

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON APRIL 5, 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 April 5, 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 amended to add the following items:

E. Discussion of replacement Director and Levee Foreman for the Lake Borgne Basin Levee District (LBBLD).

F. Discussion of the issuance of a Task Order for the Compartmentalization Study.

G. Discussion of renewal of Orleans Levee District (O.L.D.) SLIP tax.

The amended agenda was approved by the Committee.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meetings held on February 14 and March 1, 2012.

Public Comments:

Craig Berthold, a resident along the 17th Street Canal, inquired about the status of new surveys. He commented that Roy Arrigo spoke to Garrett Graves and Nick Lorusso on Monday and it was indicated that new surveys would be needed around the State, especially with the toe plus 15-ft. issue.

Mr. Estopinal explained that the Authority is in the process of identifying survey companies for Indefinite Delivery-Indefinite Quantity (ID-IQ) contracts and developing a list of priorities for the re-surveying of property.

Carol Byram, a resident along the 17th Street Canal, commented on this being a society of laws and that that the Authority's attorneys took the laws into their own hands and tried to mold them into something different in order to take property.

Old Business:

A. Discussion of renewal of O.L.D. Primary and Excess Property Hazard (Wind/Fire) Insurance coverage.

Gerry Gillen, O.L.D. Executive Director, advised that two quotes were received for primary insurance coverage. The total value of the Franklin Complex buildings (Administration Building, Warehouse and Loft Building) is \$33 million and the value of the

contents is \$4.9 million. The first quote is for \$5 million of primary coverage with a premium of \$6,000. The second quote provided two options: Option 1 is for \$15 million of coverage with a premium of \$321,000 and Option 2 is for \$38.6 million of coverage with a premium of \$347,000. Mr. Gillen recommended the second quote and state that a decision is needed relative to the selection of Option 1 or 2. He further recommended the selection of Option 2 for full coverage in the event of a catastrophic loss for an additional \$26,000 in premium. The O.L.D. had full coverage prior to Hurricane Katrina; however, after Katrina it was difficult to acquire property coverage. The O.L.D. currently has \$15 million of primary and excess coverage. This year is the first year after Katrina that the O.L.D. received a quote for full coverage.

The Committee discussed amount of coverage that is needed and the extent of a rebuild should a catastrophic loss occur. The current coverage expires on April 20, 2012.

Mr. Estopinal indicated that the debate on the amount of coverage needed should be continued at the Board meeting and include the other Board members. The Committee referred the renewal of O.L.D. property insurance coverage to the Board without recommendation.

B. Discussion of comparison of levee districts healthcare benefit packages.

Robert Turner, SLFPA-E Regional Director, reviewed the comparison of health insurance benefits. The LBBLD has insurance coverage through the Office of Group Benefits (OGB), which provides three options for coverage. The majority of LBBLD employees selected the HMO option. Individual deductibles for the O.L.D. and East Jefferson Levee District (EJLD) are the same; however, there is a difference in the family deductible (O.L.D. \$1,000 and EJLD \$1,500). Co-insurance for the O.L.D. is 80/20% and for the EJLD is 90/10%. The individual out-of-pocket maximum is \$1,000 for the O.L.D. and LBBLD HMO plan and \$2,500 for the EJLD. The family out-of-pocket maximum is \$2,500/\$5,000 for the O.L.D., \$5,000 for the EJLD and \$1,000 for the LBBLD HMO plan. There are differences in the office co-payments, prescription drugs and other benefits and significant differences in the out-of-network benefits. The O.L.D. provides vision and dental care for active employees. The LBBLD offers vision and dental care to employees. A breakdown of premium costs and the amounts paid by the districts and employees was provided. The O.L.D. premiums are significantly higher than the other levee districts primarily due to the age of the workforce, recent experience and the number of retirees.

Mr. Turner stated that the two main objectives are equality across the districts and cost effectiveness. He explained some of the challenges. The LBBLD elected 35 years ago to participate in the OGB program and its employees are vested in the program. The OGB requires the participation by all employees of a participating agency. A favorable vote of the majority of LBBLD employees and retirees would be required in order for the district to leave the OGB program. A favorable vote for the LBBLD to leave the OGM program is unlikely, unless there is a suitable enticement. The participation of the EJLD and the O.L.D. in the OGB program is unlikely due to current vesting requirements, which is a stepped process (no benefits for less than ten years, a small benefit for 10 years and full benefit for 20 years).

Mr. Turner suggested working towards equality over a period of time. He noted that the State is contemplating changes to the OGB benefits package. He further suggested that should the Board be satisfied with the OGB benefits package, a potential option to bring equality over a period of time could be to begin hiring all employees through the SLFPA-E, which is currently participating in the OGB program, and assigning the employees to a particular levee district. Another potential option, should the Board prefer one of the other insurance plans, is to hire employees under that levee district.

Mr. Estopinal favored the potential option of hiring employees under the Authority and added that an in-depth study would be required and the legality reviewed. It was pointed out that the current law does not allow the SLFPA-E to hire police officers.

Mr. Doody pointed out that new hires should not be promised benefits at the cost of the levee district at retirement. Mr. Turner pointed out that the OGB plan prescribes its retirement benefits. Carol Kiefer with the O.L.D. advised that new hires after January, 2010, are no longer included in the levee district's plan once they qualify for Medicare.

Mr. Doody stated that a quote has never been obtained for the Authority and levee districts as a single group. He recommended that a broker be approached to shop for coverage for the SLFPA-E and the levee districts as a single group with a designed set of benefits. Mr. Turner was requested to contact a broker in order to obtain this information.

