

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, JANUARY 13, 2011 – 4:30 P.M.**

The regular monthly meeting of the Finance Committee of the Non-Flood Asset Protection Management Authority was held on Thursday, January 13, 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 4:34 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

STAFF:

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

ALSO PRESENT:

Steve Nelson
Charles Curtis
Albert Pappalardo
Gerard Metzger
Wayne Francingues
Joe Hassinger

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Approval of the minutes of the Finance Committee for December 2, 2010, was deferred until February 3, 2011.

OLD BUSINESS

1) Fiscal Year 2011 6 Month Actual to Budget

Mr. Capo addressed the current budget which is half way through this fiscal year. If viewed on the current 6 month basis, we are close to tracking as forecasted for the year. We are right around the 50% mark for the year.

Mr. Capo explained that one item to highlight is the transfer in under the revenue side of Bally's (\$444,500). In this current quarter which began January 1st we have taken an additional draw downs from the Bally's settlement. In our presentation next month you will see that number has increased. Ms. Wagener

added that no additional money was taken out through December 31st from that account as we were able to make payroll and pay bills without tapping into that.

Chairman Hoffman questioned the bank service charges. Ms. Wagener explained that those are fees we pay to run credit cards for Orleans Marina and South Shore Harbor. We do have charges at the Orleans Marina and South Shore Harbor. It is very possible that we pay this much to Capital One. We have budgeted \$15,000 and year to date we have expended \$7,500. Ms. Wagener stated that there is a fee with ADP every other week to run the payroll and it is being charged to that account.

Chairman Hoffman then questioned why the utility at South Shore Harbor is so much more than budget. Ms. Wagener stated that this is based on the prior year's expenses. South Shore Harbor is coming up and as there is more activity there, some of those expenses are going to increase. We have seen them increase from year to year.

Mr. Capo added that South Shore was not fully operational until July of 2009. We have had some leak problems out there and our water charges have gone up. With all of the current Corps construction on Hayne Blvd. our metered water use has quadrupled. We suspect there are breaks in the line. The vibration along Hayne Blvd. is causing the old water lines to break. We have experienced that at Orleans Marina also. Once construction and pile driving started, we found more breaks and had to fix many of those lines.

Mr. Capo stated that we have a loss this year for Lake Vista. I would like to point out the bad debt expense which shows an increase in our loss of \$23,000 resulting from a tenant that left Lake Vista that owed us money. Without the bad debt expense, we have been tracking on budget.

Chairman Hoffman requested an updated schedule of outstanding receivables be placed on the next agenda.

Mr. Capo continued with Orleans Marina stating one item to note on the revenue side is we are slightly down on the boathouse revenue. We have some slow payers and one tenant that entered into a consent judgment and is making the last payment on that settlement.

Chairman Hoffman questioned if we go after delinquent owners, are we able to recover our legal fees. Mr. Capo informed that when the attorneys send the delinquent notice, there is a fee added to the notice. They pay the additional attorneys fees plus the remaining outstanding balance.

Mr. Capo continued with South Shore Harbor stated that \$300,000 was used as the budgeted goal. If revenue projections continue on, we will surpass that mark. Right now, we are going to do a little bit better than the \$300,000. Another line item not budgeted was temporary help. We do not have a permanent employee at South Shore Harbor and we are using temporary help. The marina manager handles the management duties for both marinas. There has been minor work done at South Shore Harbor and some of that labor cost may be in that also as we hire temporary laborers to assist with maintenance. We have two maintenance repair personnel and one director over those two people to manage the marinas, airport, this building and all of our properties. One other item is security. South Shore Harbor does not have full time personnel performing the security tasks; we contract with Weiser Security. We have security on premises from 7:00 p.m. until 7:00 a.m., Monday through Friday. Friday and Saturday we have someone there 24 hours. South Shore is an isolated area right now so we provide security so it will be a draw to the boaters.

