MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON NOVEMBER 4, 2010

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member
George Losonsky, Committee Member

The Finance Committee met on November 4, 2010, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Chairman Stephen Estopinal called the meeting to order at 8:35 a.m.

Opening Comments: None

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The minutes of the October 7, 2010 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of recommendation for millage action for Orleans Levee District.

Jim Bollinger, Orleans Levee District (O.L.D.) Comptroller, provided information relative to O.L.D. budget uncertainties:

- The annual cost of normal major maintenance projects for existing facilities is $2.5 million. A relevant question that needs to be asked is how much is anticipated to be spent on major construction projects apart from normal maintenance, such as the lakefront seawall.
- A decision has not been received on the forgiveness of the $26.1 million of notes payable to the State of Louisiana. The repayment of these notes will begin in about a year.
- The uncertainty of Special Levee Improvement Fund (SLIP) revenue due to the re-organization of the O.L.D. In addition, the SLIP tax will expire in 2015 and an extension of this tax will require approval through an election by the voters.
- The uncertainty about the magnitude of the increase in operations and maintenance expenses when the Hurricane and Storm Damage Risk Reduction System (HSDRRS) projects being constructed by the U.S. Army Corps of Engineers (USACE) are turned over to the O.L.D. in 2011-2012.
- The uncertainty related to Bohemia litigation and settlements.

Mr. Bollinger reviewed a scenario analysis for the period February 2011 through January 31, 2017. He explained that based on experience from Hurricane Katrina, a minimum cash balance is needed of $10 million, which is about 80 percent of the operating cost for one year. The long range assumptions included the expected decrease in mineral revenues, reduced investment earnings due to market conditions and the potential elimination of State revenue sharing which has been significantly reduced in recent years. The retirement of some of the O.L.D.'s bonds significantly reduced the amount of the debt service. The USACE's construction of most of the recent improvements has minimized the amount of construction funded from the SLIP fund budget. All of the scenarios assumed no significant local share spending on USACE projects. The State of Louisiana paid the O.L.D.'s debt service for three years under the Go Zone program. The breakdown of the $26.1 million of Go Zone debt is $9.5 million for the General Fund and $16.6 million for the SLIP fund. The repayment of this debt could be financed over a number of years; however, an uncertainty exists concerning the revenue stream to pay the SLIP fund portion of this debt, since the SLIP tax expires in 2015 and its continuance requires voter approval through an election.

Mr. Bollinger reviewed several forecast scenarios using a number of assumptions and uncertainties, which included the forgiveness of the State notes (Go Zone), the repayment of the State notes (Go Zone) over varying periods of time, and projected increases in operations and maintenance costs.

Mr. Bollinger provided the following conclusions: There should be a roll forward to support major capital improvements that have a project scope estimated at $15 million or more and there is no certainty that the notes due to the State will be forgiven. Due to the uncertainties, any significant major maintenance projects should be undertaken in stages so as to allow pauses or cessation in the event of a combination of negative occurrences. Any reduction in the SLIP fund revenues combined with the repayment of the State note will make a major project problematic. If there is no loss in SLIP fund revenues within the next five years, the existing, combined millage is sufficient to pay back the notes due the State before 2016, to fund $2.5 million annually in major maintenance costs and to maintain an adequate margin of cash for the general fund. A failure to renew the SLIP tax by 2015 or to pass a replacement tax to fund ongoing operations that includes major maintenance will result in the inability of the O.L.D. to fund major maintenance, which has been provided by the SLIP fund for nearly 40 years. The General Fund will require subsidizing of its operation and maintenance expense by the SLIP fund should the O.L.D. be required to repay the General Fund debt to the State.

Mr. Bollinger reviewed cash flow projections for the period 2011-12 through 2016-17 using varying assumptions. He discussed the negative implication to the General Fund when the USACE turns over the HSDRRS projects to the O.L.D. should the SLIP fund tax not be renewed in 2015. He noted that the 2011 millage rate will become the newest highest millage rate going forward for the next four year period. The total millage rate for the O.L.D. for 2007 was 12.76 mills and 11.67 mills for 2010.

Mr. Doody asked whether the local cost share that must be paid back to the Federal government over a 30 year period for the HSDRRS was included. Mr. Bollinger replied that none of this local cost share was included in the information presented. Mr. Tuner advised that the local share for the O.L.D. could be in the range of $300 million to $400 million. He also pointed out that the costs to operate and maintain the mitigation projects is not yet know, nor is it known which entity will pay these costs since the location of the projects have not yet been determined.

