

**NON-FLOOD PROTECTION ASSET MANAGEMENT AUTHORITY
SPECIAL FINANCE/BUDGET COMMITTEE MEETING MINUTES
THURSDAY, FEBRUARY 6, 2014 – 4:30 P.M.**

A special Finance/Budget Committee of the Non-Flood Protection Asset Management Authority was held on Thursday, February 6, 2014 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 4:28 p.m. and led in the Pledge of Allegiance.

The roll was called which constituted a quorum.

PRESENT:

Chairman Nyka Scott
Commissioner Greg Ernst
Commissioner Romona Baudy
Commissioner Robert E. Smith Lupo
Finance Chair William Hoffman
Commissioner Patrick DeRouen
Commissioner Mike Stack
Commissioner Eugene Green
Commissioner Rodger Wheaton

ABSENT:

Commissioner Carlton Dufrechou

STAFF:

Louis Capo - Executive Director
Sharon Martiny – Non-Flood
Dawn Wagener - Non-Flood
Chuck Dixon – Marina Director
Fred Pruitt – Airport Director

ALSO PRESENT:

Gerard Metzger – Legal Counsel
Al Pappalardo – Real Estate Consultant
Brayton Matthews – Flightline First
Bonny Schumaker – Flightline First

OPENING COMMENTS

Chairman Hoffman stated that the initial draft budget for 2014-2015 for the Non-Flood Authority will be distributed. The budget is presented initially to the Finance Committee and during the next 30 days each committee will review the numbers and make recommendations. The budget will come back to the Finance Committee and then be brought before the full Board for adoption.

The Authority is in a significant financial crunch. There is a gap between income and expenses, the millage will not be received until 2015 and the Bally's settlement funds are running out. With fingers crossed the Authority will make it through next year without any major repair/maintenance items that will create a hole in the budget.

APPROVAL OF AGENDA

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

APPROVAL OF PRIOR MINUTES

Commissioner DeRouen offered a motion to approve the minutes of the January 30, 2013 Finance/Budget Committee meeting, seconded by Commissioner Stack and unanimously adopted.

OLD BUSINESS

1) Review of budget to actual Fiscal Year 2013

Ms. Wagener informed the Committee that there is \$872,000 remaining in the Settlement Account and \$187,000 in the Marina Settlement, which is approximately \$1 million going forward. There is \$400,000 in the credit card account which will be used to pay bills to avoid use of the settlement account funds. Approximately \$100,000 will be used from the settlement account each quarter. If expenses are kept at \$100,000 per quarter, there will be money left for the next budget year.

Revenues are tracking with the exception of fuel flowage. There is a \$600,000 budget, but only \$324,000 has been collected to date. There is only a few months left to the busy season, with the slow season starting in June. Extra revenues received from the Terminal Building and the Hangars may offset fuel flowage. Expenses are all under the 58% mark.

Mr. Dixon advised that there is approximately \$25,000 remaining of the \$90,000 dedicated maintenance funds at Orleans Marina. The money will be spent addressing repairs that stem from the electrical inspection performed at Orleans Marina. The National Fire Protection Agency (NFPA) requested an inspection of Orleans Marina's electrical system. Orleans Marina has never had an electrical system inspection so the Marina Committee recommended to move forward with the inspection, which cost was \$15,000. A report was issued and indicated no dangerous issues. There are issues with the correct type of wiring to the breaker boxes and if that wiring had been installed properly. The electrical inspection was a housekeeping issue to put things to code. Schlafly Electrical performed the electrical inspection and provided a report stating that the Katrina repairs may not have been adequately completed. Schlafly is obtaining information on what repairs were done, what should have been done and what was found prior to contacting the contractor or architect. The information is provided by the Flood Authority as the work was performed in 2006. Schlafly issued a report not knowing that the repairs were done as FEMA work. There were questions regarding work performed, what repairs were made after Katrina, who did the repairs and who inspected the repairs. The current inspection will take a look at what was done and is included in the \$15,000 fee because it is still part of the investigation.

Mr. Capo stated that it was estimated the Bastian-Mitchell Hangar would be completed in the first quarter generating revenue of approximately \$100,000, but that did not materialize. Mr. Capo advised that the Authority received approximately \$9,000 per month for the Bastian-Mitchell Hangar and the lease started in January. Rent of \$108,000 was budgeted and \$54,000 was received. Flood insurance was projected at \$12,000 with fire and wind being separate. The insurance cost will be a pass-through to the tenant and is part of the overall entire insurance cost, which is close to \$1 million.

Chairman Hoffman noted that the full impact of insurance was not known and estimates were included in the budget. The number budgeted is not what was ultimately paid. Follow-up information should be distributed regarding the impact of the Bastian-Mitchell Hangar on the Authority's financials compared to the budget. Mr. Capo advised that the premium for the Bastian-Mitchell alone (flood, wind and fire) is \$163,000 per year.

