

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JUNE 2, 2011**

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member
George Losonsky, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on June 2, 2011, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Mr. Estopinal called the meeting to order at 8:40 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The minutes of the May 4, 2011 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of renewal of General Liability, Umbrella, Auto Liability, Crime and Flood Insurance coverages for the East Jefferson Levee District (EJLD).

Hardie Edgecombe with Arthur J. Gallagher Risk Management Services, Inc. provided information on the procurement or renewal of the following insurance coverages:

- General Liability – Two options were presented both with limits of \$1 million per occurrence and a \$2 million aggregate. Option 1 with a renewal premium of \$68,145 from Ace Insurance Company (the current carrier rated A15) provides a SIR (Self Insured Retention) of \$25,000. Option 2 with a premium of \$61,078 from Alterra (rated A14) provides a deductible versus a SIR and removes the breach of levee exclusion. Mr. Edgecombe recommended procurement of Option 2 coverage from Alterra due to the savings in premium, the deductible in lieu of a SIR and the removal of the levee breach exclusion.
- Auto Liability – Southern Insurance Company, the current carrier, quoted a renewal premium of \$144,325. Coverages are the same as expiring and the premium rate decreased by three percent; however, eight vehicles were added.
- Umbrella – Lexington Insurance Company, the current carrier, quoted a renewal premium of \$50,400 (same as expiring).

- Commercial Crime – This is the third installment of a three year policy with Travelers Insurance Company with a premium of \$2,288.
- Flood – Coverage is through NFIP. Continuation of the current values was recommended.

Mr. Edgecombe recommended renewal of Auto Liability, Umbrella, Commercial Crime and Flood Insurance coverages with the current carriers.

The Committee voted unanimously to recommend to the Board for approval the procurement of Option 2 General Liability Insurance Coverage from Alterra, and the renewal of Auto Liability, Umbrella, Commercial Crime and Flood Insurance coverages with the current carriers, as recommended by Mr. Edgecombe, for the EJLD.

B. Discussion of renewal of General Liability, Umbrella, Marine, Auto, Inland Marine, Property and Crime Insurance coverages for the Lake Borgne Basin Levee District (LBBLD).

Mr. Edgecombe provided information on the procurement or renewal of the following insurance coverages:

- General Liability – Two options were presented both with limits of \$2 million per occurrence and a \$5 million aggregate. The increased limit (\$2 million/occurrence and \$5 million aggregate) is required due to work in the vicinity of railroads. Option 1 with a renewal premium of \$87,150 from Ace Insurance Company provides a SIR (Self Insured Retention) of \$25,000. Option 2 with a premium of \$76,860 from Alterra provides a deductible versus a SIR and removes the breach of levee exclusion. Mr. Edgecombe recommended procurement of Option 2 coverage from Alterra due to the savings in premium, the deductible in lieu of a SIR and the removal of the levee breach exclusion. The quote from Ace included law enforcement liability since the LBBLD had only one police officer. Since the coverage with Alterra does not cover law enforcement liability, a quote will have to be obtained for this coverage, which he estimated at \$1,500. The Committee suggested that Mr. Edgecombe look into a master policy for law enforcement liability for all of the levee districts.
- Auto Liability – Southern Insurance Company, the current carrier, quoted a renewal premium of \$57,201. Coverages are the same as expiring and the premium rate decreased by three percent.
- Umbrella – Lexington Insurance Company, the current carrier, quoted a renewal premium of \$33,600 (same as expiring).
- Hull and P&I – Great American Insurance Company, the current carrier, quoted a renewal premium of \$18,300, which is slightly less than last year.
- Vessel Pollution – Great American Insurance Company, the current carrier, quoted a renewal premium of \$1,350 (same as expiring).

- Inland Marine – Great American Insurance, the current carrier, quoted a renewal premium of \$10,113. The premium rate decreased by eight percent; however, new equipment was added.
- Property – RSUI, the current carrier, quoted a renewal premium of \$86,906 (same as expiring).
- Commercial Crime - This is the third installment of a three year policy with Travelers Insurance Company with a premium of \$1,054.

