MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MARCH 1, 2012

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 1, 2012, 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 approved by the Committee.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on January 5, 2012.

Public Comments:

Craig Berthold, a resident along the 17th Street Canal, inquired about potential actions that may be expected relative to the levee toe plus 15-ft. zone. Mr. Doody explained that the U.S. Army Corps of Engineers (USACE) had advised that trees and fences had to be cleared in the levee toe plus 6-ft. zone. The USACE will dictate in future inspections if anything further is required. Mr. Estopinal added that the SLFPA-E's policy on this issue has not yet been determined.

Roy Arrigo, a resident along the 17th Street Canal, commented on a survey of his property that showed the levee toe line. He asked whether questions could be answered about levees where no levee toe is shown and no litigation is involved.

Carol Byram, a resident along the 17th Street Canal, commented on contribution of the tree removal along the 17th Street Canal to the loss of trees in New Orleans. She also commented on the personal impact of the tree and fence removal project on her family.

New Business:

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

Hardie Edgecombe with Arthur J. Gallagher Risk Manager Services advised that he shopped the market for Public Officials/Employers Public Liability Insurance coverage. The best option is to renew coverage with the current carrier, ACE. ACE is rated A+15. Limits ($10 million), retentions, coverages and endorsements will remain the same. Revenues and payroll have increased slightly; however, there is a $200 decrease in premium. The cost of this coverage will be split between the three levee districts.

The Committee recommended that the renewal of coverage with ACE be forwarded to the Board for approval.

B. Discussion of renewal of Primary and Excess Property Hazard (Wind/Fire) Insurance coverage for the Orleans Levee District.

Carol Kiefer, Orleans Levee District (O.L.D.) Safety-Risk Manger, advised that the market is currently being shopped for Property Hazard Insurance coverage; however, quotations have not yet been received. Tim Avegno with the Eagan Insurance Agency explained that the cost of property insurance has increased between 10 to 25 percent since last year because of the new wind modeling that takes into account the Hurricane Gustav and Ike experiences. The O.L.D.'s property schedule values increased about four percent because of recent building modifications. Fourteen markets were approached for quotations. A 15 to 20 percent increase in premium is expected. Coverage must be renewed by April 20th. Mr. Avegno advised that he did not expect to have responses from all fourteen markets in time for the March Board meeting.

The Finance Committee recommended that a report be presented on this coverage at the March 15th Board meeting. Should quotations be received prior to the March Board meeting, a recommendation can be presented to the Board.

C. Presentation on SLFPA-E, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District Fiscal Year 2013 Budgets and discussion for recommendation to the Board.

East Jefferson Levee District (EJLD):

Lindsay Calub reviewed the highlights of the revised FY 2012 EJLD Budget and the updated FY 2013 EJLD Budget. Revenues for FY 2013 were increased to $8.5 million. The budgeted amount for land and a safe house was decreased from $9 million to $2 million for FY 2012 and increased to $16 million for FY 2013. Total revenues for FY 2012 are $18.2 and total expenditures are $17.6 million; therefore, there is an excess of revenues over expenditures of $558,000. The FY 2012 revenues include $9 million of FEMA revenues. Approximately $15 million of the fund balance is utilized in FY 2013 primarily for land and a safehouse. The FY 2013 Budget also includes an expenditure of $1.6 million for clearing trees. The EJLD Budget is broken into two funds: General Fund and Levee Improvement Fund. The Levee Improvement Fund balance at the end of FY 2013 is anticipated to be $300,000 due to the estimated expenditures for land and a safehouse and tree removal. The current estimated fund balance for the EJLD is about $26 million. The fund balance at the end of FY 2013 is anticipated to be about $10 million.

Lake Borgne Basin Levee District (LBBLD):

Charles Doize reviewed the highlights of the revised FY 2013 LBBLD Budget. Two budget meetings were held since the last Finance Committee meeting. The FY 2013 Budget was revised to remove $400,000 for telemetry and $1.5 million for the replacement of a pump engine. These projects are included under Capital

Improvements; however, monies will not be expended unless funding is received from a grant or another source. The budget includes $8.5 million for a seepage problem; however, monies will not be expended unless revenues are received from another source for this project. The FY 2013 Budget, which is basically the operating budget, has a deficit of about $1 million. The current cash balance is about $6 million. A deficit of approximately $500,000 is anticipated at the end of FY 2012. The FY 2013 Budget includes $200,000 for Capital Improvements, such as tractors and bush hogs. The FY 2013 Budget was revised to remove three new pump station positions. Funding is included for new two pump station employees; however, this addition will not bring operations to the pre-Katrina level. The Budget was also revised to remove funding for two new levee maintenance employees. The proposed Budget does not include funding for future Operations and Maintenance (O&M) costs for the newly constructed elements of the Hurricane and Storm Damage Risk Reduction System (HSDRRS). He pointed out that should the LBBLD receive FEMA or other grants for the Capital Improvement Projects discussed today, the LBBLD will need to be able to pay the contractors and receive subsequent reimbursement. He noted that approximately 72 percent of the LBBLD's gross income is used to pay for personnel services.

