

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON DECEMBER 1, 2011**

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on December 1, 2011, in Meeting Room 221, Orleans Levee District Franklin Administrative Complex, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Estopinal called the meeting to order at 8:35 a.m.

Opening Comments: None

Adoption of Agenda: The agenda was adopted and subsequently amended to add Item G - discussion of the request to assign the Contract for the development of Storm Forecasting, Levee Strength and Decision Support Modules for the Levee Information Management System (LIMS) from Haskoning, Inc. to Furgo Consultants, Inc.

Approval of Minutes: The minutes of the November 3, 2011 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of renewal of Lake Borgne Basin Levee District Worker's Compensation Insurance and Pollution Liability Insurance coverages.

Hardie Edgecombe with Arthur J. Gallagher Risk Management, Inc., advised that the Lake Borgne Basin Levee District's (LBBLD) MOD (experience modifier) decreased from 1.07 to 1.03 and that the governing class code rate decreased by seven percent. The LBBLD received over \$130,000 in dividends over the past eight years. The estimated premium of \$88,802 based on payroll is comparable to last year's premium. He recommended that Pollution Insurance coverage be renewed with Ironshore at a premium of \$19,293.75. There is a slight increase in the premium this year because the district's tanks are now one year old. Pollution Insurance covers the above ground storage tanks for the pump stations, the main fueling tank and any pollution that occurs on the site.

The Committee approved forwarding the recommendations provided for the renewal of Worker's Compensation and Pollution Insurance coverages to the Board.

B. Discussion of renewal of the following East Jefferson Levee District Insurance Coverages: Workers Compensation, Accident, Pollution, Property, Equipment, and Law Enforcement Liability.

Mr. Edgecombe provided the following recommendations for the East Jefferson Levee District (EJLD) insurance coverages:

- Property Insurance – Renewal of coverage with Allianz at a premium of \$13,571, which is very close to last year’s premium.
- Inland Marine Insurance – Renewal of coverage with Allianz at a premium of \$13,521. There is a two percent reduction in the premium rate; however, the coverage limit increased because of the addition of new equipment.
- Law Enforcement Liability Insurance – Renewal of coverage with the Darwin Group at a premium of \$35,223.30, which is the same as the expiring premium.
- Worker’s Compensation – The EJLD’s MOD decreased from 1.02 to .96 and the governing class code decreased by nine percent. The EJLD received over \$150,000 in dividends over the past eight years. The estimated premium is \$105,990, which is a slight increase over last year due to an increase in payroll.
- Accident Policy – Renewal of the policy with ACE at a premium of \$1,200. The policy covers the reserve police officers. The premium and all coverages are the same as the expiring policy.
- Pollution Insurance – Renewal of coverage with Ironshore at a premium of \$11,025, which is a \$500 increase over the expiring premium.

The Committee approved forwarding the recommendations provided for renewal of the above coverages to the Board.

C. Discussion of Orleans Levee District Umbrella Insurance coverage.

Mr. Edgecombe explained that the EJLD and LBBLD obtained Umbrella Insurance coverage last year. The Orleans Levee District (O.L.D.) is now able to procure this coverage due to the division of insurance coverages for the Flood Protection Division and Non-Flood Assets Division. He recommended that the O.L.D. procure coverage from Lexington Insurance Company with a \$3 million limit of liability at an annual premium of \$62,357.40. Umbrella Insurance coverage sits over the General Liability, Automobile and Employers Liability Insurance coverages.

The Committee briefly discussed potential exposure and the need for Umbrella Insurance coverage. Mr. Doody commented that the insurance coverages for the levee districts should be consistent. Mr. Edgecombe advised that the major expiration date for the levee districts’ insurance coverages is July 19th and that the underwriter has agreed to review the O.L.D.’s rate at that time. If the rate is lower, the underwriter will cancel and rewrite the policy effective July 19th.

The Committee approved forwarding the recommendation for procurement of Umbrella Insurance coverage for the O.L.D. to the Board.

