

NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
FINANCE COMMITTEE MEETING MINUTES
THURSDAY, JANUARY 10, 2013 – 4:30 P.M.

The regular monthly meeting of the Finance Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, January 10, 2013 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 Stack
Commissioner Stanley Brien
Commissioner Carlton Dufrechou
Commissioner Patrick DeRouen

STAFF:

Louis Capo - Executive Director
Dawn Wagener - Non-Flood
Sharon Martiny - Non-Flood
Chuck Dixon – Marina Manager

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Steve Nelson – Stuart Consulting
Chris Fenner – Stuart Consulting
Ray Landeche – Lakeshore Subdivision

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Commissioner DeRouen offered a motion to approve the minutes of the October 4, 2012 Finance Committee meeting, seconded by Commissioner Brien and unanimously adopted.

REPORT BY EXECUTIVE DIRECTOR

Mr. Capo informed that discussions today relate to the 2013-2014 Operating Budget and the status of the three year projection.

In the current budget there is \$25,000 budgeted for a vehicle at the Marina. The Authority can piggy-back with another entity and the cost will be \$23,000 for a Crew Cab four wheel drive. It is in the budget and staff will move forward with the purchase if there is no objection. This issue has not gone through the Marina Committee as it has previously been approved in the budget. This is a new vehicle that will replace the existing vehicle. A pick-up truck was chosen because during a storm things can be loaded into the bed of the truck.

NEW BUSINESS

1) **Request for Management Authority credit card**

Mr. Capo requested that an Authority Credit Card be secured to avoid Commissioners from using their personal credit cards during business trips.

Also, staff was recently working with the Air Boss for Super Bowl to book a hotel room and the hotel required a credit card. The Non-Flood Authority does not currently have a credit card and is required to contact Pam Zeringue at the Flood Authority who receives approval from Gerry Gillen to use the card. Staff is requesting a credit card with a \$5,000 limit. As a control mechanism staff will present the monthly statement to the Finance Committee. The card will be used for emergency or if something cannot be purchased through a Purchase Order or Invoice. Mr. Capo informed that he would be responsible for the credit card which would be issued in his name from Capital One with Board approval.

Chairman Hoffman noted that it is hard to operate in today's economy without a credit card for the reasons stated above. Statements are to be presented to the Finance Committee each month and Mr. Capo will be responsible for all charges on the card. This will take extra monitoring and will be a standard item on the financials going forward so things do not fall through the cracks. Staff should prepare credit card procedures that will be put in place, what is required to use the card and the reporting mechanism so everyone understands how the Authority is operating with the credit card. Commissioner DeRouen requested and expense explanation for each line item. If there are five charges there should be five separate papers detailing the date, where the item was charged to, the purchase amount and reason. These should be the actual invoices for charges. Mr. Metzger informed that the bank requested a Board Resolution for approval of the credit card. The credit card will be issued by Capital One with a \$5,000 limit. Mr. Capo will be the only signature on the card.

Commissioner Brien offered a motion to recommend approval of a credit card for the Non-Flood Protection Asset Management Authority for emergency use, seconded by Commissioner DeRouen and unanimously adopted.

2) Review of budget to actual Fiscal Year 2013

Ms. Wagener reported that no additional funds have been used from the Bally's account. To date the Authority has used \$576,000. Of the \$700,000 for Lakeshore Drive received from the Flood Authority, an additional \$115,000 as used to pay for expenses on Lakeshore Drive. Money is only taken from that account as needed. All General Fund expenses are within 50% of the budget that the Authority should have spent at this point, most line accounts are under that.

Lake Vista revenues are at 46% with several vacancies. Mr. Capo explained that one of the revenues projected was leasing Suite 6508, but that space is currently occupied by staff from the Airport. Ms. Wagener noted that revenues are slightly under and expenses are tracking. The only line item is insurance as what was budgeted was spent as this budget is small and there is no extra money there. As insurance came in over what we was budgeted this account at the end of the year will be overspent. There were two units expected to be leased in the Lake Vista budget which was approximately \$25,000 for the year. The budgeted revenue is \$162,000 and \$75,000 has been collected because it is only halfway through the year.

Chairman Hoffman noted Commissioner Dufrechou's arrival for the record.

Orleans Marina revenues and expenditures are tracking as expected. There are some Isaac related expenditures throwing some line accounts out. Materials and Supplies are over budget. If this line item has not evened out by next quarter money from savings in Personal Services could be used to cover the overspending. Orleans Marina credit cards were run for the third quarter prior to running the budget to actuals so revenues of \$641,000 are three quarters of the revenue with \$706,000 as the whole Operating Revenue. Mr. Capo noted that the detail sheet shows three quarters of the revenue and the front sheet shows six months – July through December 31st. Orleans Marina revenues were

projected at \$956,000. The \$641,000 is three quarters with \$200,000 on top of that, which is approximately \$850,000. The \$956,000 includes \$90,000 for major maintenance. With the \$90,000 in major maintenance added to the remaining quarter that will bring the figure close to \$956,000.