Commissioner Stack noted that Grass Cutting had \$354,000 budgeted, but only \$106,000 was spent to date. The total projected expense for Grass Cutting will

be in the \$212,000 range. Conservatively there will be a savings of approximately \$100,000 for Grass Cutting. There will also be a savings of approximately \$75,000 in Utilities as the lights have not come on line. Not many items are over budget, but some items were under budget and were fairly significant amounts.

Chairman Hoffman noted that only \$200,000 in cash will be expensed by the end of the year. Any cash remaining will roll into the new budget so staff is monitoring expenses to keep costs down for the remainder of this year in order to support next year's budget.

NEW BUSINES

1) Update on Fiscal Year 2014-2015 Operating Budget

Mr. Capo distributed the 2014-2015 operating budget. It was estimated that slightly over \$1 million would be transferred from the Bally's account. Currently, transfers have been tracking at \$100,000 per quarter. If that transfer schedule remains, there should be a remaining balance of slightly over \$702,000 in the Bally's account. In budget year 2012-2013, \$1 million was transferred from the Bally's account and \$700,000 was transferred from the Flood Authority. The \$700,000 will not be included this year nor does the Authority have \$1 million going forward. Major Maintenance was removed from the budget with the exception of the Orleans Marina. Orleans Marina contains \$90,000 which is a dedicated maintenance fund stemming from a three year lease with 10% of the rent dedicated to maintenance at Orleans Marina.

Budget expenditures have gone down. In budget year 2012-2013 \$6.8 million was budgeted for expenditures, this year \$6.4 million was budgeted and the 2014-2015 budget has \$6.2 million budgeted for expenditures. There were 28 staff positions funded in year 2012-2013. The 2013-2014 budget included 26 funded positions and the 2014-2015 budget year includes 24 positions. Two positions were eliminated and have not be filled. The IDIQ contract for Engineering Services outside the scope of FEMA included \$150,000 in 2012-2013; \$200,000 in 2013-2014 and in 2014-2015 only \$100,000 was budgeted. IDIQ is for engineering services outside the scope of FEMA where the Authority uses an outside engineer to assist with designing specs and scopes of work for projects. Grass Cutting was budgeted at \$788,000 and will come in a lot less. The new hangars will be filled with new outside aircraft which will increase fuel sales and generate additional revenue. Terminal occupancy may increase slightly with the opening of the restaurant operation as more life comes to the Airport. The key to get through the budget is holding transfers at \$200,000 from the Bally's account, monitor expenditures and continue on the revenue stream forecasted.

Revenues have been budgeted as follows:

Lake Vista Community Center	2014-2015	\$121,000
	2013-2014	\$161,000

One tenant at Lake Vista Community Center notified they will be leaving April 1st. Remaining office spaces are in bad shape and cannot be leased without extensive renovation.

Orleans Marina	2013-2014	\$1,462,000
	2014-2015	\$1,472,000

There will be a slight increase in revenues due to the new slips in the New Basin Canal (Peninsula Condominium slips).

Boathouse	2013-2014	\$502,000
	2014-2015	\$473,000

There will be a loss in boathouse revenues as several boathouses reverted back to the Authority. The boathouses are in bad shape and need to be demolished.

South Shore Harbor Marina	2013-2014	\$516,000
	2014-2015	\$586,000

Also included in the budget for South Shore Harbor Marina is \$32,000 for the use of South Shore Harbor Marina by Premier Event Management.

New Basin Canal	2013-2014	\$849,000
	2014-2015	\$827,000

Revenues are slightly lower this year due to the increase stemming from the Blue Crab Restaurant Settlement Agreement which was continued this year.

Lakefront Airport	2013-2014	\$1.3 million
	2014-2015	\$1.46 million

A slight increase on land rents is expected due to the new hangars and Terminal Building coming on line.

Fuel Flowage	2013-2014	\$664,000
	2015-2015	\$603,000

Hurricane Isaac in September of 2012 caused fuel sales to plummet.

Mr. Metzger advised that the Authority will start eviction proceedings against Mosquito Control. Commissioner Lupo stated that this was a good stance. Over the past three years there have been multiple discussions with the appropriate people including the Mayor. The fact that Mosquito Control is occupying space without paying rent has been ignored.

Mr. Capo advised that tenant insurance reimbursement is up to \$458,000 on the hangars and the Terminal Building. The New Basin Canal revenues are budgeted at \$842,000. Lakeshore Drive events and races will bring in approximately \$4,000. It is projected that the Authority will receive \$6.2 million in revenues inclusive of the \$702,000 transfer in.

General Fund Expenses were projected as follows:

2013-2014	\$1.6 million
2014-2015	\$1.4 million.

Expenses were projected slightly lower due to a reduction in major maintenance and the elimination of two positions in Personnel Services. Additional cuts were made inside the General Fund line items to further reduce expenditures from \$1.5 million to \$1.1 million. The General Fund loss for 2013-2014 was projected at \$591,000. For 2014-2015 the loss is projected to be \$446,000.

Lake Vista Community Center Expenses		
	2013-2014	\$148,000
	2014-2015	\$118,000

Orleans Marina Expenses		
	2013-2014	\$767,000
	2014-2015	\$696,000.