Mr. Bollinger advised that a decision has not yet been received on the forgiveness of the $9.5 million FEMA loan. It is anticipated that $5.5 million of this loan may be forgiven as a result of the FEMA field work.

Mr. Estopinal clarified that if the Board restricts future capital improvements to $8 million or less, then the SLIP fund should be sufficient as it currently stands. It would be imprudent to spend a larger amount on capital improvements without rolling the SLIP millage rate forward. Mr. Bollinger concurred and pointed out that if the millage rate is rolled forward and the negative possibilities do not eventuate, the millage rate could later be reduced.

Mr. Doody stated that he would like the opportunity to study the information provided at today's meeting. Therefore, he offered a motion, which was seconded by Mr. Losonsky, to forward the item to the Board without recommendation. Mr. Estopinal commented that he was reluctant to increase the millage rate due to the economic climate, and that he would also be reluctant to approve a major capital improvement program without a specific millage for that specific activity being placed before the people for a decision. He stated that his inclination was to recommend that the millage rate not be rolled forward and that the Board be very frugal about capital improvement plans until some of the uncertainties are resolved. The question as called on the motion to forward the item to the Board without recommendation and the motion was adopted by a majority vote (Mr. Doody and Mr. Losonsky voting yea and Mr. Estopinal voting nay).

B. Discussion of renewal of Orleans Levee District Health, Vision and Dental Insurance coverages.

Carol Kiefer, O.L.D. Safety-Risk Director, advised that United HealthCare offered to renew the current healthcare coverage at no increase in cost. A spreadsheet was provided listing health care coverages and premium costs shared by the O.L.D. and O.L.D. employees. O.L.D. employees pay an average of 23 percent of the premium for coverage. United HealthCare offered to renew the vision program at no increase in cost. Crescent Vision offered a vision program at a lesser cost with lesser benefits. Crescent Dental offered to renew the dental program with a 14% premium increase.

Wayne Francingues explained that certain changes will go into effect on January 1st because of the new health care reform law and will become a part of the plan going forward; for example, the current $5 million plan maximum must be changed to an unlimited amount, and children up to age 26 would be allowed to be included in the plan. Mr. Francingues pointed out that the renewal of coverage with United HealthCare would be a grandfathered plan.
Mr. Francingues advised that United HealthCare (UHC) offered to renew the vision plan at no increase in cost ($8.60 per month for single coverage). Crescent Dental

(Crescent) offered a vision plan at a lesser cost ($5.74 per month for single coverage) with lesser benefits than UHC. He reviewed some of the differences in coverage:

- UHC - exams, lenses and frames every year; Crescent - exams and frames every 12 months and lenses every 24 months.
- Frame allowance - UHC - $130; Crescent - $100.
- Contact lenses – UHC – $105 allowance; Crescent –$80 allowance.

Mr. Francingues stated that the quote was received yesterday for dental coverage and that he hoped to have alternate quotes soon.

Ms. Kiefer advised that action was not necessary until December. The Committee requested that competitive quotes be obtained for the healthcare coverage.

C. Discussion of the need for the Board or appropriate committee to evaluate the scopes of work and deliverables in consulting contracts that fall within the $50,000 signatory authority of the SLFPA-E Regional Director.

Mr. Losonsky commented that it is appropriate for the Regional Director to have signatory authority for contracts and task orders up to $50,000. However, Board members should have a general awareness of contract and task order scopes. The intent is not to take away signature authority or to review contracts, but to improve the awareness of Board members about what is being approved. Committee members should have an opportunity to satisfy themselves that contracts or task orders have defined deliverables in the scope of work. He added that the intent is to have a method of checks and balances and to assist the Regional Director. Mr. Losonsky suggested that the scopes of work could be provided before or after the execution of the contract or task order. A list of contracts/task orders can be developed with a brief bulletin list of deliverables.

Mr. Estopinal asked that Mr. Losonsky and Mr. Turner formulate a process to accomplish this goal. Committee members concurred that a procedure could be developed and implemented administratively without further action. However, if it is determined that further action is needed by the Committee, then the item will be returned to the agenda.

There was no further business; therefore, the meeting was adjourned at 9:50 a.m.