Mr. Doody recommended that the Committee recommend that the revised FY 2013 Budget be recommended to the Board for approval. He pointed out that a plan is needed to deal with the projected annual deficit and understaffing of employees.

Robert Turner, SLFPA-E Regional Director, explained that the SLFPA-E has been attempting to educate the St. Bernard Parish government concerning the significantly greater anticipated annual deficits. The SLFPA-E is awaiting the results of its O&M study and will attempt to reconcile this study with the other two major studies being prepared by the State of Louisiana and the USACE. Once fidelity and confidence in the future O&M costs is achieved, the St. Bernard Parish government will be approached for its support before going to the taxpayers.

<u>Orleans Levee District</u>:

Jim Bollinger, O.L.D. Comptroller, reviewed the highlights of the FY 2013 O.L.D. Budget. The net income over expenditures for FY 2011 was $170,000; however, a loss is estimated for FY 2012 and FY 2013 of $5 million per year. The O&M expenses are estimated to increase by $4 million for FY 2012 and by $8 million for FY 2013 over the FY 2011 Budget amount of $11 million. Over the past three years the O.L.D. discussed increasing personnel to operate and maintain the increased levee acreage and newly constructed HSDRRS assets. The O.L.D. currently has 51 O&M employees. The FY 2012 Budget included 14 new positions; however, these new positions were not filled because of difficulty in hiring new personnel and the fact that the USACE has not yet turned over the HSDDRS assets to the O.L.D. Twenty additional positions at a cost of $900,000 are being requested in the FY 2013 Budget.

Mr. Bollinger explained that the FY 2013 Budget includes merit increases for employees, increased costs of benefits and healthcare coverage, and almost $1 million for equipment purchases. Equipment purchases include five new SUV's and $137,000 for the O.L.D. Police Department. The Flood Protection Division's takeover of the Police Department has resulted in an increase of $1 million to the FY 2013 Budget.

Mr. Bollinger advised that the debt service to amortize the General Fund Go Zone Bonds over four years is $2.4 million. The Go Zone Bonds are amortized over four years because the Special Levee Improvement (SLIP) tax expires in 2015. He pointed out that attempting to amortize this debt over four years and meet all of the district's construction needs (including repayment of the local cost share for the HSDRRS and O&M cost for the HSDRRS sector gates) could potentially bring the O.L.D. below the minimum cash requirements by the end of 2013 or 2014. The long term General Fund loss is projected to be in the neighborhood of $3 million. He suggested that amortizing the Go Zone Bonds over 15 years instead of four years would reduce the debt service to $700,000 per year.

Mr. Bollinger reviewed the SLIP Budget for FY 2013 thru FY 2016. The SLIP Budget includes the $10 million annual repayment of the HSDRRS local cost share, $23 million for the seawall rehabilitation project, and various flood protection construction and building modification projects. The debt service for amortizing the SLIP Fund Go Zone Bonds over four years is $3.8 million per year. SLIP Fund revenues are estimated at $13 million per year. Expenditures are estimated at $20 million per year. Unless the SLIP tax is renewed, SLIP revenues will cease beginning in calendar year 2016. The General Fund cannot support itself for O&M and debt service with the current General Fund tax revenues. Therefore, the General Fund and SLIP Fund Budgets must be considered together and a transfer made from the SLIP Fund to the General Fund Budget.

Mr. Bollinger pointed out that the minimum cash requirement that must be maintained by the O.L.D. in order to have a margin of safety for contingencies and to pay for 60 percent of the costs for the following fiscal year until the next tax avails are received is between $38 million and $44 million. Should the Go Zone Bonds be amortized over a four year period, the O.L.D. would dip below a $40 million cash reserve in 2013. If the Go Zone Bonds are amortized over a 15 year period, a grace period of one-and-a-half years would be realized.

SLFPA-E:

Mr. Turner reviewed the highlights of the SLFPA-E FY 2013 Budget. He noted that the FY 2013 Budget presents an optimistic view and that the anticipated amount of revenues over expenditures is $10,000. However, should the Board decide over the course of the fiscal year to take actions not currently budgeted, such as contracting for consulting services, adjustments will be required in the FY 2013 Budget. Total expenses are estimated at $1.52 million and total revenues are estimated at $1.52 million.

The Committee recommended that the budgets be presented to the Board for approval.

There was no further business; therefore, the meeting was adjourned.