

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, OCTOBER 4, 2012 – 4:30 P.M.

The regular monthly meeting of the Finance Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, October 4, 2012 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 4:31 p.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

Chairman William Hoffman
Commissioner Patrick DeRouen
Commissioner Michael Stack
Commissioner Stanley Brien
Commissioner Carlton Dufrechou

STAFF:

Louis Capo - Executive Director
Dawn Wagener - Non-Flood
Sharon Martiny - Non-Flood
Vincent Caire – Non-Flood
Dave Smith – Airport Operations Manager
Chuck Dixon – Marina Manager

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Steve Nelson – Stuart Consulting
Alicia Banta – Silva, Gurtner & Abney
Randy Maddox – Morrison Insurance Agency

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Commissioner DeRouen offered a motion to approve the minutes of the August 9 and September 6, 2012 Finance Committee meetings, seconded by Commissioner Stack and unanimously adopted.

REPORT BY EXECUTIVE DIRECTOR

Mr. Capo reported that the Ethics Board of Louisiana now requires each Board member to complete a one hour Ethics class by December 31, 2012. The Ethics Board of Louisiana allows the class to be completed on-line and the web site will be provided to Board members. Chairman Hoffman noted that the online class is very basic with very few questions to answer. The test can be started and stopped at any time or be done in 15 minute segments. At the end of it you will receive a certificate which at some point will have to be renewed.

Gerard Metzger, Legal Counsel, reported that Deter Hugel has dismissed his appeal which makes the lawsuit final.

NEW BUSINESS

1) Review of the results of the 2011-2012 SLFPA-E consolidated financial audit which includes the Flood and Non-Flood Divisions of the Orleans Levee Board

Alicia Bantaa reported on the results of the required communications performed annually for every audit. Mr. Gurtner presented the results to the Finance Committee of SLFPA-E. There were no questions regarding any item within the document from the SLFPA-E Finance Committee.

Required communications need to be made verbally or in writing. During the planning phase of the audit written communications include execution of the Engagement Letter that SLFPA-E contracts Silva, Gurtner & Abney that outlines the duties of management's responsibilities and SG&A's responsibilities throughout the audit. After the audit a management representation letter is issued in which management of all parties involved signs asserting that they agree the numbers are true and accurate before the audit report is issued. The formal governance letter for communications is on page 19 of the audit report as well as today's verbal presentation.

Two additional reports required by the Government Auditing Standards are the Internal Control and the Compliance reports. This Authority does not engage the auditors to opine on compliance or control, but work is performed around those areas. The auditors cannot state that the Authority's controls are effective as no actual testing was done. Auditors do look for and note laxes in controls during the course of the audit, but no laxes were noted during the testing. It is important to note that the auditors did not specifically test for controls or compliance except as it relates to the major program on the grant side. The FEMA grant for grant funds that the Non-Flood Authority received was tested for compliance in accordance with OMBA 133.

Ms. Bantaa informed that there is no specific compliance testing done for embezzlement, although the auditors could be engaged in separate procedures to perform compliance testing for embezzlement. There are procedures performed regarding bid laws and other governmental laws that are required on contracts and bids. Contracts are reviewed to make sure those that were put out for bid were in compliance with the rules that the Authority has in place.

Highlights of the audit include the unqualified opinion on different reports issued. These reports are the opinions of the financial statements, communication, controls and compliance of the major programs with A-133. There were no significant changes in accounting practices or unusual transactions this year nor were there any disagreements or discussions with management regarding alternative accounting treatments. This is important to note as the policies are consistent with last year when the numbers are compared side by side from last year and this year. The numbers are comparable which helps analyze the numbers. If monies are put in different buckets over the years it does not make useful information for comparative purposes. The Authority is treating everything consistently with last year which is good. There are no unusual financial statement disclosures as they were all consistent with last year. There were no significant audit adjustments or uncorrected misstatements that management failed to make into the financial statement. No significant issues were discussed with management during the course of the audit.

