

New Orleans, Louisiana, November 8, 2017

A special meeting of the Board of Liquidation, City Debt (Board) was held this date at the office of the Board, Room 8E17, New Orleans, Louisiana pursuant to notice duly given as provided by law. The special meeting was called to order at 4:01 P.M. by the President, Ms. Mary K. Zervigon. Ms. Zervigon asked the Secretary to call the roll and announce the number of members present. The roll call was as follows:

PRESENT: Mr. Arnold
Councilmember Head*
Mr. Hebert (for Mayor Landrieu)**
Mr. Johnson EIGHT MEMBERS AND A
Mr. Moody QUORUM
Mr. O'Connor
Councilmember Williams***
Ms. Zervigon

ABSENT: NONE

VACANCY: ONE

* Arrived 4:03 PM

** Arrived 4:04 PM

*** Arrived 4:16 PM

Also present were Mr. William R. Forrester, Jr. Esq., special counsel to the Board; Ms. Lisa L. Daniel, PFM Financial Advisors LLC; Mr. Shawn Barney, CLB Porter co-financial advisors; Ms. Meredith Hathorn and Mr. Jason Akers (by conference call), Foley & Judell LLP, and Mr. Randy G. McKee, The McKee Law Firm LLC, co-bond counsel; Mr. Kirth Paciera and Mr. Timothy Priest, Paciera, Gautreau, and Priest CPA's, independent auditor to the Board.

The notice calling the meeting more than 48 hours prior to the date of the meeting was received and ordered filed in the minutes.

The President stated that the minutes of the June 16, 2017, special meeting had been circulated to the members. She asked if there were any comments, there being none the minutes were adopted as circulated.

The President also stated that the auditor's report for the months of June 2017; July 2017; August 2017; and September 2017 were in each member's folder. She asked the members to review the reports and address any questions to the Secretary. There being none, the reports were ordered filed.

The President asked the Secretary to address item #4 on the agenda, a resolution to levy 25.5 mills in 2018 to service and administer the outstanding bonded debt of the City. Mr. Gernhauser stated there was a copy of the resolution in each member's folder, along with schedules supporting the millage levy calculations. He said the figures sent from the Board of Review to the Louisiana Tax Commission reflect an increase in assessments and increase in the value of one mill to \$3,336,000 in 2018. He stated the City has \$50,000,000 of authorized but unissued bonds, which are scheduled to be sold next year. He also said an 88% collection rate of current year taxes was used in the calculations, due to increased collections by the administration over the past few years. Along with a slight decrease in the federal subsidy on the Build America Bonds sold in 2010, in 2018, and including 2% of collections to the City of New Orleans and 2% of total billings to the Assessor's office the total amount required to service the bonded debt amount is \$84,133,165.

Mr. Arnold asked if the collection rate was lower than in the past. Mr. Gernhauser said it was actually higher than the 87% used in past years. Mr. Arnold said he thought the collection percentage was much higher. Mr. Gernhauser said the calculations used the amounts sent from the Board of Review to the Tax Commission and did not include adjustments made throughout the year in the City Finance Department. Mr. Arnold asked if the collection rate took into account prior years. The Secretary stated that the percentage used was for current year taxes only and that over a two-year period the total collection rate would be closer to 95%.

Councilmember Head stated that the City will be sending out a request for proposals to combat homestead exemption fraud. She said this will help in the collection of property taxes and is being implemented in surrounding parishes. She said identification of fraudulent exemptions will ultimately help the Board as well as other tax recipient bodies in tax collection. Mr. Arnold stated that the majority of tax collections in the Board's budget are dedicated to debt service on the outstanding bonds and if there are any surplus after all expenses, the Board would apply that to the following year millage calculation which could lower the millage levy.

Councilmember Head moved for adoption of the resolution levying 25.5 mills to service and administer the bonded debt for 2018, Mr. Arnold seconded and on roll call the vote was as follows:

AYES: ARNOLD, HEAD, HEBERT (FOR MAYOR LANDRIEU), JOHNSON,
MOODY, O'CONNOR, ZERVIGON

NAYS: NONE

ABSENT: WILLIAMS

VACANCY: ONE

And the resolution was adopted.

The President asked the Secretary to address item #5 on the agenda, a resolution setting the 2018 budget for the Board. The Secretary stated the budget resolution was in each member's folder. He said this resolution was very similar to the millage levy resolution just adopted, but contained a detailed list of expenses, including salaries and other office expenses. Ms. Zervigon stated that the Board has only adopted a budget resolution for the past few years. The Secretary stated that new to the budget in 2018 was a search committee expense, which may be needed in the latter part of next year.