Mr. Edgecombe recommended renewal of Auto Liability, Umbrella, Hull and P&I, Vessel Pollution, Inland Marine, Property and Commercial Crime Insurance coverages with the current carriers.

The Committee voted unanimously to recommend to the Board for approval the procurement of Option 2 General Liability Insurance Coverage from Alterra, and the renewal of Auto Liability, Umbrella, Hull and P&I, Vessel Pollution, Inland Marine, Property and Commercial Crime Insurance coverages with the current carriers, as recommended by Mr. Edgecombe, for the EJLD.

C. Discussion of renewal of General Liability and Workers Compensation Insurance coverages for the Orleans Levee District (O.L.D.).

Mr. Edgecombe explained that two options are presented for General Liability Insurance coverage both with limits of \$2 million per occurrence and a \$5 million aggregate. Option 1 with a renewal premium of \$113,715 from Ace Insurance Company provides a SIR (Self Insured Retention) of \$25,000. Option 2 with a premium of \$111,037 from Alterra provides a deductible versus a SIR and removes the breach of levee exclusion. Mr. Edgecombe recommended procurement of Option 2 coverage from Alterra due to the savings in premium, the deductible in lieu of a SIR and the removal of the levee breach exclusion.

Carol Kiefer, O.L.D. Safety-Risk Manager, advised that quotes for the renewal of the District’s primary and excess flood insurance coverage would be received by the date of the June Board meeting. The Committee instructed that the renewal of flood insurance coverage be brought to the Board at its June 16th meeting.

Randy Maddox with Morrison Insurance Agency explained that the premium for Workers Compensation coverage with LWCC decreased such that the O.L.D. no longer qualifies for a three-year retrospective rating program. LWCC offered coverage at a reduced estimated annual premium of \$194,898. Coverage is for both the Flood Protection and the Non-Flood Assets Divisions since separating the coverage would present a great disadvantage for both divisions. Information has been provided to the Non-Flood Division for its Board. An annual premium audit will be conducted.

The Committee voted unanimously to recommend that the Board approve the procurement of Option 2 General Liability Insurance Coverage from Alterra and the renewal of Workers Compensation coverage as presented. Mr. Doody explained that

the recommendation would not obligate the Non-Flood Division for Workers Compensation coverage without the approval of its Board and that feedback should be received from the Non-Flood Protection Asset Authority Board prior to the SLFPA-E Board meeting.

D. Discussion of selection of official journals for the SLFPA-E and levee districts for one year commencing July 1, 2011.

The Committee voted unanimously to recommend to the Board that it approve the selection of the Times Picayune as the official journal for the SLFPA-E, EJLD and O.L.D., and the St. Bernard Voice as the official journal for the LBBLD.

E. Notice of selection of auditing firm for financial audit of the SLFPA-E and levee districts for the fiscal year ending June 30, 2011.

Mr. Doody explained that last year was the third year of a three year contract with Rebowe and Company for the annual audit of the SLFPA-E and the levee districts under its jurisdiction. The Legislative Auditor's office conducted a bid process to select a firm and enter into a contract for the financial audit for the next three years beginning with the fiscal year ending June 30, 2011. The Legislative Auditor's office opened bids and the low bidder was Silva, Gurtner & Abney, LLC. This notice will be presented to the Board.

F. Discussion of the O.L.D.'s repayment of Notes (GoZone) to the State of LA.

Jim Bollinger, O.L.D. Comptroller, advised that the O.L.D. owes \$26.1 million (approximately \$9.5 million from the General Fund and \$15 million from the SLIP Fund) to the State to repay the GoZone Bonds. A presumption has been made in the financial planning that the notes would be repaid during the four year period beginning with 2012 so as to complete and liquidate the notes by the expiration of the current SLIP tax. Mr. Doody explained that the O.L.D.'s annual bond indebtedness for three years after Hurricane Katrina was paid by GoZone Bonds. He recommended that the GoZone Bonds be repaid during the period prior to the expiration of the SLIP tax. The bonds can be repaid over a period up to fifteen years; however, after the current SLIP tax expires the O.L.D. may not have a funding source for this repayment. Mr. Estopinal concurred that the bonds should be repaid during the life of the current SLIP tax.