Major accounting estimates in the financials are useful lives of property which governmental and non-profits would be assessed. The major accounting estimates for this Authority are estimates of post-retirement benefits and litigation. Those are the two major estimates on the books of the Non-Flood and Flood Authority combined. There are no audit findings or issues that need to be brought to the attention of this Authority at this time.

Ms. Bantaa stated that the Non-Flood Authority staff was very open and cooperative. The Non-Flood Authority along with all the Levee Districts presented all required materials and advised of the days that it would be ready. Staff was very helpful and the auditors enjoyed working with them.

2) Motion for recommendation for approval of assignment of Orleans Marina Boathouse Lease N-28 by John Herzog to Sam Haynes

Mr. Metzger noted that this lease is unique due to the fact that after the Marina was renovated in the 1970's the Levee District retained the site which was used to moor a rescue vessel operated by the Levee District. The vessel was sold and the site was leased in the 1990's. Mr. Herzog does have a lease but does not own the improvements. Mr. Herzog made improvements on the leasehold and is requesting to assign the lease and recoup the value of his improvements estimated at \$21,000, which Mr. Haynes has agreed to pay. Mr. Haynes has two sites adjacent to Mr. Herzog's site where he has two vessels moored. Mr. Haynes desires an extension of the lease for 15 additional years as the lease Mr. Herzog has expires in 2022. Mr. Haynes will pay the Authority the \$8,000 fee charged for a lease extension, which will bring all three leases concurrent as far as time and consistent with the Authority's policy.

Mr. Pappalardo noted that the Authority owns the improvements on this boathouse which was the home of the Capt. Lane, a rescue vessel the Levee District owned for many years and was placed out of service in the 1980's. The boathouse was then put into commerce with various tenants renting the boathouse. This is an old lease that should be converted to a regular lease where Mr. Haynes would own the slip as he is paying for the improvements. One important aspect is that this lease was an old non-physical, non-standard lease and Mr. Herzog had no obligation to repair the property after Hurricane Katrina as it was the Authority's improvements. The Authority requested Al Wethern, Engineer for the Levee District, to view the improvements and prepare a report. The improvements were also inspected by Mr. Metzger and Mr. Capo on July 18th and are in excellent condition mirroring what was previously there. The boathouse has always had a small room for Levee District employees that were preparing rescue boats. Although Mr. Herzog had no obligation to repair the improvements he did so and also repaired the Authority's improvements including the roof and pier which were damaged. Mr. Herzog provided a contractor's estimate of \$21,635 for the repairs. This procedure is consistent with what the Authority did when Mr. Herzog took the lease from the prior lessee which allowed them to recoup the investment to the property.

Mr. Pappalardo advised that this lease should be converted to a standard lease as Mr. Haynes has agreed to pay the \$8,000 transfer fee to the Authority. This is an archaic lease, but it is the lease that is on the property. The lease expires in 10 years and Mr. Herzog is requesting an extension. Mr. Metzger suggested Mr. Haynes sign a new lease that includes the additional 15 years he is requesting making the new lease consistent with the terms of the other boathouse leases. Mr. Capo noted that the Authority does not currently collect the 8% transfer fee on this boathouse because the Authority owns the boathouse. The transfer should be approved so Mr. Herzog can transfer the lease to Mr. Haynes as Mr. Herzog is entitled to receive monies spent on improvements that he was not obligated to do. Within the lease the Authority is obligated make the necessary improvements, but the Authority did not have the money. If Mr. Herzog had not made the improvements, the boathouse would be in a state of disrepair.

