

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, APRIL 7, 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, April 7, 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 4:40 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
Vincent Caire, Non-Flood
Dawn Wagener, Non-Flood
Sharon Martiny, Non-Flood
Nina Marchand, Non-Flood

ALSO PRESENT:

Kevin Gray
Albert Pappalardo
Gerard Metzger

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Commissioner Dufrechou offered a motion to approve the minutes of the Finance Committee meeting of February 3, 2011, seconded by Chairman Lupo and unanimously adopted.

Mr. Capo stated that an e-mail was circulated regarding water leaks detected at the Airport, Orleans Marina and South Shore Harbor. Bids were received for the 3 leaks at the Airport (\$11,300.00) so the Authority moved forward and contracted with Hydro Air; 1 leak at South Shore Harbor (\$5,350.00) again, with Hydro Air which leak has been corrected; and 1 leak at Orleans Marina. We have not moved forward with this leak because there is an AT&T telephone pole near the location of the leak. We are waiting for AT&T to remove the pole so the leak can be repaired. At Orleans Marina we feel that the leak is the direct result of recent pile driving and construction which was within 15-20 feet of the wall where the pipe was located. The telephone pole is approximately 10 feet from our building so we feel that there is a definite correlation between that break and the construction and pile driving so the Corps has been formally notified and the Authority has requested the Corps look into this.

OLD BUSINESS

1) Fiscal Year 2011 Budget to Actual

Mr. Capo stated that we are in the last quarter of this fiscal year. Revenues for the remainder of this fiscal year are projected as follows: Lake Vista - \$10,000; Orleans Marina, including the boathouses and the slips - \$320,000; South Shore Harbor - \$95,000; Lakefront Airport Land Rents \$87,000; Fuel – \$140,000; New Basin Canal - \$150,000. We project to have \$800,000 from rents collected for this last quarter. The transfer from the Orleans Levee District's Flood Division is approximately \$350,000. Revenues coming in for the remainder of this fiscal year are approximately \$1.1 million. Expenses for the remainder of this quarter are anticipated as follows: Grass Cutting - \$275,000 (this includes reduction in frequency of cutting areas such as parks and Lakeshore Drive). Once Lakeshore Drive is open more green space will be turned over and that will be added back into the Grass Cutting. This is factored into the budget also. There are approximately 42 acres between Franklin and Seabrook that the Authority has not cut regularly in several years. The Grass Cutting, originally budgeted at \$1 million for 2011-2012, has been reduced to \$750,000. To cut costs, areas on Lakeshore Drive not visible to the residential side have been cut once every three weeks and areas inside of the parks facing the homes are cut twice per month between April and October. Grass is cut once in November and December and not again until March 15. Grass is maintained at the marinas and the airport. The Authority will save \$40,000 on grass cutting on this year's budget. Chairman Lupo stated parks and parkways need to be cut uniform with no preference shown to other areas. Grass cutting cannot be reduced at the marinas because there is property that needs to be maintained in order to be sold or rented. Airport grass cutting cannot be reduced because of FAA requirements. Mr. Capo will provide a frequency schedule for grass cutting going forward beginning in July of 2011 which will also compare to last year's budget.

Mr. Capo next addressed property insurance due on April 21, 2011 approved in the amount of approximately \$340,000. It is projected that \$1million will be needed for Personal Services for this quarter; \$4.19 million was budgeted and \$3.1 million has been expended.

Retirement costs for the 2009 budget were 18.6%. At the beginning of the new fiscal year last July, the State Retirement System notified that the rate would increase to 22%. This year we have been notified of an additional increase to 25.6%, which is factored into the 2012 budget. The 4% merit increase which was projected in the 2012 budget will offset the retirement costs as the merit increase is being suspended.

Commissioner Hoffman questioned what the balance of the Bally's settlement as of July 1, 2011 would be after the projected transfer for the 4th quarter. Mr. Capo advised that it will be approximately \$2.7 million because the \$2.5 million projected for this year will likely not be entirely used. Currently, Bally's is at \$3.5 million. The 2012 budget going forward assumes that \$862,000 will be used from the Bally's settlement. Commissioner Hoffman commented that if you look at the actual year-to-date, you will see that the operating expenses are \$827,000 more than the revenue. There are two components to that: we have not transferred in as much money from Bally's and there is approximately \$450,000 of bad debt expense written off this year that was not in the budget.

Chairman Hoffman questioned the Janitorial expenses which the Authority is currently over the budget this year. Ms. Wagener informed this was a mis-budget based on last years' numbers. There is additional janitorial work at the Lake Vista Community Center because the second floor room is used more often than last year. Janitorial services for Lake Vista Community Center are approximately \$2,000.