Chairman Hoffman questioned if grass cutting on South Shore is a separate contract from our other grass cutting. Mr. Capo stated that it is separate contract and the cost was underestimated. The \$20,000 was under budgeted when this was put together in January of last year. We also under budgeted insurance by \$11,000. We have expended our annual budget on contractual services and have exceeded the budgeted amount by \$12,000.

Chairman Hoffman questioned if the costs and salaries of maintenance people working at the Airport are charged to the Airport. Mr. Capo explained that there is no allocation method currently in place. At one time, Rebowe and Company used a ratio method based on total expenses and the individual business unit's expense. This was used before the storm. We do not have a work order system to track that. Chairman Hoffman suggested using weekly time sheets indicating the time spent on the various properties because it is very important for us to make sure that all costs are charged to the right function, particularly for the Airport. As discussed, Airport revenue can only be used to cover Airport costs.

Mr. Capo added that the good news for the Airport is that this calendar year we surpassed the 2 million gallon mark for the first time since Katrina which is a big milestone with fuel sales. This is a fiscal year so it is not going to be reflected here.

Mr. Capo informed that there are four departments at the Airport: compliance, fire and rescue, admin and retirees and fuel farm which totals 14 employees at the Airport. This fiscal year we budgeted \$1.5 million and have expended \$800,000. There is \$690,000 we hope to receive in revenue. Personnel is budgeted at \$823,000 and we have expended approximately 50% or \$428,000 for the six months of this fiscal year.

Chairman Hoffman stated that positive revenue is coming almost completely from the fuel fees and Mr. Capo agreed stating that has definitely increased. Rents are fixed from year to year and the variable is the fuel fees. Large items on the Airport are utilities (water), grass cutting and insurance.

Chairman Hoffman again questioned the grass cutting expense of \$20,000 at the Harbor and noted we have spent only \$60,000 at the Airport. Mr. Capo explained that the Airport is slightly over \$9,000 per month on the airfield side. They cut from Seabrook Bridge down Stars and Stripes which is Airport property we have to maintain. We will probably cover the \$175,000 for the year. South Shore does not have as much grass; they have more islands that are difficult because they can't use big tractors.

Commissioner Bridges requested a summary showing all groups at the Airport and Marina so we can come up with a bottom line of how we stand. There are positive numbers for Orleans Marina and New Basin Canal; the remaining companies are all at a loss. Ms. Wagener added that this is a loss on the P & L; not a cash loss. We have several hundred thousand dollars from the bad debt expense we wrote off and we have pre-paid items expensed this year but paid last year. To say we have a \$1.1 million loss is correct but it is not cash that we have lost or spent. That is why we have only transferred \$440,000 of the \$2.5 million from the Bally's settlement account. Ms. Wagener noted that we are doing good on that as it is halfway through the year and we have transferred 25%.

NEW BUSINESS

1) Law Enforcement Professional Liability Insurance Renewal

Mr. Capo stated that the Police Professional Liability Insurance which expires February 10, 2011 is up for renewal. The expiring premium last year was \$41,589. The proposed premium this year is \$36,033, which is a reduction. We have had no claims in over five years and the premium has been dropping yearly. This is the total premium covering all of the police and we pay 50%. It is lumped in with the overall yearly police costs.

Commissioner Bridges questioned if this had to go before the Flood side Board and if it was possible to put this on a fiscal year. Mr. Capo informed this had to go before the Flood Board. Mr. Salter, Morrison Insurance Company, advised that this would have to be pro rated for one year. It can be run from February 10 to July 1st or for 12 months. Chairman Hoffman recommended approving this and getting it in place. After budget hearings, we can see what it takes to get all of our insurance on July 1 to June 30th so we don't run into this problem in the future.

Commissioner Bridges offered a motion to approve, seconded by Chairman Hoffman.

2. Personnel Request

Chairman Hoffman deferred item 2, Personnel Request, which will be taken up in executive session.