Mr. Pappalardo suggested as a condition of the 15 years Mr. Haynes is requesting, that the lease be bifurcated giving Mr. Herzog the right to transfer. The 15 year extension is not part of Mr. Herzog's lease, but is part of Mr. Haynes request in the transfer. Commissioner DeRouen suggested approving the transfer and informing the new tenant that the lease will not be extended unless a new lease is signed. Mr. Metzger noted the assignment would be conditioned

upon execution of a new lease for 15 additional years under the new terms and conditions along with payment of the \$8,000 for the extension, which Mr. Haynes is agreeable to. The lease would make Mr. Haynes responsible for the entire structure. The lease would not take effect until the expiration of the current lease. Mr. Pappalardo noted a 25 year lease could be negotiated with the new rental rate of \$3.80 per square foot which amounts to \$7,296 or \$608 per month and this is the current rental rate for all boathouses. This issue requires approval from the Finance Committee to move forward for Board approval

Commissioner DeRouen offered a motion to recommend approval of the transfer and agree to extend for 15 years if a new lease is signed, seconded by Commissioner Brien and unanimously adopted.

3) Review of budget to actual Fiscal Year 2013

Ms. Wagener reported revenues are slightly behind and not at 25% on any funds with the exception of Orleans Marina. South Shore Harbor is at 20% and the Airport is also behind. Fuel flowage is not what was projected on a monthly basis, but with the Super Bowl and Sugar Bowl this may catch up. The September fuel flowage number of \$27,000 is what is usually received from one tenant, not the three together. Fuel flowage was down last month due to Hurricane Isaac.

Mr. Smith reported that the hurricane had a big impact on fuel sales. With the upcoming events this fall and winter there will be some catching up on fuel flowage. The two hangars currently under construction will bring new tenants and help with the fuel flowage.

Ms. Wagener reported that expenses are lagging as 25% of the expense budget has not been spent. There are shortfalls at South Shore Harbor due to funds expended for demolition of the Point Building and there were issues with the drainage at the Airport both of which were under budgeted items. The Authority is good for September and should catch up with the revenues over the next few months. There will be a better picture at the new year where the Authority stands. A schedule of budget transfers between line items was prepared and staff is requesting to move \$24,000 from one line account to another line account to better match the budget and expenses. A new account was created for the Marinas entitled Piers, Catwalks and Bulkheads to accurately show where money is spent. Funds from Maintenance will be moved to Piers, Catwalks and Bulkheads and from Insurance to Worker's Comp. Funds are moved to different line accounts to clean up the budget. This is a housekeeping procedure that will be done quarterly for the budget to actual statement to be more accurate. As long as the bottom line of the budget does not change this does not go before the Board for approval. Chairman Hoffman requested this be reported quarterly as much time is spent reviewing the budget. Comparison to budget becomes more relative and this will ensure that monies are in the right bucket and the budget to actual comparison will make sense. It is a mechanism to allow for clean-up and should be distributed to each Committee for review to inform them as to why the numbers are changing.

Chairman Hoffman addressed revenues and noted that most money for the two Marinas comes from credit card payments. This is a variable that depends on the number of slips leased. The Airport is a variable based primarily on fuel flowage. Mr. Capo noted that Lake Vista Community Center is the only property with rent paid on a monthly bases and it should be 25%. The New Basin Canal is paid quarterly and should be close to 25%. Fuel sales are a variable due to fluctuation. An increase in boat slip rentals for the year of 5% was added to South Shore Harbor and is the reason overall revenues are short. What was projected will not match 25% as the whole year was used with a 5% increase in slips so that will lag until the number of slips that were projected are rented.

Chairman Hoffman noted that Grass Cutting is the number one concern under Contractual Services. Mr. Capo advised that grass cutting should be on budget as it is broken down by quarters with 20 cuts per year and budgeted on the full year. The first quarter, July through September, is the heavy month with six cuts per month. DEI is preparing the RFQ for Grass Cutting so this can be put out to bid within the next 30 days.

Commissioner Stack added that grass cutting is paid per cycle and should be one cycle behind due to the hurricane. Mr. Capo agreed that grass could not be cut during that week. September's bills should have five cuts instead of six and this will be verified when the bills are received. The missed cycle could be used later to make up or eliminate a cycle as the grass cutters do not have approval to cut three times per month to make up the missed cycle. Commissioner Stack added that the clean up after the storm essentially saved a cut. Mr. Capo stated that the cost for the clean-up was only \$8,000 as opposed to a full cycle which is approximately \$20,000.

