

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JULY 10, 2014**

PRESENT: Paul Tilly, Chair
Stephen Estopinal, Committee Member
Tyrone Ben, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on July 10, 2014, in Meeting Room 201, Orleans Levee District Franklin Administrative Complex, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Tilly called the meeting to order at 9:30 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted by the Committee.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on June 12, 2014.

Public Comments: None.

New Business:

A. Discussion of renewal of EJLD General Liability, Automobile Liability, Umbrella and Commercial Crime Insurance coverages.

Hardie Edgecombe with Arthur J. Gallagher Risk Management Services provided a handout delineating the lines of coverages being renewed by the East Jefferson Levee District (EJLD) and Lake Borgne Basin Levee District (LBBLD) and the details of the expiring and proposed programs. He explained that a particular concern this year was the renewal of Automobile Liability Insurance since certain carriers no longer write this coverage in the State of Louisiana; however, a 23 percent decrease was negotiated in the premium rate for the EJLD by including Law Enforcement Liability Insurance in the program. Therefore, the current Law Enforcement Liability Insurance coverage that was due to expire on January 1st is being cancelled and rewritten with broader coverage and a limit of \$1 Million per occurrence with \$3 Million aggregate at a lesser cost. The rates for Umbrella Insurance coverage increased about 5 percent due to underlying exposures and General Liability Insurance coverage increased about 8 percent due to claims activity.

The Committee unanimously adopted a motion to recommend that the Board approve the renewal of the EJLD insurance coverages as presented by Mr. Edgecombe.

B. Discussion of renewal of LBBLD General Liability, Automobile Liability, Umbrella, Hull and P & I, Vessel Pollution, Inland Marine, Property, Commercial Crime and Law Enforcement Liability Insurance coverages.

Mr. Edgecombe advised that the premium rates decreased by 10 percent for Property Insurance coverage and 2 percent for Inland Marine Insurance coverage for the LBBLD; however, additional values were included during the year. General Liability Insurance coverage is being renewed at a flat rate. The program used to procure Auto Liability Insurance for the EJLD was used for the LBBLD and the levee district received a 24 percent decrease in its premium rate. This year is the last installment in a three-year program for Crime Insurance. The premium rate for Umbrella Insurance coverage increased by 5 percent due to underlying exposures. The premium rate for Law Enforcement Insurance decreased by 2 percent; however, the policy is being written with higher limits. The premium rate for Hull P&I Insurance is flat. The premium rate for Vessel Pollution Insurance decreased 5 percent; however, there is an increase in exposures.

The Committee unanimously adopted a motion to recommend that the Board approve the renewal of the LBBLD insurance coverages as presented by Mr. Edgecombe.

C. Discussion of renewal of O.L.D. General Liability Insurance coverage.

Mr. Edgecombe advised that the renewal of the Orleans Levee District's (O.L.D.) General Liability Insurance coverage is at a flat rate. Coverage limits are \$2 million per occurrence with a \$5 Million aggregate. The cost of the coverage with Illinois Union Insurance Company is \$111,037.50.

The Committee unanimously adopted a motion to recommend that the Board approve the renewal of the O.L.D. General Liability insurance coverage as presented by Mr. Edgecombe.

D. Discussion of procurement of EJLD Healthcare Coverage.

John Thomas with Best Group Benefits explained that the Louisiana Office of Group Benefits (OGB) has not yet provided a proposal. The Request for Proposals (RFP) for coverage was issued on April 29th. The private carriers responded to the proposal within 21 days. He reported on the progress since the Board acted last month to extend coverage for one additional month with the current carrier (Aetna-Coventry) at a considerably higher cost. Blue Cross and United Healthcare were asked to push their proposals back from July 1st to August 1st. Blue Cross did not seem inclined to move from its negative outlook. Additional negotiations were conducted with United Healthcare. Commissions were removed and a flat fee was instituted and United Healthcare came down on its numbers. An effort could be made to achieve a final bid from United Healthcare should a proposal be received from OGB prior to the Board meeting.

Mr. Tilly requested that Robert Turner, SLFPA-E Regional Director, look into the possibility of a single healthcare program for the SLFPA-E and the levee districts under its jurisdiction in an attempt to decrease costs. Mr. Thomas suggested the restructuring of a separate plan for retirees over the age of 65.

Mr. Estopinal offered a motion, which was seconded by Mr. Tilly and unanimously adopted, to recommend the selection of United Healthcare with the option to entertain the OGB proposal, if received.

E. Discussion of amendment of Resolution No. 09-17-09-07 relative to Community Development Block Grants concerning signatories for checks.

SLFPA-E Resolution No. 09-17-09-07 was adopted by the Board and named certain individuals for specific functions relative to the Community Development Block Grants. The resolution must be amended to update the name of the SLFPA-E President and name a third individual for signing checks (Mr. Tilly as the SLFPA-E Treasurer).

The Committee voted unanimously to recommend that the Board adopt a resolution to amend Resolution No. 09-07-0907 as proposed.

F. Discussion of Orleans Levee District outstanding State of Louisiana Office of Community Development notes payable.

Jim Bollinger, O.L.D. Comptroller, explained that the Cooperative Endeavor Agreement for the 2006 loan provided the amount of the loan, the terms of amortization and the interest rates; however, there is no reference to the source of repayment (Flood Protection Division or Non-Flood Protection Asset Division). The resolution adopted by the Orleans Levee Board clearly dictated that the notes would be subordinate notes dependent upon repayment out of the proceeds of excess revenues of the enterprise funds of the Orleans Levee District (non-flood protection funds) plus the revenues from the Bohemia Spillway mineral assets. Excess revenues were defined as revenues minus operations and maintenance expenses. The Non-Flood Protection Assets Division has not had excess revenues and has been operating at a loss since Hurricane Katrina. There have been no excess revenues with which to repay the indebtedness.

Robert Lacour, SLFPA-E General Counsel, further explained that about eighteen months ago he, Timothy Doody, former SLFPA-E President, and Thomas Anzelmo, Legal Counsel, began engaging the State Treasurer and the Bond Commission. Many of the comments suggested that the loans were never intended to be repaid. The loans only need to be repaid from assets defined in La. R.S. 39:1430 (1430 Assets), such real estate and mineral interests. Excess revenues were not being produced at the time by the O.L.D.'s real estate assets. Some mineral revenues were received from the Bohemia Spillway mineral assets; however, a \$20 million judgment plus interest was owed relative to the Haspel-Davis litigation. Documentation was submitted to the State and Bond Commission; however, letters are still being received relative to the repayment of the notes. The issue of repayment may need to be revisited with the settlement of the Haspel-Davis case. If there is net mineral income after the finalization

of the pending litigation, this funding could be used to repay the notes. He pointed out that ad valorem tax revenues are needed to fund the operations and maintenance and local costs of the Hurricane and Storm Damage Risk Reduction System. He suggested that a local legislator could be requested to schedule a meeting with a representative of the State so that the situation can be fully explained.

Mr. Estopinal requested that an item be placed on the Board agenda so that an explanation of the situation can be provided to the Board.

There was no further business; therefore, the meeting was adjourned at 10:00 a.m.