MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MARCH 7, 2013

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 March 7, 2013, in Meeting Room 221, Orleans Levee District Franklin Administrative Complex, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Estopinal called the meeting to order at 8:30 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on February 7, 2013.

Public Comments:

None.

New Business:

A. Discussion of renewal of SLFPA-E Public Officials/Employers Public Liability Insurance coverage.

Edward Murphy with Arthur J. Gallagher Risk Management, Inc. advised that ACE, the incumbent underwriter, provided a quote to renew Public Officials/Employers Public Liability Insurance coverage at a nine percent increase in premium or an increase of about $5,000. The premium increase reflects the overall experience of the industry and not the SLFPA-E. As an alternative, ACE offered to increase the deductible from $100,000 to $150,000 with no increase in premium. A quote was sought from AIG; however, AIG was only willing to offer coverage with a limit of $5 million. The current limit is $10 million. The current coverage expires on March 16th.

Mr. Doody requested that Robert Lacour, SLFPA-E General Counsel, research the issue of liability under State law. He asked if the coverage is continued, could it be cancelled at a later date with a refund of premium should it be found not to be needed. Mr. Murphy responded, yes; however, the premium would be calculated on a prorata basis with a ten percent penalty.

The Committee referred the renewal of Public Officials/Employers Public Liability Insurance coverage to the Board.

B. Discussion of renewal of Orleans Levee District Property Hazard/Wind/Fire Insurance coverage.

Carol Kiefer, Orleans Levee District (O.L.D.) Safety-Risk Manager, advised that the O.L.D.'s Property Hazard/Wind/Fire Insurance coverage will expire on April 20th. The Eagan Insurance Agency (Eagan) approached 12 carriers and 11 carriers either declined or had unacceptable stipulations. AmRisc, the incumbent carrier, offered a quote on layered coverage with participation by four companies (Certain Underwriters Lloyds 20%, Indian Harbor Insurance Co. 10%, QBE Specialty Insurance Co. 45% and Steadfast Insurance Co. 25%). There is a six percent increase in premium; however, the limit on coverage of contents was slightly increased. The Committee agreed with the O.L.D. that TRIA coverage should be declined. The renewal premium is $368,791.30 without TRIA coverage. The deductible is $25,000 per occurrence.

Mr. Doody questioned including the trailers in the coverage at a cost of approximately $4,000. Tim Avegno with Eagan pointed out that a catastrophic loss would involve everything at the site. Mr. Doody suggested that a recommendation be sought from the O.L.D. Executive Director on the issue of including the trailers in the coverage prior to the Board meeting.

The Committee referred the renewal of the O.L.D.'s Property Hazard/Wind/Fire Insurance coverage to the Board without recommendation.

C. Presentation on SLFPA-E, EJLD, LBBLD and O.L.D. Fiscal Year 2014 Budgets and discussion for recommendation to the Board.

Southeast Louisiana Flood Protection Authority-East (SLFPA-E):

Robert Turner, SLFPA-E Regional Director, reviewed the proposed SLFPA-E FY 2014 Budget. Representatives of the State have indicated that the $500,000 of annual funding initially provided by the Department of Natural Resources and subsequently provided by the Coastal Protection and Restoration Authority to the SLFPA-E will no longer be received. Mr. Doody requested that Mr. Lacour research the legislation through which this funding was provided. Mr. Turner stated that the SLPFA-E budget was prepared without the $500,000 of State funding; therefore, costs and expenses must be recouped from the three levee districts. The percentages used to recoup the costs is based upon the amount of ad valorem taxes collected for operations and maintenance for each district divided by the total amount across all three districts (a ratio of LBBLD – 3/16, EJLD – 5/16 and O.L.D. – 1/2).

Mr. Turner advised that the salary cost for the GIS position was not included in the SLFPA-E budget. The salary for this position is currently being funded through a Community Development Block Grant; however, this funding will cease in March or April of this year. Expenses for FY 2014 remain equal with those of FY 2013 without the inclusion of the GIS position. The SLFPA-E is attempting to accomplish a number of GIS efforts and he recommended that the work remain centralized in lieu of decentralizing the work by moving the position to a levee district. He recommended that the GIS salary cost be included in the SLFPA-E budget and that this expense be apportioned to the levee districts.

Mr. Turner advised that an amendment will be required to the FY 2013 budget in the near future. The primary reason for the amendment is due to the addition of two professional service contracts not originally budgeted – a contract in the amount of $20,000 to investigate the establishment of a mitigation bank, and a contract with Vali Cooper in the amount of $40,000 for staff extension services and to assist with the crediting package work and the establishment of an inspection training program.

