

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, JUNE 7, 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, June 7, 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 4:35 p.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

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

ABSENT:

Commissioner Patrick DeRouen

STAFF:

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

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Steve Nelson – Stuart Consulting
David Bacci – Stuart Consulting
Tim Avegno – Eagan Insurance
Simone Bruni – Demo Diva
Ray Landeche - Lakeshore

APPROVAL OF AGENDA

Mr. Metzger advised that an item would be added to the Agenda. The Agenda can be adopted as published. Following Old Business a motion to add to the Agenda can be offered.

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

APPROVAL OF PRIOR MINUTES

Commissioner Stack offered a motion to approve the minutes of the Finance Committee meetings from May 3, 2012, seconded by Commissioner Brien and unanimously adopted.

OLD BUSINESS

1) Discussion and recommendation to increase Stuart Consulting Group's ID/IQ contract for engineering services in the amount of \$5,000

Stuart Consulting has an ID/IQ contract with a limit of \$95,000. To date \$92,729 has been expended. This will carry the Authority through the invoicing through June 30, 2012. Projects that are currently open will require approximately \$5,000 above the original \$95,000 limit for completion in this fiscal year.

Commissioner Brien offered a motion to recommend Stuart Consulting ID/IQ contract be increased by \$5,000, seconded by Commissioner Dufrechou and unanimously adopted.

**2) Discussion on change order request for Point Building demolition
Simone Bruni – Demo Diva**

Simone Bruni with Demo Diva stated that Demo Diva was awarded a contract for demolition of the Point Building in the amount of \$33,000. Demolition started May 22, 2012 and on May 24, 2012 the building was demolished and hauled away. The building was approximately 4 feet off of the ground. Demolition of the foundation began, but the foundation did not move and the weight ball was bouncing off of the foundation. This was not a raised commercial slab with grade beams as anticipated. A hammer was used to break the foundation which when pulled back revealed that the foundation was poured around a mound of sand. The entire foundation and footings for the building was triple reinforced concrete. There were approximately 20 footings on the building that were 7½ feet tall. Mr. Capo was advised on June 1, 2012 that this was a serious situation and a request was made for Mr. Capo to inspect the area. At that time, Demo Diva advised that a change order would be needed. The building was poured erratically with four foundations poured in one pour. There was different grade rebar throughout the foundation making it difficult to find a pressure point to pull from. Ms. Bruni estimates that it will take an additional nine days to complete the foundation, which was not anticipated. Commercial demolitions with a raised foundation and grade beams normally take two to three days maximum to complete.

Chairman Hoffman advised that this issue is administrative and premature to present to the Board. This issue must be handled in accordance with procedures and contracts. Mr. Capo advised that he will contact the engineers at Stuart Consulting to review this matter.

3) Budget to actual Fiscal Year 2012

Dawn Wagner with the Authority reported that rents are on target as anticipated. The Bally's transfer was budgeted at \$762,920, with \$318,000 transferred leaving a balance of \$444,000. It is not anticipated that this money will be used between now and the end of the year. There was a \$100,000 deposit on June 7, 2012 and there are two payrolls to run with the only expense being retirement for the month of June. Mr. Capo informed that the premiums for the insurance policies that have been realigned come up on July 1, 2012. Those policies previously expired in April.

Of the \$700,000 transferred from the Flood Division for Lakeshore Drive expenses, only \$467,000 has been transferred and \$600,000 has been spent. There will be another transfer to make from that bank account to the general fund which will leave approximately \$100,000 to spend. There are two to three large grass cutting bills remaining which will exceed the \$700,000. This includes trash pick-up, grass cutting, utilities, maintenance for the parking bays and monies used to clean Shelter #1, which has yet to be costed. We are going to far exceed the \$700,000.

There is \$408,000 left from the South Shore Harbor Marina account and \$1.9 million in Bally's so leaving a balance of \$2.3 million in that account. There is \$1 million budgeted for Fiscal Year 2013 which will leave approximately \$1.3 million between those two accounts.

Fuel Flowage was budgeted at \$650,000. To date there is only \$536,000 which will leave the budget short approximately \$113,000. Approximately \$56,000 was received in revenues for fuel so this budget will be short approximately \$80,000. Mr. Capo advised that Super Bowl 2013 will kick the number up slightly next year. The estimate for Super Bowl 2013 is 300,000 gallons which equates to .25

per gallon. A 2-3% growth factor was added to that before the Super Bowl. It could be a concern going into next year of what is budgeted and what will actually be received. Ms. Wagener noted that \$664,613 is budgeted for 2013 and \$650,000 was budgeted for 2012. The budget was \$75,000 short for 2012. In 2013 the Super Bowl may bump up numbers and the economy may continue to pick up so the 2013 budget may break even.

Prior to the storm, fuel flowage was based on what was sold. The Authority purchased a fuel contract with Texaco/BP and in turn the fuel was resold to the FBOs. Due to state sales tax issues this is no longer the procedure. Currently, there are three tanks for jet fuel and three tanks for the AV gas. When an FBO receives the .25 is based on what the FBO receives in our tanks for storage. The income is stable per gallon whether the price goes up or not.