G. Discussion of revisions to the O.L.D. FY 2011 General and SLIP Fund Budgets.

Mr. Bollinger explained that revisions are needed to the O.L.D. General Fund and Special Levee Improvement (SLIP) Fund Budgets to more nearly approximate actual results to the end of the fiscal year. In addition, General Account Principles require that the Board be notified through budget revisions when either revenues or expenditures increase or decrease more than five percent from the planned budget. He reviewed the significant variances in the General Fund Budget, which included a reduction in mineral revenues and a decrease in operations and maintenance costs partly due to delays in hiring personnel. Mr. Bollinger advised that \$4,427,141 is included under Other

Sources and Uses for the repayment of the Community Disaster Loan (CDL). The CDL had been scheduled for repayment in FY 2012 with the actual payment to be made in August. He recommended that the CDL be repaid in FY 2011 since the loan is costing the O.L.D. about \$10,000 per month in interest.

Mr. Bollinger reviewed the revisions to the SLIP Fund Budget. Revenues are expected to be 6.8 percent higher primarily due to the receipt of grant funds. The grant fund revenues are being expended under expenses. It was noted that more money is being spent on flood control structures and general expenses, which includes engineering services under task orders that were not previously budgeted.

The Committee voted unanimously to recommend that the Board adopt all of the necessary and required changes as presented.

Mr. Doody advised that GASB (Governmental Accounting Standards Board) 54 requires the implementation of changes to the financial statements for this fiscal year. Funds will be broken into five categories instead of three categories. Mr. Bollinger added that action may be needed by the Board in June on certain items concerning financial reporting (restricted versus unrestricted funds).

H. Discussion of revisions to the SLFPA-E FY 2011 Budget.

Robert Turner, SLFPA-E Regional Director, explained that the SLFPA-E budget was affected by three major occurrences during the course of the fiscal year.

- Community Development Block Grants (CDBG) – The CDBGs became available for use during the course of the fiscal year and were not previously budgeted. Revenues and expenses for the CDBGs have been included and will net out. Refined figures for the CDBGs will be provided in the revisions presented to the Board.
- Allocation of costs – Resolution No. 12-16-10-06, adopted in December, 2010, instructed the Authority to allocate certain costs across the levee districts. The cost for the SLFPA-E Regional Chief Engineer had been billed through the O.L.D.; however, this expense is now being expensed at the Authority level. Half of the salary expenses are being distributed to the levee districts.
- Professional and Technical Services increased primarily due to task orders issued under the SLFPA-E's communications contracts.

Mr. Turner advised that there are some decreases to the budget, such as \$30,000 which was budgeted for a new vehicle, but was not spent. The ending Fund Balance will increase about \$41,000.

The Committee voted unanimously to recommend that the Board approve the revisions to the SLFPA-E Budget.

I. Discussion of draft revisions to SLFPA-E Strategic Plan.

Mr. Turner advised that a final draft of the revisions to the SLFPA-E Strategic Plan was not yet available. He explained that Mr. Pineda had discussed revising the SLFPA-E's Strategic Plan at a Board meeting several months ago. A working committee was formed that is chaired by Mr. Pineda. A meeting was held with the levee district Executive Directors to review the current plan and obtain suggested revisions. The revisions have gone through a series of iterations. Mr. Pineda is reviewing the final draft of the revisions and it is anticipated the revisions will be presented to the Board at its next meeting.

There was no further business; therefore, the meeting was adjourned at 9:38 a.m.