's best interest to move forward as quickly as possible. Mr. Capo informed the Point Building was built for \$700,000 when South Shore was developed in the mid 80's. Mr. Pappalardo added that the building was in operation for 2-3 years as a moderately successful restaurant which converted it into an employee break room and offices when the Star Casino came. There is subsequent damage due to vandalism and the wooden deck was damaged. The building took no water except through the roof resulting in water damage and mold.

Mr. Dixon informed that the architect previously handling the Point Building came up with \$350,000 to white box and rip out the walls. There are hard numbers on the actual bids which ranged from \$350,000 to \$1.5 million. Commissioner Bridges questioned the potential revenue generation for the Point Building. Mr. Pappalardo informed that the building is located at the focal point of the area with the pump out station located approximately 100 yards away along with an anticipated fuel dock to be located within 80 yards. The operator of the fuel dock would operate the facility which could possibly be a short order restaurant/convenience store. Commissioner Bridges requested the Authority explore the possibility of marketing the Point Building to a restaurant company to put capital into the building for a lease arrangement with the Authority.

Mr. Pappalardo informed if we could get the Bally's Terminal Building certified as structurally sound it could be used as an open air pavilion until such time when it is built out and air conditioned. The second floor is built out as offices which could be utilized as offices for the Marina or for marine related tenants seeking office space. Chairman Hoffman informed that these projects are being presented for informational purposes as alternatives to look at when the revised budget is adopted.

Mr. Capo informed of an inspection of Lakeshore Drive in which projects will be added to the wish list for Board discussion. The first group of expenditures were not identified in the 2012 budget which includes the signage at Lakefront Airport in the amount of \$232,000. Chairman Hoffman noted the Authority has committed to two items: increase in the legal contract and the real estate matters. The signage has been tabled for further discussion; it has not been yet committed.

Mr. Capo stated that projects at Orleans Marina include electrical inspection of the piers at a cost of approximately \$60,000. The cross ties have not been replaced since 1963 and are in dire need of replacement. Mr. Dixon received estimates of approximately \$300,000. The six covered walkways are in need of

painting. The covered areas are rusting and in need of replacement. The wooden dock boxes should be replaced with standardized fiberglass dock boxes. Orleans Marina is throwing off a profit for the services at the other properties and we are not putting money back into Orleans Marina. Chairman Brien would like to start keeping some of that money in the marina for needed repairs. If we did everything that was on this list and the budgets came in right on the mark we would have approximately \$500,000 left in the Bally's account.

Commissioner Bridges stated concerns regarding the Authority spending the Bally's settlement and having the same deficit for fiscal year 2013. In 2014 the Authority will not have the \$700,000 from the Flood Authority and possibly will not have the Bally's settlement which will lead to future deficits. Commissioner Bridges suggested developing a 5 year plan projecting expenditures and revenues and use that as a basis at what projects we want to use the money available on. The revenue may not change enough to permit use of the Bally's settlement. The committees should submit a prioritized wish list with safety projects listed first, second priority would be things directly increasing revenue and thirdly aesthetics. There will be more needs than there is money when the Airport and Lake Vista Community Center coming in and we could use that to figure out where the Authority is going to go.

Commissioner Bridges next suggested a business plan encompassing the Authority's future goals. With renovation in progress at the Airport and talk of future events coming to the City, the Authority needs to be prepared for those events. There should be a business plan in place that states how revenue will be generated in the future to get this Authority in the black. Mr. Capo advised that he is working on numbers using 100% occupancy at South Shore Harbor and all buildings in commerce showing what the Authority could expect in maximum revenues. We could use the Bally's settlement to do additional repair to get the properties in order and use the plan in 2013 to find us a revenue stream possibly through a millage. Chairman Hoffman suggested a projection of where the Authority will be in 5 years if we don't get the millage. If we do get the millage, the Authority can decide on some of the larger projects from that standpoint so we don't end up having beautiful working facilities that the Authority can't maintain.

Chairman Hoffman suggested Mr. Capo call Bob Becker at City Park regarding their master plan because that is one of the reasons City Park has been able to raise funds. This Authority needs a master plan to help support any type of millage or fund raising. Chairman Hoffman requested making a recommendation to add this to the September Board agenda for discussion.

2) 10 Year Appraisal for Lighthouse Condominiums required by Lease

Mr. Capo informed that every 10 years the Lighthouse Harbor Condominiums has a reappraisal of the ground lease exclusive of the improvements. The last appraisal was done in 2001 and the current appraisal is due in October. This new appraisal will determine the rate for the next five years. In 2016 the rate will change with the CPI adjustment. The lease is structured to where the Authority and Lighthouse Harbor hires an appraiser to come together on the new rental rate. If they can't agree, a third appraiser is hired and the cost is equally shared between the lessor and the lessee. If the two agree, that becomes the new rental rate. Mr. Pappalardo is on board with this. Mr. Mike Truax did the appraisal at the 2001 mark and is familiar with this Authority's properties. It is the recommendation of staff to contract with Mr. Truax for an appraisal fee of \$5,000. The By-Laws passed at the last full Board meeting gave the Executive Director the authority to enter into contracts up to \$15,000 which are to be recorded at the next Finance Committee meeting. Mr. Capo informed this was not in the budget for this year.