C. Status of O.L.D. Cellular Tower Lease Negotiations.

Mr. Gillen advised that negotiations are continuing with the two companies that expressed an interest in the cellular tower lease located at the Franklin Complex. A recommendation will be provided at a future meeting.

New Business:

A. Discussion of requirements for levying ad valorem taxes in a reassessment year for the LBBLD.

Peggy Sembera, LBBLD Administrative Assistant, explained that a special reassessment was mandated for St. Bernard Parish in 2011. Regular reassessments are conducted every four years with the next regular reassessment being conducted in 2012. Approval was requested for the LBBLD to take the necessary steps required, including advertising a public hearing, to consider rolling the tax millage rates forward.

The Committee approved the LBBLD taking the actions required to consider rolling the tax millage rates forward.

B. Discussion of renewal of EJLD health insurance coverage.

John Thomas with Best Group Benefits discussed the upcoming renewal of the EJLD's health insurance coverage. The current coverage with Blue Cross will expire on June 1st. He pointed out that ten years ago the EJLD implemented a risk management program for its group medical program. The statutory required reporting date was April 1st and Blue Cross provided notice on March 25th of a 16.9 percent rate increase for the upcoming

year based upon some on-going claims. The payout on claims was over 100 percent of the premium paid. He noted that there is one substantial catastrophic on-going claim that will make it difficult to find another insurer at this time. Aetna, Humana and United Healthcare have been approached for alternative proposals. Mr. Thomas hoped to have competitive bids prior to the April Board meeting. Discussions are being held with representatives of Blue Cross relative to circumstances and mitigation and Blue Cross is considering reducing the rate increase.

Mr. Doody suggested that benefits could be tweaked in order to address some of the cost increases. Mr. Thomas advised that alternative benefit designs cannot realistically be used to reduce the entire rate increase. However, some plan design changes and risk management from a standpoint of eligibility can be implemented.

The Committee recommended that an item be placed on the April Board agenda for the renewal/acquisition of the EJLD health insurance coverage.

C. Discussion of renewal of flood insurance for the EJLD administration building.

Fran Campbell, EJLD Executive Director, advised that there is a \$118 increase in the cost of flood insurance coverage. She recommended selection of Option A coverage.

The Committee recommended that the renewal of the EJLD Flood Insurance Coverage (Option A) be forwarded to the Board for approval.

D. Discussion of extension of the Burk-Kleinpeter, Inc. contract for the EJLD FEMA Lakeshore Linear Park Erosion Protection Project.

Ms. Campbell explained that an extension of the time period for the contract with Burk-Kleinpeter, Inc. (BKI) for the Lakeshore Linear Park Erosion Protection Project is needed so that BKI can work with FEMA on a revised Project Worksheet due to the additional rock that was required.

The Committee approved the extension of the contract period for the BKI contract.

E. Discussion of replacement Director and Levee Foreman for the LBBLD.

Mr. Turner explained that assistance from Vali Cooper has been utilized since the recent resignation of the LBBLD Executive Director. Bill Fogle with Vali Cooper has been providing services to the SLFPA-E through a contract with the State of Louisiana at the State's cost. Mr. Fogle has spent a great deal of time at the LBBLD with the former Executive Director and is familiar with the operations and issues of the district. Mr. Fogle was requested to go to the LBBLD under a separate contract with the Authority to ensure that a transition was in place and the efficient continuation of the district's operations. The advertising process for hiring a new Executive Director has commenced; however, a presence at the Executive Director level is needed until a new individual is hired. He proposed filling this position on a half to three-quarter time basis with someone from Vali Cooper, which will require an extension of the current contract with Vali Cooper.

Mr. Turner requested that the contract be increased an additional \$40,000 to cover at least two months of work. This would allow time to hire a new Executive Director and for effecting a transition.

The Committee recommended that the requested extension of the contract with Vali Cooper be forwarded to the Board for approval.

F. Discussion of the issuance of a Task Order for the Compartmentalization Study.

Mr. Turner explained that the Compartmentalization Study is being funded through the Community Development Block Grant (CDBG) program. One of the two CDBG program grants received by the Authority was in the amount of \$900,000 for three main projects. One of the projects is the Compartmentalization Study, which is divided into two phases. The first phase was to look particularly at the divider between St. Charles and Jefferson Parishes and at the potential for closing in the polder. The second phase considers the lessons learned in the first phase and the application of these lessons from a holistic standpoint over the Authority's jurisdiction south of Lake Pontchartrain. The amount of the second Task Order is about \$176,000.

The Committee recommended that the issuance of the second Task Order for the Compartmentalization Study be forwarded to the Board for approval.

G. Discussion of renewal of Orleans Levee District (O.L.D.) SLIP tax.

Mr. Doody explained that the O.L.D.'s Special Levee Improvement (SLIP) tax terminates with the collection of the tax in 2015. A vote of the people will be required for the renewal of this tax, which is required for the district to continue its operations. An attorney to replace Jarrell Godfrey, who is now retired, must be sought. The inclusion of the SLIP tax renewal proposition in a large election is the most economical method for the tax election. Therefore, Mr. Doody advised that he is attempting to work towards including the SLIP tax renewal in the November election. In order for the proposition to be placed on the ballot in November, the Board must take action in June or July and the Authority must go to the Bond Commission in August or September. This would also provide another opportunity to go to the voters prior to the expiration of the tax should it not be renewed in November.

There was no further business; therefore, the meeting was adjourned at 9:45 a.m.