D. Discussion of Orleans Levee District Healthcare, Vision Care and Dental Care Insurance coverages.

Carol Kiefer, O.L.D. Safety-Risk Manager, advised that United Health Care guaranteed the premium rate for Vision Care for two years; therefore, the premium rate remains the same as last year. The premium rate for Health Care Insurance with United Healthcare increased by 12.84 percent based on experience and with no change in coverage. The O.L.D. currently has 48 retiree plan members who contribute 34 percent of their premium cost. Four additional carriers were approached for Health Care Insurance quotes; however, two carriers declined to quote and two carriers submitted quotes that were not competitive with United Healthcare. The premium rate for Dental Care Insurance with Crescent Dental Care has increased by 7.4 percent. Five carriers were approached for quotes for Dental Care coverage; however, all of the quotes were higher than Crescent Dental Care quote. In addition, this year the O.L.D. Flood Protection Division must provide coverage for all of the members of the O.L.D. Police Department.

Mr. Doody recommended that a group be established that would include members from the three levee districts to attempt to standardize the Health Care and Dental Care Insurance coverages and to address the spiraling costs of these coverages.

The Committee approved forwarding the recommendation for the O.L.D.'s renewal of Health Care, Vision Care and Dental Care Insurance coverages to the Board.

E. Discussion of report assessing O.L.D. leases for two cellular towers.

Gerry Gillen, O.L.D. Executive Director, explained that the O.L.D. has two cellular tower sites. The first site is located at the south end of the Franklin Complex Administration Building. The O.L.D. inherited the second tower site located at the MRGO and GIWW when land required for the U.S. Army Corps of Engineers to construct flood protection improvements was acquired and purchased. Steel in the Air, Inc. (SITA) was retained by the O.L.D. to investigate the cellular tower market and provide recommendations. He pointed out the uncertainty in the technology and market.

Jim Bollinger, O.L.D. Comptroller, advised that American Tower Corporation (ATC) currently holds a ground lessee that will expire in 2023 for the Franklin Avenue site and is the owner of the equipment. ATC submitted an offer to purchase a perpetual easement for a lump sum payment of \$375,000. A competing offer was received from Tri Star Investors for a perpetual easement, which would place Tri Star in a position to negotiate a buy out with ATC at the end of the current lease. Tri Star offered two options: (1) a lump sum payment of \$75,000 and 50 percent of the net rental revenues at the tower upon expiration of the existing lease; and (2) payments of \$12,000 annually until the expiration of the lease and 50 percent of the net revenues attributed to the tower. The SITA report provides a brief explanation of the industry and risks, comparables using recent transactions, net present value analyses and recommendations. SITA recommended going back to both proposers to determine whether they would improve their offers. However, a decision must first be made about whether the O.L.D. wants to grant a perpetual easement.

Mr. Gillen pointed out that certain laws are applicable to the Franklin Avenue site because it is located on reclaimed lands. Mr. Estopinal requested that the O.L.D. have legal counsel review the legal requirements and authority to grant a perpetual easement or lease on reclaimed lands. Mr. Doody recommended that the competitive offers be obtained as discussed. The information obtained will be brought back to the Committee.

Mr. Gillen advised that SITA recommended that the lease for the second tower remain as is due to the small amount of business on the tower. He pointed out that the second site is not located on reclaimed lands.

F. Discussion of levee districts' post retirement healthcare benefits policies.

Mr. Bollinger informed the Committee that the O.L.D. is incurring a liability of approximately \$1.2 million per year under the newly adopted accounting rules for the current cost and allocation of prior service cost on post retirement health insurance benefits. He suggested that the funding of a portion of this obligation be considered in the budgeting process. Mr. Doody recommended that the group established to address health care issues also study this issue.

G. Discussion of request by Haskoning, Inc. to assign the Contract for the development of certain LIMS modules to Furgo Consultants, Inc.

Robert Turner, SLFPA-E Regional Director, advised that Haskoning, Inc. is closing its operations in the United States. Haskoning has requested that the contract be assigned to Furgo Consultants, which is a U.S. based corporation. The two firms have been working in partnership and Haskoning will continue its work on the project as a subcontractor to Furgo Consultants. The assignment has been reviewed by General Counsel.

The Committee approved forwarding the recommendation for the assignment of the Contract with Haskoning, Inc. to Furgo Consultants, Inc. to the Board.

There was no further business; therefore, the meeting was adjourned at 9:10 a.m.