Mr. Estopinal commented on the importance of preserving rights-of-ways. He recommended that the GIS position be included in the SLFPA-E Budget. Mr. Doody concurred with the Chair's recommendation and added that staff should be striving to eliminate the duplication of efforts across the districts. Mr. Turner advised that the appropriate adjustments to the SLFPA-E and levee district budgets would be made prior to the Board meeting.

East Jefferson Levee District (EJLD):

Lindsay Calub, EJLD accountant, reviewed the proposed EJLD FY 2014 Budget and the revised FY 2013 Budget. Revenue totals for both years are approximately $9 million. Total expenditures for FY 2013 is approximately $9.1 million and for FY 2014 approximately $24.7 million. Funding in the amount of $2 million was included in the FY 2013 Budget and $16 million in the FY 2014 Budget for the purchase of land and construction of the EJLD safe house and consolidated facility. The total fund balance at the beginning of FY 2014 is approximately $30 million and at the end of FY 2014 will be approximately $14 million. He reviewed a breakdown of the General Fund and the Levee Improvement Fund. A revision of the FY 2013 Budget will be required due to the receipt of reimbursements. Administrative, maintenance and police expenses for FY 2014 were reviewed by line item. An additional amount of approximately $35,000 will be included under maintenance expenses for the purchase of a portable pump to dewater work sites.

Mr. Doody pointed out that the Governor is proposing a new tax package that will include the potential elimination of an inventory tax. He stated that he has been attempting to quantify the impact of this action on the three levee districts. An increase in sales tax revenues is supposed to make up for the revenues lost by the State through the proposed elimination of the State income tax. However, agencies that receive their primary funding through ad valorem taxes would be affected with an elimination of the inventory tax. Currently, ad valorem taxes are assessed and paid on real property, equipment and inventory, and a credit for the inventory tax is then received on the State tax return.

Lake Borgne Basin Levee District (LBBLD):

Nick Cali, LBBLD Executive Director, reviewed the proposed LBBLD FY 2014 Budget. The budget assumes that the refurbishment of Pump Station (PS) 6, pipe hangars at PS's 6 and 7, engine upgrades at PS's 1 and 4 and the construction of the safe rooms will either be completed or close to completion by the end of FY 14. The LBBLD is attempting to hire five new employees. Two new employees have already been hired. The projected shortfall for FY 2013 is $342,500. It was noted that a windfall was received in ad valorem taxes in FY 2013 due to a large payment of taxes that was in arrears.

Orleans Levee District (O.L.D.):

Jim Bollinger, O.L.D. Comptroller, reviewed the proposed O.L.D. FY 2014 Budget. He began with the General Fund Budget and compared FY 2013 original budget estimates with the FY 2014 proposed budget. The O.L.D. had budgeted debt service and all of the new operations and maintenance (O&M) costs for FY 2013. Debt service is excluded in the FY 2014 Budget. The O&M of the sector gates and expanded flood protection assets is expected to add about $5 million (a 40% increase) to operating expenses. Only $2.4 million of the $4 million O&M cost for the sector gates is budgeted for FY 2014 because the turnover of the gates was delayed until November, 2013. Mr. Turner pointed out that the Seabrook Closure Complex may be turned over to the local sponsor at the end of April; however, it is not yet known when the IHNC sector and barge gates will be turned over. Ad valorem tax revenues for FY 2014 were budgeted with a five percent uncollectable rate. A ten percent uncollectable rate was used in prior years. The General Fund will run a deficit when the new employees are added and the O&M of the sector gates is assumed at full cost.

Mr. Bollinger noted that the post employment health care expenditures recorded on an annual basis in the full accrual financial statements are about $1-1/2 million per year. This liability has not been funded and is not included in the budget. Mr. Doody pointed out that the levee districts are required to record this liability, but not fund it.

Mr. Bollinger advised that the repayment of the OCD notes and a contingency for hurricane costs were not included in the FY 2014 Budget. The FY 2014 budget includes $250,000 for legal settlements.

Mr. Bollinger reviewed the Special Levee Improvement Fund (SLIP) Budget. The annual $10 million repayment of the local cost share for the Hurricane and Storm Damage Risk Reduction System is being budgeted as of FY 2014. The SLIP Fund's share of the OCD loans is not budgeted in FY 2014. Projects budgeted in the SLIP Fund Budget were reviewed. He pointed out that the O.L.D. is facing a $10 million annual cost share repayment over thirty years against a $14 million revenue source, which will also have to absorb the deficit from the General Fund due to the O&M of the sector gates.

The Committee recommended that the proposed SLFPA-E and levee district budgets, with the appropriate adjustments as a result of the inclusion of the GIS position in the SLFPA-E budget, be submitted to the Board for approval.

There was no further business; therefore, the meeting was adjourned at 9:30 a.m.