South Shore Harbor exceeded slip rentals by \$125,000. There was a location fee of \$40,000 deposited for South Shore Harbor in which the north peninsula was rented. Transient rates were charged for the 168-foot yacht docked in the Marina for several days. Occupancy at South Shore Harbor is over 50%. An additional \$7,000 was received for a movie shoot on Lakeshore Drive.

Expenses are on target with grass cutting the main item that will go over budget although there are funds in other places to fix that overage. Wesley Mills of DEI and the current contractor met to verify that the maps DEI put together are exactly what is being cut. Once that information is received from DEI, it will be incorporated into the document and an RFP will be submitted for grass cutting proposals.

4) Discussion and analysis of Property, Flood and General Liability Insurances

Mr. Capo advised that the total insurance budgeted is \$842,700 which includes flood, auto, general liability and property. Property insurance is budgeted at \$575,000. The \$842,700 was budgeted due to an increase for bringing the Airport Terminal Building on line, approximately \$200,000 over what was spent in 2012. Flood insurance policy periods all differ. Approximately \$111,212 was spent in the current period and projected premiums for next fiscal year are \$126,000 which is reflected in the 2013 budget.

Chairman Hoffman addressed flood insurance on the shelter houses and noted that if the shelter houses flood the Authority will not collect on the flood policies. Steve Nelson, Stuart Consulting, advised if the Authority does not carry flood insurance on the shelter houses, there is a risk of running afoul of the NFIP program. FEMA has a requirement for obtaining and maintaining insurance. In the event the shelters were destroyed during a named storm and the Authority did not have insurance there could potentially be issues with FEMA. If FEMA puts \$500,000 to each shelter, the deductible will be \$500,000. The next time around FEMA will expect the Authority to obtain and maintain the insurance and the deductible will be whatever FEMA put into the facility the last time. Mr. Avegno advised that the Authority pays \$11,000 each for three shelters for a total of \$33,000 because the shelters are not within the protected levee system. Each shelter has a \$500,000 limit. The stated value for the shelters is approximately \$900,000 each with Shelter #3 costing approximately \$2.3 million.

Mr. Avegno informed that if an event such as Katrina destroys the shelters and the Authority has no primary flood insurance it is unlikely FEMA will pay the excess and there would be an \$800,000 loss. The Authority is currently seeking waivers for excess flood insurance above the \$500,000 to make up the difference between \$800,000 and \$500,000. The excess flood market is basically non-existent and extremely expensive. Mr. Nelson noted that Katrina entirely obliterated the shelters. The shelters are in a V zone and may be able to handle water coming up or going down, but there is extreme force in the wave action.

Shelter #1 was a skeleton that could have been a full replacement, but FEMA may not have allowed the shelter back on Lakeshore Drive. Another issue is if the Authority does not carry flood insurance on one facility it may affect the NFIP program as a whole. Mr. Nelson will investigate the issue of insuring the shelter houses with GOHSEP, check the insurance requirements and review the actual cost.

Mr. Capo informed that the Authority cannot be a part of Office of Risk Management as it is a levee district and a political subdivision, not an agency of the State. The Orleans Levee District owns the building which is a political subdivision itself as is this Board. These issues were discussed in a meeting with Office of Risk Management who cannot insure levee districts or political subdivisions.

Auto Insurance

Mr. Capo addressed the schedule of the auto insurance. The Airport has 14 vehicles and two vehicles are fire trucks. Ms. Wagener informed that the automobile insurance policy covers approximately 24 vehicles at an average premium of approximately \$1,000 for each vehicle. Mr. Capo added that some vehicles need to be inspected to see if they are operational. The vehicles that are not operational could be placed in the Flood division's annual auction. There are nine people at the Airport: seven firemen, a fuel farm assistant and Mr. Pruitt. The water truck sits under the bridge and is used to wash the runway and other properties. Chairman Hoffman suggested determining what vehicles are needed as it may be more efficient to use the \$1,000 for repair and maintenance of vehicles that are actually used. Ms. Wagener informed one new vehicle was purchased for the Lakeshore Drive maintenance crew and one for the fire station. With those new vehicles coming on there should be vehicles taken off.

General Liability

Mr. Capo advised that a quote was received from Arthur Gallagher in the \$31,000-\$33,000 range, which is lower than the \$39,500 spent last year. There are three proposals: \$10, \$15 and \$25 million. With the exception of the Fuel Farm, all policies begin July 1, 2012. The policy renewed in April of the previous year so there are ten months with an additional two months from April to June. The total premium for 2011-2012 was \$383,000 based on \$46 million of stated value. The property premium for the full fiscal year July 1, 2012 to June 30, 2013 for \$10 million in coverage is \$499,129. Property coverage for the two Marinas strictly fire on piers and wharfs for \$10 million in coverage with \$79 million in stated value is approximately \$577,879. There is \$575,700 budgeted for 2013. This is for \$10 million in coverage per event of a named storm.

