

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON OCTOBER 4, 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 October 4, 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: The Committee recognized Mr. Al Wethern, who is retiring from the Orleans Levee District after 21 years of service.

Adoption of Agenda: The agenda was amended to add Item E – Presentation by the Office of Group Benefits and Item F -- Discussion of the Lake Borgne Basin Levee District (LBBLD) Capital Outlay Program request. The amended agenda was adopted.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on May 7, 2012.

Public Comments:

Craig Berthold thanked Mr. Doody for providing a copy of the letter from the SLFPA-E to the U.S. Army Corps of Engineers requesting a variance for the three outfall canals relative to the new State law extending the no vegetation zone from 6-feet to 15-feet.

Old Business:

A. Review of the results of the 2012 Financial Audit of the SLFPA-E, EJLD, LBBLD and O.L.D.

Tom Gurtner, Audit Partner with Silva, Gurtner and Abney, LLC (the audit firm), discussed the 2012 Financial Audit of the SLFPA-E, East Jefferson Levee District (EJLD), Lake Borgne Basin Levee District (LBBLD) and Orleans Levee District (O.L.D.). An engagement letter was issued by Silva, Gurtner and Abney that delineated the duties of the audit firm, the Board and management. No significant changes were noted relative to the SLFPA-E's accounting practices. No unusual transactions were noted. There were no discussions with management on any alternative treatment of accounting matters. The financial disclosures in the financial statements were consistent with the prior year's disclosures and with audit standards. There were no material audit adjustments that were not considered in the beginning of the audit work. Audit findings were corrected by management; therefore, there are no material unadjusted amounts in the financial statements. There were no disagreements with management during the course of the audit that were not resolved. There were no professional difficulties in

performing the audit. No material weaknesses were noted on internal controls. No exceptions or findings were noted on compliance with laws and regulations relative to grants. The audit firm was comfortable with significant estimates provided by management on items such as litigation reserves.

B. Discussion of Orleans Levee District Cellular Tower Lease Negotiations.

Gerry Gillen, O.L.D. Executive Director, explained that two lease offers were received from Tri-Star and American Tower for the site on the south side of the O.L.D. Administrative Complex currently under lease for a cellular tower. Initially, both companies provided offers for a perpetual lease; however, the O.L.D. did not wish to tie up the property in perpetuity. Tri-Star offered to increase the base rent, immediately escalating the annual income from \$33,800 to \$51,500, with a twenty year lease extension through 2044. The annual rental would be escalated in 2044 to \$68,000. A comparison of the net present value of the offers over the next 15 years results in an income of \$578,000 from American Tower and \$476,000 from Tri-Star. Due to the volatility of the market and changing technology, Mr. Gillen suggested that the best offer for an immediate increase be approved. Mr. Lacour added that part of the rental consideration from American Tower includes \$900 per month for three sub-lessees (\$300 per sub-lessee). He recommended that the O.L.D. investigate a means of protection against a possible reduction in rent should one of the sub-lessee's be taken over by another sub-lessee.

The Committee directed that, if the issue relative to sub-lessee rental payments is resolved prior to the next Board meeting, the O.L.D.'s recommendation for the cellular tower lease be brought to the Board for approval.

C. Discussion of renewal of Auto Liability Coverage for Orleans Levee District.

Carol Kiefer, O.L.D. Risk Manager, advised that two proposals were received for the renewal of Auto Liability Insurance coverage. The proposal from the admitted company (the Republic Insurance Group) is less than the proposal from the non-admitted company.

The Committee recommended that the proposal for Auto Liability Insurance coverage from the Republic Insurance Group be submitted to the Board for approval.

D. Discussion of renewal of Health Insurance Coverage for Orleans Levee District.

Ms. Kiefer advised that the renewal date for the O.L.D.'s Health Insurance Coverage is January 1, 2013. She explained that a representative from the Office of Group Benefits (OGB) was present to provide information on including the levee district in the OGB plan. She stated that a better understanding has been obtained regarding the application of certain rules to political subdivisions.

E. Presentation by the Office of Group Benefits.

Dean Moberly with OGB explained that OGB offers the choice of a PPO plan (deductible and co-insurance), a HMO plan (co-pay) and a consumer driven health plan (high deductible with a Health Savings Account) for active employees. OGB offers the choice of a PPO plan, a HMO plan and approximately 80 Medicare advantage options for retired employees. He explained that OGB has four levels of employer contributions ranging from 75 to 19 percent depending on the number of years of coverage. In most cases when a new entity comes under OGB, existing retirees would only receive a contribution of 19 percent towards coverage. However, the OGB legal staff recently ruled that since the SLFPA-E and the levee districts do not operate with State funds, the SLFPA-E can do as it wishes relative to the issue of employer contributions. A fee of \$5,000 is required for OGB to perform a study to determine a risk rate for the levee district. If the levee district joins the OGB plan, the levee district would receive a \$5,000 credit on the first invoice. The O.L.D. Non-Flood Division has paid \$5,000 for OGB to perform an actuarial study. It has not yet been determined whether the actuarial study for the Flood Protection Division can be included under the Non-Flood Division's payment. If an entity's individual risk rate is higher than the OGB pool risk rate, then the premium rates will be higher than the pool rates. The risk rate can be reevaluated annually. Once an entity's risk rate meets the OGB pool risk rate, the individual entity's risk rate will not be raised. There is an open enrollment period of thirty days and annual enrollments thereafter in October. OGB representatives will provide presentations and information to employees on the various plans so that the employees can decide on a plan and then return and enroll employees individually. Historically, rate increases have been minimal. The possibility of enrolling the O.L.D. by January 1, 2013 was discussed.

Mr. Doody pointed out that, in addition to the OGB actuarial calculation, a comparison of current plan benefits and OGM benefits is needed to determine whether the benefits are comparable. Ms. Kiefer pointed out that the LBBLD is currently under the OGB plan and that a comparison of benefits across the levee districts was conducted several months ago and the benefits were comparable.

The Committee directed the O.L.D. to proceed with obtaining an actuarial study from OGB.

F. Discussion of the LBBLD Capital Outlay Program Request

A Board resolution is required for the levee districts to submit their applications to the State of Louisiana for Capital Outlay Program funding requests prior to November 1st. Nick Cali, LBBLD Executive Director, explained that the LBBLD is exploring multiple avenues for funding projects (e.g., funding for safe houses is also being pursued through the Hazard Mitigation Grant Program). The LBBLD's Capital Outlay Request for the next fiscal year will be the same as last year's request.

Robert Turner, SLFPA-E Regional Director, explained that the SLFPA-E applied to the Interim Emergency Board (IEB) for \$4.5 million to fund levee certification for the Maxent Levee and Lower Ninth Ward/St. Bernard Back Levee. The IEB has indicated that it may be willing to fund a portion of the levee certification and that the remainder of the funding

would need to come from the Capital Outlay Program. Since the levee certification involves two levee districts, the request will be made by the SLFPA-E.

The Committee directed that in addition to the SLFPA-E resolution for COP funding that the levee districts submit resolutions to the Board based on last year's requests.

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