3. Discussion to Expand Stuart Consulting Services to Include Review of Past and/or Completed Projects

Mr. Steve Nelson of Stuart Consulting addressed the supplemental agreement which would allow Stuart Consulting to perform project management on 6 individual projects. Mr. Nelson stated the agreement would allow them to perform direct administration of all of Katrina related FEMA funding projects under the Non-Flood Authority's control.

Mr. Nelson informed that project management deals with the managing, scope, schedule and budget on individual architect's and contractor's contracts. Direct administration would allow us to review FEMA budget worksheets and make sure that alternate and improved projects have provided the proper compensation that would allow us to assist the Non-Flood Authority in preparing their files for the eventual audit. At this point there are 157 FEMA related projects. Direct administration is a fully FEMA reimbursable expense.

Commissioner Bridges asked what approvals are needed from FEMA allowing this change and whether this would be adjusting FEMA worksheets. Mr. Nelson stated they have met with GOSHEP and the state and they do not have any issues with what we are planning. There is a meeting slated with FEMA possibly next week. The individual budget worksheets will have to be reversioned to include this expense. Our contract ties us directly to FEMA reimbursement but in order for the Levee District to be reimbursed it would require FEMA's version of the budget worksheets.

Commissioner Bridges proposed making it a condition that before costs are incurred, we make sure we get the approvals.

Mr. Frank Stuart of Stuart Consulting advised that this is fully reimbursable once the worksheets are reversioned. You all are fully entitled to both program and direct management funding but you have not asked for it yet. Once the selection is made and the contract signed, we ask for reversioning. We have the project

worksheets and they would go back and reversion those. At that point we would begin expending time and charging to them.

Mr. Stuart stated this process is nothing more than going through files and making sure that everything is in order the way they want to see it. All of the monies are in order and everything is accounted for. Direct administration was created by FEMA to assist you in an attempt to make sure that everything was complete and that you had somebody helping because they realize you don't have the staff to do it.

Chairman Hoffman advised that he asked these gentlemen to bring this to us because it is a significant benefit to the authority to make sure we are getting all of the dollars that are due us. We discussed going back to re-look at these if they are still open and make sure we are maximizing what we are legally owed. There will be a decision made both on their part and on our part before they start expending significant dollars, it is going to be recoverable because they know that we don't have dollars to pay them.

Mr. Davis stated that he was involved from day one on this work and has never had a program manager as most administration was done by Lambert Consultants or OLD staff. Mr. Davis added he has never requested any reimbursement and there is actually a lot of money there that we are entitled to but we never got that because it was not our responsibility. Mr. Davis added that this is highly recommended and it certainly makes our job a lot easier; they have been a valuable asset to us.

Commissioner Bridges is in support of this because we don't have the staff. I think that there is a benefit and value to us.

Mr. Nelson advised that there are 157 project worksheets. We include individual proposals on each project worksheet; that is why the supplemental agreement is 164 pages long. There are individual levels of effort on each project. The current contract has the scope included in it which requires written authorization to perform those activities. There is a list of 20-30 individual line items that coincide with what FEMA will allow under direct administration.

Commissioner Bridges offered a motion to sign the supplemental agreement with Stuart Consulting, seconded by Commissioner Brien.

4. Discussion on Acquiring Employee Health Insurance Benefits through Office of Group Benefits (OGB)

Mr. Capo next addressed acquiring employee health insurance and benefits through the Office of Group Benefits. Mr. Capo informed that our agency would have to submit a \$5,000 check, a request to join OGB and provide three years of claims history and member demographics so they could evaluate our employees. From there they will determine a premium for this entity.

Chairman Hoffman questioned how long this would take. Commissioner Bridges stated that we would probably get an answer before we finalize our budget if we make this request soon. Chairman Hoffman requested we make the request so we have the claims history to compare it to the existing program and have as part of our budget to be addressed during budget discussions. Chairman Hoffman added we might not have exact numbers but we could have a ball park figure based on what they are charging other departments.