Limits of non-named storms, wind, hail and all other perils is the full \$78,912. Stated value went from \$46 million to \$135 million. There were reductions made at South Shore Harbor and Orleans Marina since piers and docks are no longer subject to wind coverage. Wind coverage was removed for fire coverage. Mr. Avegno stated that the rate per dollar did not go up. Coverage increased and there is a higher 5% named storm deductible. There are proposals for various limits for named storm only, but there is full coverage for all other non-named storm events. The only negative as far as the exposure is if GOSHEP approves the certification and there is a named storm that is not declared a disaster in which FEMA does not come in. If that happens the Authority is limited with the amount purchased for a named storm.

Chairman Hoffman commented that this is a current value or coverage issue. The issue is how much coverage the Authority can afford to carry and how much coverage is needed. The amount budgeted is \$575,000, which allows \$10 million in coverage, \$5 million less than last year. For \$15 million in coverage the cost is \$640,000; \$682,000 for \$20 million and \$700,000 for \$25 million.

Mr. Capo noted that \$80,000 is spent on the piers and docks at the two marinas for fire only. If the Authority goes from \$10 to \$20 million in coverage the total property coverage cost is \$682,000. If the \$80,000 is applied the cost is \$602,000 for \$20 million in coverage, slightly \$25,000 more in cost and named storm coverage is increased by \$10 million. The Authority would be self-insuring on piers and docks at South Shore Harbor and Orleans Marina for fire and applying the \$80,000 to the higher \$20 million coverage limit.

Mr. Dixon informed that the cost to repair a slip is approximately \$18,000. The biggest concern would be from an electrical fire. The inspection alone will cost \$10,000 per pier for a total of \$60,000 and includes the transformers, socket, and wires. The transformers are approximately 20 years old and two have been replaced. The \$80,000 could be used in the inspection and new wiring which would do more to mitigate the Authority's risk than the insurance. Commissioner Brien advised that the electrical at Orleans Marina should be prioritized to mitigate the risk.

Chairman Hoffman agreed with the suggestion of self-insuring on the piers to get to the \$20 million. Commissioner Dufrechou made a motion to obtain \$20 million in coverage and to self-insure on the piers, seconded by Commissioner Brien and unanimously adopted.

Mr. Capo informed the Committee of an e-mail from John O'Hara regarding a meeting with GOHSEP to provide additional information as there is some confusion about the structure between the Flood and Non-Flood Authority. This issue will be brought before the Board at the June 21, 2012 meeting.

NEW BUSINESS

1) Increase Pappalardo Consultants' contract by \$12,500

Mr. Capo advised of two items to be added to the Agenda. The first item is a request to increase Pappalardo Consultants' contract by \$12,500 to carry through to June 30, 2012. The original contract amount was \$60,000 which was increased in December with a Board Resolution. The second item is for approval of a new contract for Fiscal Year 2013 with Pappalardo Consultants.

Mr. Pappalardo informed the Committee that this is the first time that prior to Katrina the contract amount was about what it is today. Within the last year there has been additional work due to the new buildings coming on line and new leases that are in effect. There has also been additional work with Lakefront Airport involving leases and negotiations with various tenants at the Airport along with the new surveying. With the contract increase it is hopeful that the limit will not be reached next year. Once the new leases are signed and the buildings are up and operating the Authority will be collecting revenues for the next 20-30 years. If utilization of South Shore Harbor can be increased and a plan for development completed the Authority can begin negotiating with potential clients. Using the Terminal Building as a pavilion along with the success of the swim/run scheduled at the end of June will attract attention to South Shore Harbor.

A unanimous roll call vote was taken to add the item to the Agenda.

Commissioner Brien made a motion to increase the budget by \$12,500, seconded by Commissioner Dufrechou and unanimously adopted.

2) Approve Pappalardo Consultant's contract for fiscal year 2013.

Pappalardo Consultants' contract amount for fiscal year 2013 will be for an amount not to exceed \$92,500. The 2013 budget amount is \$82,500 which requires an increase to the budget of an additional \$10,000.

Commissioner Dufrechou offered a motion to add the item to the Agenda, seconded by Commissioner Brien. Following the opportunity for public comments, the item was added to the Agenda by a unanimous roll call vote.

Mr. Pappalardo's contract was for 10 months from September through June 30, 2012 with a contract amount of \$60,000 which was increased twice. Staff proposes a new contract and resolution as the current contract allows to extend the contract two years for \$60,000. Mr. Pappalardo's contract had a September 1st renewal which was aligned to renew with the fiscal year on June 30th. If this item was not added to the Agenda, Mr. Pappalardo would have been working without a contract on file.

Commissioner Brien offered a motion to recommend to the Board entering into a contract with Pappalardo Consultants for the fiscal year 2013, seconded by Commissioner Brien and unanimously adopted.

ANNOUNCEMENT OF NEXT MEETING

Chairman Hoffman announced the next meeting is scheduled for July 12, 2012 at 4:30 p.m.

ADJOURNMENT

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

The meeting adjourned at 5:45 p.m.