Mr. Capo informed that Utilities at Orleans Marina would be over due to a large settlement payment to the Sewerage & Water Board of approximately \$25,000 that was paid during the last fiscal year for previous years. The Sewerage & Water Board will keep raising rates over the next 10 years and there will be an 80% increase on water rates which will have to be passed to the tenants in the marinas as the Authority cannot afford to fund the water. This is a significant increase in water charges and is something that needs to be looked at as this is not addressed in the lease. The lease includes the escalation for the 10% surcharge for Major Maintenance which equates to \$90,000 per year. The rents are frozen for three years. There is nothing in the three year lease that allows the Authority to adjust for the increase in utilities. The lease is going into the second year which starts in July. There should be an escalation clause added to the lease for utilities. Chairman Hoffman suggested the escalation clause cover more than utilities. After the lease freeze this issue should be reviewed and brought to the Marina Committee meeting to make tenants aware of the escalation that will be coming down the road due to the significant increase in utilities. Mr. Capo noted the Authority also pays for water in Lake Vista Community Center which has been a long-standing policy which needs to cease. A clause should be put in the lease for Lake Vista Community Center tenants also.

Mr. Pappalardo, Real Estate Consultant, stated that two separate and distinct mechanisms could be put in the lease. The first would be to pass the expenses and the second would be an expense stop. An expense stop would be as of the inception date of the lease. If water costs .75 per square foot the Authority as owner would assume the .75 per square foot. If water costs .83 per square foot at the end of the first year the tenant would be billed the .08 per square foot difference. The expenses are stopped as of the lease date and the Authority then charges the tenant an increase beyond the stop. The Authority would have to institute for past due expenses which will put a layer of accounting on top. It may be easier to increase the rent \$1.50 per square foot for Lake Vista Community Center. The expense stop may work on the Marina. Chairman Hoffman suggested staff do projections to determine the best way to handle this issue and the issue be put on the list of discussion items to be brought up.

Commissioner DeRouen suggested this be looked at for every lease renewed as the Authority moves forward. Any lease from 2013 forward needs to be included. Chairman Hoffman requested this be addressed in the three year projections as this will potentially impact each year. Boathouses should not be included as they pay their own water and electricity. Mr. Capo noted that the Airports are metered, but the maintenance crew reads the meters and tenants are back charged.

Mr. Pappalardo noted that the leases to be addressed were Orleans Marina, South Shore Harbor and Lake Vista Community Center as all other properties are on a net basis and the tenant pays their utilities. The verbiage on the lease has to be changed to allow for the expense stop. Chairman Hoffman added that tenants should understand where the additional cost is coming from and that the Authority is not making money as the money will be passed to the public utilities.

Ms. Wagener reported South Shore Harbor revenues are down due to over projection in revenues by adding an additional 24 tenants. The number of tenants at South Shore Harbor has not increased as anticipated. Expenditures are tracking except for Materials and Supplies which was under budgeted. There was no money put toward Supplies for Piers and Bulkheads. There have been

lights replaced on the piers and that is enough to increase expenses for the year. A small piece of equipment purchased which was under \$1,000, but when the budget is \$9,000 per year it does not take much to overspend on that budget. There may be savings in Personal Services to transfer at the end of the year so there will be no overspending on either line item. Mr. Capo informed that additional lighting was added on the promenade at South Shore Harbor. Mr. Dixon noted when the passenger walkway to the boat was taken down lighting was installed as it was extremely dark which cost approximately \$40,000. These were not new lights, these are the old lights.

Chairman Hoffman stated that the concern is that we are getting to the end of the year, we are six months there. If the Authority loses \$160,000 at the end of the year on \$600,000 in revenues the Marina will have to be shut down. If expenses end up on budget and revenues fall short \$150,000 the Authority will end up \$150,000 short meaning on a \$600,000 operation there is a loss of 25% which does not make economic sense. There is currently \$228,000 so the Authority will collect \$460,000. Next year's budget is \$513,000 which is \$50,000 more in revenues next year. This issue should be reviewed next month to get a better projection of what revenues will be at the end of the year. This is an area which should be analyzed as the three year projection is prepared. The three year projection is critical for discussions with Baton Rouge and to determine how the Authority will make the properties break even or decide if there is an alternative use for them. Mr. Capo informed the Committee that some expenses showing on the budget are Isaac related and reimbursable along with the demolition of the Point Building which cost approximately \$34,000.