Mr. Capo informed the Committee that Tony Pisciotta in Maintenance reviews what areas are being cut. A checklist is submitted of the areas cut and a schedule is provided advising where the cutting crews will be and those areas can be verified during the growing period. There is no dedicated person to track what is being cut on a daily basis. Chairman Hoffman suggested verifying that grass is being cut on a spot check basis during the month.

EDS is contracted to cut grass for the Authority. The Airport is different as the Airfield side is cut by Goodwill Industries and the front is cut by the Arc of New Orleans (Vintage Gardens) who are both part of EDS. The grass cutting contract was reviewed in 2007 at which time the DOA and State Purchasing concluded that instead of developing an RFP the Authority would contract with EDS who is on the approved state contract list. Numbers of the actual acres were provided by the Flood Authority prior to the levees being raised, but DEI has prepared mapping of areas cut by the Authority which reflects a more accurate number for the RFP, which will reduce the cost of grass cutting. The RFP will be for non-revenue producing properties only.

Mr. Capo advised that EDS cannot bid on grass cutting however, a proposal is submitted which is compared to the bids. Vintage Garden will step outside the EDS umbrella and bid on the job and EDS will submit a proposal as EDS does not respond to the RFP. Chairman Hoffman requested that laws and regulations be researched and distributed regarding this Authority's obligation to use EDS. Commissioner Stack noted that the legal opinion is DOTD has to use EDS because services are available on the West Bank for the expressway. Commissioner Stack requested Mr. Metzger research whether this was an opinion from LA-DOTD in-house counsel or an Attorney General Opinion and advise of any results.

4) Update on Damage from Hurricane Isaac and Insurance Coverage

Mr. Capo reported that the insurance company covering Building 101 (AeroPremier/Hawthorne Hangar) has an issue regarding releasing the check to the Authority because DOA is listed on the check as an interested party on the building. The insurance company has requested documentation showing the building is solely under the control of this Authority. The cancelled lease from 2006, legislation creating this Board and documents stating that this Authority is no longer under the Division of Administration has been forwarded to the insurance company. There should be no problem with the insurance company paying full coverage on damages, which is approximately \$470,000, as the adjuster has agreed to cover the cost.

Mr. Capo advised that he has requested Mr. Matthews provide information regarding Flilghtline's cost of damages several times, but to date the information has not been received. The insurance company provided the Authority with a cost, but there is nothing to compare the cost with to see if negotiations with the adjuster are necessary. Steve Nelson, Stuart Consulting, presented the estimate of damages for the Airport Terminal Building and DEI will submit damage estimates for Orleans Marina, South Shore Harbor, the Pennick Dock and Lakeshore Drive. Wesley Mills of DEI will meet with FEMA representatives to view damages on Lakeshore Drive and the Marinas for a better grasp on damages to those properties and will provide a report regarding DEI's damage assessment. Mr. Capo advised that Lake Vista Community Center had water in some tenant spaces and the Authority is responsible to repair any damages in those spaces.

Mr. Capo reported that the underground storage tank on the New Basin Canal has been removed which may have contained propane. Mr. Mills advised that the analysis will take approximately seven days and will advise whether the tank contained propane, diesel or gas. The possibility that two tanks were located on the site is currently being reviewed. The ground was probed, but could not be penetrated due to concrete and debris under the surface. Mr. Mills has contacted Louisiana One Call because a random excavation cannot be performed without notifying Louisiana One Call.