The Police Radio Tower is rental for the repeater station used for communication. The rental is split between Non-Flood Authority and the Flood Authority. Interdivisional Goods and Services are charges between the Non-Flood and Flood division for storeroom supplies or police services obtained from the Flood side. The bulk of the Auto Repairs are the police cars as the cars are old and this budget will probably be exceeded. Miscellaneous Interest Expense is for bank services for processing the payroll. Chairman Hoffman commented that the Administration has strengthened the collection procedure with receivables across the board. There will always be some level of bad debt, but it will be more reasonable in the future. Mr. Capo advised that statements were recently issued for this quarter at the marinas. There are only a handful that are outstanding and some second notices have been sent on a few boathouses.

Chairman Hoffman questioned how the Orleans Marina establishes rent in lieu of what was seen on the news related to the Municipal Yacht Harbor. Mr. Pappalardo explained that the Orleans Marina boathouse leases began in 1971 & 1972 were granted for 20 years with a 15 year extension. The majority of the leases came due in 2006 & 2007. In or around 1999 or 2000, the tenants of those boathouses approached the Orleans Levee District with concerns of what would happen with the boathouse leases at lease expiration. It was recognized with the expiration of the lease the District would own the physical improvements of the boathouses. There were meetings and discussions with the Tenants Association regarding the reversion of those improvements because if nothing was done in 2000 the district would own the boathouses in 2007 and could sell or lease them on a monthly or annual basis. The tenants disagreed with this concept so a request for an Attorney General's Opinion was issued as to whether rent could be adjusted on the land and water bottom rate only or could this be adjusted on the reversion. There was a specific Attorney General's opinion stating that we did have to take the reversion into account because to not do so would be a prohibited donation under R.S. 714. Methodology was developed that accounted for a component of the reversion be put into the rental along with the land rent. A square foot rent of \$2.89 per square foot was obtained. In 2000 the effective rents may have been approximately \$1.25 per square foot. When the Levee District adopted and released the rental methodology and rental schedule, the District was sued by a majority of the tenants.

Mr. Metzger stated that this litigation is now over. There were two sets of litigants that included 4 tenants who got a special deal from the Administration in place between 1992 and 1996. Those leases have three 5-year options from 2006-2007 to either 2021 or 2022 with rent of approximately \$1.70 per square foot on four leases. The remainder of the leases had the rental rate that Mr. Pappalardo stated plus the CPI increase since 2000 because we prevailed in that litigation and the court ruled that rent could be adjusted from 2006-2007 going forward. The tenants had 2 options at that time: to go with the 3 five year option or a 30 year lease. Mr. Pappalardo advised of an option fee on each one: \$8,000 up front payment on the 3 five year options and \$16,000 for the 30 year lease. In addition to the new lease a transfer fee of 8% was included anytime the boathouse was sold. The 8% came directly to the Levee District. The combination of the incremental increase in rent because of the reversionary factor and land rent over time and the 8% together accounted for a reversionary value. Sales were tracked and found a boathouse would typically sell once every 10-15 years. In a 15-30 year period there would be 1 or 2 transfers. Factoring in that 8% along with the increase in rent is where we got to where we are today.

Mr. Metzger referred to an old schedule of the per square footage rental rate of approximately \$3.50 at Municipal Yacht Harbor. Mr. Metzger advised that sub-letting is prohibited in the District's leases. Mr. Pappalardo added that there is a prohibition in the lease which states that the boathouses are for recreational use only; no businesses can be run out of them. Mr. Capo informed the District has

several boathouses currently for sale. The realtor stated one problem in selling the boathouses is that the land rent and water bottom rents are too high.

Chairman Hoffman referred to Temporary Help at South Shore Harbor. Ms. Wagener informed this line item contains two temporary employees. Last year's budget had no security included because no decision was made on security. There was a budgeted salary position in which that employee left and a temporary was hired. \$17,000 was spent on the temporary salary which will be offset by the regular salary transferred to South Shore Harbor.

Mr. Capo next addressed Grass Cutting and advised that approximately \$12,000-\$15,000 will be used for the remainder of this quarter. At the Peninsula there is a quarterly bush hog cut. Mr. Capo informed that a request has been made to the Sewerage & Water Board to take the sewerage off of the utility (water) bills. Previously, the Levee Board paid that bill. There are sewerage charges for the marinas that the Authority feels can be reduced. Calculations are being made regarding the number of facilities and population using those facilities to come up with a calculation for the use that the Authority should pay as far as sewerage which will reduce the utility bill.

Ms. Wagener addressed the Repair and Maintenance account and stated that there are extra expenses there for a pump at the Point Building in which Wildlife & Fisheries will reimburse the Authority 75% of that cost. There is also a lift station which is a FEMA reimbursement which we have received from FEMA. The lift station was required to operate the pump.

Mr. Capo informed that Professional Services included the Counselors of Real Estate. Mr. Capo advised that we hope to hear from the Counselors of Real Estate during May to begin the process.