South Shore Harbor Marina Expenses		
	2013-2014	\$583,000
	2014-2015	\$484,000.

A positive \$63,000 revenue is projected for South Shore Harbor Marina.

Lakefront Airport Expenses

2013-2014	\$2,320,000
2014-2015	\$2.6 million

A loss of \$103,000 is projected at Lakefront Airport for 2014-2015. The loss for 2013-2014 was projected at \$229,000.

New Basin Canal Expenses

2013-2014	\$15,000
2014-2015	\$15,000

Lakeshore Drive Expenses

2013-2014	\$1.46 million
2014-2015	\$1.1 million

The 2014-2015 loss for Lakeshore Drive is projected at \$1.12 million. The 2013-2014 loss was projected at \$746,000. Major Maintenance for Lakeshore Drive was projected at \$120,000 for 2013-2014, which has been removed from the 2014-2015 budget.

Chairman Hoffman noted that the risk in the budget is the Authority will not be able to continue cost control for the remainder of this year and have \$700,000 coming in for next year's budget. Revenue numbers are solid and reasonable compared to the current year. A number of expenses have been cut including Personnel, Professional Services and Repairs and Maintenance to limit expenditures as to what is coming in. Any major catastrophe will create a problem as there is no safety net of cash in the bank. FEMA claims were not reflected in any numbers. There are currently outstanding FEMA claims that the Authority is working to conclude and collect the funding, which may take one year to receive. These monies are not solid enough to put in the 2014-2015 budget. The Authority will not begin to collect millage until the second quarter of 2016. Once past the 2014-2015 fiscal year, the Authority must face the task of getting from July of 2015 through March of 2016. When the FEMA funds are received a cash reserve will be built so the \$700,000 can be replaced in the 2015-2016 cycle to carry the Authority to the next fiscal year. The millage does not cover all expenses, it keeps the Non-Flood Authority surviving.

Commissioner DeRouen noted that the budget has decreased from \$6.4 million to \$6.2 million. Salaries, grass, consultants and the trash pick-up have been reduced. An RFP could be put out to determine if the Authority can save some of the \$1.3 million of insurance costs. Commissioner Lupo noted the \$60,000 premium on the Lake Vista Community Center and stated that number was surprising. Mr. Capo advised that the stated value for Lake Vista Community Center rose when Stuart Consulting prepared the assessment. In 2011-2012 the Lake Vista Community Center had a stated value of \$2.3 million, which rose to \$7.9 million in 2012-2013 after an assessment was prepared by Stuart Consulting. Commissioner Stack advised that Stuart Consulting prepared an estimated construction cost to rebuild the facility, not an appraisal. A construction cost is very different from an appraised value. Commissioner Wheaton informed that for the broker to put another amount as a stated value, some type of back-up is needed or it will seem the Authority is not insuring the building for the building is worth. Another question is: In the event of a loss how much will the authority get paid? The Authority may be over-insuring and getting underpaid, which is the worst of both worlds. Chairman Scott advised that self-insurance issues are a huge matter and should be brought to legislation this session. Chairman Hoffman noted that whether a political subdivision can be self insured is a legislative issue. The number one position is to fall under the State's coverage and self-insurance is a fall back.

Chairman Scott noted that the Mosquito Control Hangar was not included on the Lakefront Airport budget and questioned if there was a market to rent the hangar out or will it just sit empty. Mr. Pruitt advised that there was some interest in the size hangar that Mosquito Control currently occupies. Rent would be a cross off due to the condition of the hangar as a result of hurricane damage. The Authority could lease the hangar in its present condition for approximately \$30,000 per year. The City of New Orleans has a FEMA claim on the building and could not rebuild unless there was a signed lease. There are FEMA funds there for the City to rebuild the hangar.

Mr. Capo noted that the Lake Vista Community Center currently has two offices that cannot be leased. The building is in need of a structural analysis and renovations which would provide additional lease space and generate additional revenues. Over the last nine years the Authority has put a lot of money into the Airport and the remaining properties have been neglected.

Mr. Pappalardo suggested the Authority demolish derelict boathouses on W. Roadway and rent as open slips or to people that would build new boathouses. The boathouses are derelict and cannot be moved. The best place to spend money and immediately turn a profit would be to demolish derelict boathouses and return the water to commerce. The improvements on those boathouses are strangling the ability for redevelopment.

Mr. Capo advised that there are currently 22 Non-Flood employees on staff. The Marina Manager is split between the two Marinas and Airport Maintenance personnel are split between other properties. There were 24 employees, but one Maintenance person retired and Vincent Caire separated. When someone leaves the Authority, the position has not been filled. The real need is in Maintenance personnel due to the Terminal Building and Lakeshore Drive which will require additional maintenance.

ANNOUNCEMENT OF NEXT MEETING:

Chairman Hoffman announced the next Finance Committee meeting is scheduled for Thursday, March 6, 2014 at 4:30 p.m.

ADJOURNMENT:

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

The meeting adjourned at 5:40 p.m.