Mr. Dixon advised that advertisement for South Shore Harbor is through e-mails and mailings sent to the tenants. There is also advertising in cruise and yachting magazines. Occupancy at Orleans Marina is approximately 97%. Chairman Hoffman noted that Municipal Yacht Harbor will soon be reopened and will attract boats from the North Shore and South Shore Harbor which will make matters worse. Mr. Capo added pre-Katrina the Municipal Yacht Harbor had 600 slips, Orleans Marina had 350 slips and was full and South Shore Harbor had 85-90% occupancy rate as there were more boats in the area. The Authority is now dealing with fewer boats and the attractable area on the west side. Once Municipal Yacht Harbor opens the boats in South Shore Harbor will vacate the Marina.

Ms. Wagener reported that Lakefront Airport rents are tracking, but the Fuel Flowage is still behind. Mr. Capo noted that fuel flowage between last year and his year is close. This year and last year there was the Final Four and the National Championship which helped bring Fuel Flowage numbers in line. This year there is the Super Bowl and the same thing will happen. Fuel Flowage picks up toward the year end as the weather gets better.

Ms. Wagener explained that Project Consultant is split between true ID/IQ and FEMA. Approximately \$290,000 of the \$302,000 is Stuart Consulting which will be reimbursed by FEMA. Mr. Nelson noted that if most of the costs are for project management FEMA has never had a problem with reimbursement of those costs. FEMA will not reimburse expenses such as the Hong Kong Restaurant. Upon receipt the funding money from PW 1982 projects will be closed out. Of the ID/IQ there is \$12,000 associated with Hurricane Isaac that will be sent to FEMA for reimbursement.

Mr. Capo explained that the Settlement Expense is credits that Hawthorne has. Hawthorne receives up to \$100,000 per year in credits that they draw down from. The full amount of the rent is recorded and offset with the settlement expense. Hawthorne usually draws \$8,000 per month, but Hawthorne has have been taking less because they are busier. Mr. Metzger informed that Hawthorne has

taken over the settlement agreement from AeroPremier which is \$100,000 per year until it is exhausted.

Ms. Wagener reported that New Basin Canal has no expenses and revenues were budgeted at \$864,000, but the Authority should make over \$1 million dollars. Mr. Capo noted that for the first time in 40 years all properties on the New Basin Canal are under lease. Mr. Metzger added the last lease was signed with Tides, LLC. Kona Fitness will be demolished and used as a parking lot. Tides, LLC will have a rent credit for several years to recover the cost of demolition.

Mr. Capo addressed the Grass Cutting and advised that DEI will be presenting a proposal and negotiations are underway regarding what the fee will be to assist with the RFP process as far as issuing, putting in the scope and managing the process for the Authority. The aerial survey and mapping of the grass was approximately 100,000 acres less than what is presently being cut and will be reflected in the costs. Grass cutting costs for parks and green space has dramatically decreased. After Katrina this Authority was responsible for cutting all parks and green space. The Flood Authority's survey department had the acreage broken out and listed and those are the numbers used which were from 2007. That information was recently updated for the RFP because all levees have been lifted and all levee toes have been widened so there is a difference in acreage. The Flood Authority cuts from the crown to the toe of the levee so levees are not included. Commissioner Stack suggested since grass cutting is a large expense this Authority should approach the Flood Authority to determine if there is an agreement that can be worked out to combine the resources along the levees and Lakeshore Drive because it makes no sense to have Levee District personnel on alongside EDS personnel on tractors cutting the levee. The Flood Authority could be reimbursed for grass cutting at a much lower rate. Mr. Capo advised that this was previously discussed and the Flood Authority wanted the Non-Flood Authority to pay for grass cutting at overtime rate and to pick up employee benefits. The Division of Administration denied the request and moved forward with contracting the grass. Chairman Hoffman suggested that since the point has come up again the Non-Flood Authority should re-engage discussions regarding grass cutting with the flood Authority since there is now a new spirit of cooperation. Mr. Capo noted that the Non-Flood Authority had no mechanism for a full grass survey at that time. The Authority advised EDS there was 100 acres to cut. There were only 80 acres so the mistake is on the Authority not EDS.

Ms. Wagener stated that one check to EDS covers grass cutting, janitorial and debris pick-up for approximately 20 invoices. One check for grass cutting is split between Lakeshore Drive and the parks. Mr. Capo informed that the grass cutting is done by frequency on each cut, so it is a cycle. There are 20 cycles per year. Mr. Capo advised a detail would be provided of what checks were written along with a breakdown and back-up invoices. Chairman Hoffman requested a year-to-date detail is preferred as it will reflect how many cycle cuts were budgeted and cut year-to-date.