Chairman Hoffman questioned what was budgeted under Other Income on the Lakefront Airport and why the Authority did not receive it. Mr. Capo advised that \$131,000 was budgeted and there is a \$93,000 credit and a \$72,000 debit. Part of that was an adjustment to the beginning balance in which an adjustment was offset against revenue and it should have been offset against retained earnings. This is an audit adjustment that the Authority will have at the end of this fiscal year for reimbursable insurance from the tenants at the Airport. The \$131,000 is inclusive of all the insurance billed on a monthly basis. The \$72,000 should have been the credit to offset that. When insurance is billed on a monthly basis, \$72,000 is already in that account so this account is double billed.

Mr. Capo informed that the Gain on Sale of Assets pertained to an auction held in November in which \$19,600 worth of equipment from the Airport. It is unknown if this gain is subject to the Bohemia litigation.

Rental Office Space is the space that the Director's office occupies. This was not budgeted because there was a trailer prior to the move. It is assumed that Odyssey owned that money. When the move came out the trailer was moved and Odyssey occupied that space. The money that was owed was used as an offset.

Fuel Farm insurance for the Airport will be due in June and is considerably lower since the storm. The temporary pump has been taken off line and will be dismantled possibly through FEMA. The underground piping will be kept but the above-ground structure will be dismantled. Flood insurance for the National Guard Hangar is due in April and Excess Property insurance is due April also.

Laboratory supplies are small items needed at the Fuel Farm. There is a \$4,000 expense for filters that get changed annually. The expense for the \$33,000 generator will be reimbursed by Dept. of Transportation. Professional Services

are expenses for Stuart Consulting which costs will be spread across each fund as the project progresses. This expense is FEMA reimbursable. Airfields, Runways and Taxiways is for maintenance at the Airport. Some of these funds are to be used to repair the road by the Director's office at the Airport. Mr. Capo explained that these budgets have been fixed since March, 2010. When there is a budget adjustment, it will come to the committee and a budget adjustment will be made so at the end of the year the budget is in line.

Chairman Hoffman suggested putting together a procedure such as inserting notes on the budget variances and highlights on what happened during each period. These issues will then be tracked and addressed as the Board goes forward. Revising the budget during the year gets confusing to those who do not work with the budget every day.

Mr. Capo informed of \$33,000 of bad debt expense on the New Basin Canal. The ferry is not on this budget nor is the parcel of land between Landry's and Mr. Benson's dock as it is in discussion with the developer and has not been confirmed as of this date.

Mr. Hoffman requested an update of the progress with the Legislative Auditor regarding the annual audit and requirements at this time. Mr. Capo informed that the Auditor's office has determined along with Office of Statewide Reporting and Accounting that this Authority is going to be reporting under the Southeast Flood Protection Authority. Non-Flood Assets will be combined and audited simultaneously along with the Orleans levee District's Flood Division as has been since the storm. Our procedures will be consolidated with the Orleans Levee District Flood side. When complete it will be combined with the Southeast Flood Protection Authority. There will be one column on the state coffer that lists Southeast Flood Protection Authority with the Orleans Levee District Flood and Non-Flood, East Jefferson Levee District and Lake Borgne Basin. This will be done the same as last year. The Auditor stated the Non-Flood Protection Asset Management Authority could have a separate audit. Mr. Capo stated he would like to have a seat at the table in the audit process. Chairman Hoffman suggested writing a formal letter requesting that the Non-Flood Assets be involved in the planning and execution of the audit insofar as it relates to this Authority.

Chairman Hoffman informed the committee has requested that the Authority's attorneys look into how loans from the General Fund has made to the Airport should be documented to help fund the deficit at the Airport so when the Airport does become cash positive, they can repay these funds to the General Fund.

NEW BUSINESS

1. Marina Liability Insurance

Mr. Capo stated that the marina liability insurance expires on May 1, 2011. A recap of what we paid last year with TRIA the premium is about the same, \$33,000. After 2001, TRIA (Terrorism Insurance) was purchased which is \$2,800 this year. To get this insurance in sync with the fiscal year it would be the premium divided by 1/6 additional cost to that. This would expire on June 30, 2012. Chairman Hoffman recommended this be quoted assuming it is consistent with this plus the 1/6 and get the policy through the end of June 30 so it will be aligned with the fiscal year. It was recommended that terrorism insurance was not selected.

Commissioner Brien moved to renew the marina insurance, seconded by Commissioner Dufrechou and unanimously adopted.

Mr. Capo commented that on flood insurance he requested that the Airport flood insurance be in sync with the fiscal year. In order to do this is the federal government does not allow the purchase of insurance for 14 or 15 months; it is a one year policy. In order for the Authority to do this the Authority would have to cancel the policy or let the policy expire and then pick it up at the fiscal year. The danger is the Authority will be without flood insurance for the beginning of the hurricane season. It was recommended to leave as is to make sure there is continuous coverage and not to make a change on the flood insurance. This number is not as large as the property and wind; this is \$9,200.

ANNOUNCEMENT OF NEXT MEETING

Chairman Hoffman announced the next meeting is scheduled for May 5, 2011 at 4:30 p.m.

ADJOURNMENT

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

The meeting adjourned at 6:05 p.m.