After exploration by Louisiana One Call the Authority will allow the contractors to proceed as the Authority made a reasonable effort to determine if there is an additional tank on the site which could not be found. The Authority has made a reasonable effort to locate any additional tanks. Mr. Metzger advised that correspondence was sent to Wildlife & Fisheries regarding the issue, but to date no response has been received. Mr. Pappalardo noted that the only thing seen during a site visit was the top of the tank. Mr. Mills advised that the preferred method to locate other tanks on the site is through a sounding mechanism, which would not be an effective method due to concrete and debris under the booms or canal bulkhead that has built up during the 200 years the canal has been in commerce. Mr. Capo will keep the Committee and Board apprised on the progress of the underground tanks.

5) Motion for recommendation to acquire vehicle liability insurance through Morrison Insurance Agency at a cost of \$23,045

Mr. Capo advised that the expiring insurance premium is \$35,792. The new premium is \$23,045 which is a savings of \$12,047 due to a reduction in the number of vehicles. The cost is budgeted and it is staff's recommendation to acquire vehicle liability insurance as it is due November 1, 2012. All vehicles that are on the policy are operational. The Authority owns a water truck to wash down the Airport runway and areas along Lakeshore Drive, but does not currently have a CDL licensed employee. The new maintenance person will be required to have a CDL license.

The water truck was instrumental in reopening the Airport after Hurricane Isaac as it holds 4,000 gallons of water and was used to hose off the Airport. Steve Nelson of Stuart Consulting assisted in clean-up at Lakefront Airport and advised that the fire truck is not suited to hose off the Airport due to the orifice on the nozzle which creates pressure that heats up the pump. The fire truck is an expensive piece of equipment to hose off the runway. To clean the Airport runway a crew with backpack blowers along with the water truck was used to blow out the grooves on the runway to remove the grit on the runway. If grit is left behind on the runway it could get into a turbo prop or a turbine and it is devastating.

Ms. Wagener reported that the '91 Ford bucket truck is what the maintenance crew uses to change lights on Lakeshore Drive and the Marinas. A spreadsheet was prepared listing a description of the vehicle, when the vehicle was acquired, why the vehicle is used and what business unit has that piece of equipment. An inventory was taken to verify all vehicles are working and in use prior to Mr. Maddox giving a quote on the vehicle liability insurance. As a result of the inventory some vehicles were deleted and will be auctioned when the Flood Authority has an auction.

Commissioner Stack noted there are significantly more vehicles being insured than employees. Mr. Capo agreed and advised that the sweeper, water truck and bucket truck are not used daily. The jeep is a company pool car for employees to use to do company related errands and inventory. The Marina has three vehicles and there are three employees at the Marina along with West Staff people who do clean-up at the marinas. The West Staff employees cannot drive Authority vehicles.

Commissioner Stack noted that the street sweeper which is not currently being used is very expensive to repair and cost approximately \$250,000. The Authority should contract street sweeping out because if this equipment is used regularly it will break and the Authority will not be able to replace it. Mr. Capo informed that estimates received for street sweeping of all properties were approximately \$40,000 - \$50,000 per year.

Randy Maddox, Morrison Insurance Agency, informed that if a vehicle breaks down and is taken off of the policy the Authority is given a credit. Annually, the street sweeper is approximately \$1,100, other vehicles are under \$1,000 and the fire truck is \$1,200. The insurance is very inexpensive and has a \$1 million limit.

Commissioner DeRouen questioned if management reviews what each employee does and what that position is required to do. Mr. Capo advised employees are assigned specific duties by the Civil Service title. If employees are assigned duties outside of their job description, a grievance can be filed. There are many employees working outside of their job description. Civil Service will perform a desk audit to monitor the employee's duties compared to the job description to assess if the employee should be elevated or decreased in a position.

Commissioner Brien offered a motion to recommend approval of vehicle liability insurance, seconded by Commissioner Dufrechou and unanimously adopted.

ANNOUNCEMENT OF NEXT MEETING:

Chairman Hoffman announced the next Finance Committee meeting is scheduled for Thursday, November 8, 2012 at 4:30 p.m.

ADJOURNMENT:

Commissioner Derouen offered a motion to adjourn, seconded by Chairman Hoffman and unanimously adopted.

The meeting adjourned at 5:50 p.m.