3) Internal Procedures and Tracking for Lakefront Funding

Mr. Capo addressed the procedures for funding received from the Flood side in the amount of \$700,000 for Lakeshore Drive. Ms. Wagener has established a separate account for the funds from the Flood side. Invoices will be coded to a property and reviewed by the comptroller for proper coding. This account will be reconciled on a monthly basis so the Authority will have accurate transparent accounting for monies received for operations and maintenance of Lakeshore Drive. Chairman Hoffman noted that this was a high profile activity and the Authority wants to make sure the public knows this money is being spent in accordance with its intent which is maintaining Lakeshore Drive. Mr. Capo informed that he would present the previous month's check register at each Finance Committee meeting so all items and checks are transparent.

OLD BUSINESS

1) Current Budget Update (FY 20112)

Ms. Wagener informed that this month closed on July 31, 2011 but it will have some big expenses being paid in August that are not shown. Personal Services looks as though we did not spend a lot of money because no retirement or health insurance payments were paid yet. However, next month will have two months. Those bills are not usually paid until the 10th of the next month as expenses always run behind. There are not a lot of expenses because most of the expenses paid this year were for last year.

Revenues were budgeted at \$4.3 million; we have collected \$668,000. Lake Vista, Orleans Marina and South Shore Harbor are on target for monthly collections. The Airport is slightly behind. Fuel flowage was budgeted at \$54,000 per month; we collected \$29,000 this month. We are running 40% behind on fuel flowage due to the economy and hot weather that is keeping people from flying. Mr. Capo stated that conventions are down so the fuel sales will drop during this time of the year. Across the nation general aviation is down 25% and we are impacted by that also. When conventions re-engage in September, the fuel sales will rise.

Ms. Wagener noted that Personal Services has \$1.7 million budgeted; we have spent \$165,000. This number includes police salaries for one month which the Flood side has reimbursed us but we have not made an entry to move the money. The Flood side gave us \$240,000 and we estimate spending approximately \$212,000 between retirement and health insurance.

Ms. Wagener informed that Materials and Supplies are minimal for the first month. Under Professional Services no expenses have been recorded yet so both numbers will track easily next month. There is \$50,000 under Equipment to buy new cars. Commissioner Bridges requested including last year's year to date numbers to compare to see if the Authority is ahead or behind.

NEW BUSINESS

1) Flood Insurance Renewal with Fidelity National Indemnity Insurance Company for McDermott Hangar

Mr. Capo informed that the flood insurance renewal for the McDermott Hangar is \$500,000 for contents with a \$5,000 deductible. The premium is \$9,545.00. It is the staff's recommendation to move forward with the flood insurance on the McDermott Hangar. This expense is reimbursed by the tenant. This is on the expenditure side of the budget but there is also a column on the revenue side showing funds coming back in. Commissioner Bridges moved that the insurance renewal be brought before the Board, seconded by Commissioner Dufrechou and unanimously adopted.

Mr. Capo addressed the Lighthouse Harbor Condominiums and stated that in no event should the rent or the appraisers come in lower. The rent remains the same or increases, it does not drop. If the appraisers say the rent is below what we are paying now, they still pay their current rental rate for the next five years.

Mr. Pappalardo noted that the Police now belong to the Flood and questioned if this Authority would provide free rent now that we don't have a police force occupying the building. Mr. Capo informed that the Police Headquarters at the end of Elysian Fields is not part of the MOU. The loft building is addressed in the MOU. Mr. Capo advised that we are paying for insurance on that building. The Police Headquarters building on Elysian Fields we do own but we are not getting any rent. Chairman Hoffman stated that Administration needs to look at rent on the building. Mr. Pappalardo stated that prior to where we were now it was a bifurcated situation but effectively; could this be a prohibited donation for us providing that. Mr. Capo informed that the opinion from Pam Perkins states that political subdivisions cannot give or donate to another political subdivision. Chairman Hoffman requested this be researched and to come back with a recommendation.

ANNOUNCEMENT OF NEXT MEETING

Chairman Hoffman announced the next meeting is scheduled for September 8, 2011 at 4:30 p.m.

ADJOURNMENT

Commissioner Bridges offered a motion to adjourn, seconded by Commissioner Dufrechou and unanimously adopted.

The meeting adjourned at 5:30 p.m.