Commissioner Brien added within the agencies that participate in OGB we could try to get to a ball park figure from an agency that has a head count similar to

ours. The scope of work may be different but we can get to a starting point before we submit the full packet and incur the \$5,000 expense.

Mr. Capo explained that the question is going to be the claims because in 2006, people really used the insurance and there were some serious operations. The amount of insurance put out was more than the premium. Insurance premiums for the next renewal were assessed a 45% increase. The governing factor here will be the number of employees and their age and past claim history.

Mr. Capo stated he would contact Carol Kiefer to start gathering data for the previous three years. The problem is going to be anyone who is close to retirement. The maximum amount that OGB can pick up on a retiring employee is 19% which means that burden of 81% is shifted to the employee.

Commissioner Bridges commented that he is a member of the OGB insurance plan and all information regarding policies is on the OGB website, including rate sheets. If you use what is published, it looks like the Board could save \$300,000 a year. The caveat is we don't know if our usage would cause them to raise the Board's cost. The downside is the Board's employees are going to pay more for insurance because a regular state employee pays more. Their share of the health insurance is a lot more than what the Non-Flood Asset employee pays. That is an impact we need to consider. Also, part of that \$300,000 is that vision, dental and family assistance they don't pay for; state employees don't have that. If they want it they have to pay for it, there is no share there.

5. Discussion on Fiscal Year 2011 Annual Audit

Mr. Capo next addressed the annual audit and informed of a conversation with the legislative auditor's office. Mr. Capo informed that if determined by the Legislative Auditor's office that if we require a separate audit then the Legislative Auditor will advertise and issue the RFQ. In the past we have been provided with a short list of potential Auditors to choose from.

Chairman Hoffman informed that with the new legislation we are now a separate reporting entity and are required to have our own separate audit. We want to get ahead of the ball and get that process started.

6. Airport Terminal - Increase in Airport Terminal Building Insurance Coverage

Mr. Capo stated that the Airport Terminal is substantially complete and the exterior was turned back to us and is now our responsibility. We expended approximately \$8.5 in renovation costs to the exterior and the building currently is insured for a little over \$4 million. I inquired as to the cost of the premium going forward until the interior is under construction and back under a builder's risk policy. For \$13 million in coverage the additional cost will be \$18,500 for a 3 month period to make sure the building is insured. It is Mr. Capo's recommendation to approve this.

Commissioner Bridges questioned if there was an option of going through Office of Risk Management if this is considered a state building. Mr. Capo informed that is not a state building. We have had some discussion about going through the Office of Risk Management in the past but the board at that time decided to be insured by private carriers.

Commissioner Brien offered a motion to approve an increase in Airport terminal building insurance coverage, seconded by Commissioner Dufrechou.

2. Personnel Request

Chairman Hoffman requested a motion to go into executive session to discuss personnel matters. Commissioner Bridges offered the motion, seconded by Commissioner Brien. A roll vote was taken and unanimously adopted. Upon return from executive session, Chairman Hoffman noted for the record that no votes or actions were taken in executive session.

Mr. Capo recommended that the Committee recommend to the full Board that we create an Administrative IV position within the Management Authority. Commissioner Brien offered a motion to create an Administrative IV position within the Management Authority, seconded by Chairman Bridges, and unanimously adopted.

ANNOUNCEMENT OF NEXT MEETING

Mr. Capo announced the next Finance Committee meeting is scheduled for Thursday, February 3, 2010 at 4:30.

Chairman Hoffman advised the special budget committee asked that the chairs of each standing committee be on that budget committee and invited the whole Board to participate at the meeting. We certainly want everyone to come and participate. Mr. Capo added that the staff for each individual department would be in attendance to answer questions and go through each line item on the budget.

ADJOURNMENT

Commissioner Bridges offered a motion to adjourn, seconded by Chairman Hoffman.

The meeting adjourned at 5:45 p.m.