3) Update on Fiscal Year 2013-2014 Operating Budget

Mr. Capo addressed the 2013-2014 budget and noted the remaining balance in the settlement account as of December 31, 2012 was approximately \$1.8 million. There still remains from the 2013 budget a dedicated \$425,000. The Board passed a \$176,000 Change Order to fund Airport projects which includes the seal coat and safety related items. A resolution was passed to fund paving of the parking lot for \$75,000. This leaves the remaining operating funds at \$1.1 million as of June 30, 2013. With the first cut of the 2013-2014 budget, the Authority uses every dime of the remaining balance leaving a deficit of \$277,000. Currently, there are five funded maintenance positions and one fireman position which will need to be filled at some point. The total with benefits is approximately

\$313,000. If those positions were eliminated the operating deficit would be covered at that point. The budget is due to be passed at the March meeting. A Budget Committee hearing should be scheduled to review each property line by line to justify the budget. Chairman Hoffman suggested having a three year projection that can be discussed at the same time so the budget could be projected out. There are no monies in this budget from the State or the Flood Authority to replace the \$700,000 for Lakeshore Drive. Mr. Capo informed that in this budget year starting July 1, 2013, there is no funding to replace the \$700,000 at this point. There was a commitment by Treasurer Kennedy to obtain funds so the Authority will have to push on Treasurer Kennedy and the Administration to help reach the gap between now and 2016 when the millage kicks in.

4) **Discussion and approval to contract with Duct Masters of Louisiana to clean, sanitize and externally insulate return air ductwork under the Lakefront Airport Terminal Building**

Mr. Capo noted this item could impact Belou-Magner's timeline. Chris Fenner, Stuart Consulting, informed the Committee that this is to clean the ductwork under the Terminal Building and is Hurricane Isaac related damage. The proposal from Duct Masters is half what Belou-Magner is proposing to complete the work. This is to clean the ducts, leave them in place and reinforce them to prevent collapse while the cleaning is underway. It is anticipated this expense will be reimbursed by the insurance company as it is part of the building and should be covered. The Authority may have to pay for the work and seek reimbursement from the insurance company. Mr. Metzger advised that the contract signed by Duct Masters is \$20,468.00. The work has to be done before Belou-Magner is complete as there is additional work in the crawl space that Belou-Magner has to perform. This could give Belou-Magner an opportunity to request additional delays as their work is being put on hold. This project would take Duct Masters approximately one week to complete.

Commissioner Dufrechou offered a motion to recommend to the Full Board a contract with Duct Masters, seconded by Commissioner Stack and unanimously adopted.

5) **Status of three year projections**

Mr. Capo informed that the three year projection prepared indicates there will be a \$300,000 loss this year. In 2014-2015, without additional funding, the Authority will be short \$1.4 million. Currently, the Authority has \$1.7 million over a two year period. In the 2015 budget that kicks in July 1, 2015, revenues from the millage will come in January or February of 2016. Chairman Hoffman stated this discussion should be addressed at the Budget Hearing as we are now coming into a fiscal cliff and everybody should see those projections. Mr. Capo advised that he has the three year projection numbers and will coordinate a date for the budget review meeting.

Mr. Capo informed that Fuel Farm revenues at Lakefront Airport were backed down for the 2013-2014 budget. Revenues of \$664,000 were projected this year which included the Super Bowl. Next fiscal \$607,000 is projected which is a safe number. One half year of rental for the Bastian-Mitchell and the James Wedell Hangars was included and the Terminal Building was budgeted at \$25,000. There is not much activity anticipated at the Airport Terminal Building and there is discussion that staff may move to the Terminal Building. The expense for these buildings coming on line was budgeted for insurance as that will be a factor and will impact the Authority when these buildings are completed in the first quarter of 2013.

Mr. Capo advised that by 2014 there should be an increase at South Shore Harbor. The current rate is 212 and if nothing changes revenues would be approximately \$483,000. A slight growth of one boat per month is anticipated that would increase the revenues to \$513,000. The \$670,000 for non-revenue

producing Contractual Materials is for the grass cutting which is primarily Lakeshore Drive and the interior parks, therefore 95% of grass cutting was moved from General Fund to Non-Revenue Producing.

ANNOUNCEMENT OF NEXT MEETING:

Chairman Hoffman announced the next Finance Committee meeting is scheduled for Thursday, February 7, 2013 at 4:30 p.m.

ADJOURNMENT:

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

The meeting adjourned at 6:04 p.m.