Mr. Hebert (for Mayor Landrieu) moved for adoption of the Board's 2018 budget resolution, Mr. Moody seconded and on roll call the vote was as follows:

AYES: ARNOLD, HEAD, HEBERT (FOR MAYOR LANDRIEU), JOHNSON, MOODY, O'CONNOR, ZERVIGON

NAYS: NONE

ABSENT: WILLIAMS

VACANCY: ONE

And the resolution was adopted.

The President then asked the Secretary to address item #6 on the agenda, to select an independent auditor to the Board, from responses to a Request for Proposal (RFP). The Secretary stated in each member's folder was an evaluation sheet listing the four firms responding to the RFP, along with an evaluation of criteria column reflecting the criteria percentages as well as a column detailing the fees proposed by each firm. Mr. Gernhauser said each proposal was evaluated by the staff and an average of a cumulative percentage was derived on each criteria percentage. He said the maximum evaluation percentage of 100% was a total of 25% firm qualifications; 25% experience of professionals; 30% experience of firm in similar engagements; 10% fees for services proposed; and 10% disadvantaged business enterprise (DBE) participation. The Secretary stated that the firm of Paciera, Gautreau & Priest (PGP) scored the highest percentage of the criteria evaluation with a total score of 98.6%. He said PGP is currently serving the Board as independent auditor and would work with any certified DBE firm acceptable to the Board. Ms. Zervigon asked if any of the firms responding included a DBE firm in their proposal. The Secretary said the firm of Postlethwaite & Netterville (PN) did include a DBE participant, Bruno & Tervalon, in their proposal and total fees. He said their total contract fees exceeded PGP by \$40,000. Mr. Arnold asked if the percentage under DBE evaluation criteria reflected the percentage given to the DBE participant. The Secretary stated that each criteria evaluated was given a certain percentage of the total 100% maximum percentage and that the DBE criteria equaled 10% of that total. He said for example the firm of PN was given 10% for DBE criteria because they included a DBE firm in their proposal, while the firm of Silas Simmons, from Jackson, Mississippi, did not mention any willingness to participate with a DBE firm and received a score of 0% under the DBE criteria. The Secretary explained the major difference between PGP and PN was in fees for services, where PGP proposed much less than PN and received a criteria percentage score of 9.4% out of 10%, while PN received 6.5% out of 10%. Councilmember Head stated that the City Council went through this process last week and the City Attorney and City DBE department assisted. She addressed Mr. Hebert, Chief Administrative Officer of the City, stating that this process does not seem to be the same as the City Council used last week. She said this process does not agree with executive order MJL-10-05 and she did not want to break the law. Mr. Hebert said the RFP did require the firms to address DBE participation and that this matrix assigns 10% of the total criteria evaluated to the firm's willingness to work with a DBE firm. Ms. Zervigon said she would select PN based on their selection of a DBE firm in their proposal. Councilmember Head said it would cost the Board approximately \$40,000 in additional fees. Mr. Moody asked if all proposals included in their fees, the cost of a DBE. Mr. Gernhauser said the PGP and PN proposals included the DBE in the fees proposed. He said the matrix states that PGP does not include the DBE fee in their proposal, but should state PGP does include the DBE fee in the proposal. Mr. Arnold asked what percentage would be paid from the PGP proposed fee of \$92,412 to the DBE. Mr. Gernhauser stated that Mr. Kirth Paciera, managing partner with PGP, was in attendance and could address Mr. Arnold's concern. Mr. Paciera said his firm's proposal did include the fee to pay a DBE participant. He said his firm will select from the City's DBE list a firm to work with PGP at a fair market hourly rate. Mr. Paciera said his firm's proposal included the market rate and that any DBE firm PGP selected would not charge more than the rate proposed in their response.

Ms. Zervigon stated that some agencies change auditors every few years to insure independence between the agency and the auditor. Mr. Arnold said some agencies change auditors as a policy every few years. Ms. Zervigon stated the Board does not have such a policy. Mr. Johnson stated that all CPA auditing firms are subject to a peer review process by the AICPA and the Society of LCPA to regulate and ensure their integrity and independence. He said although the Board has not changed auditors, the industry regulates itself through the peer review process.

Mr. Arnold moved to select from the RFP responses for Independent Auditor the firm of Paciera, Gautreau and Priest, with direction to the firm to notify the Board of their selection, from the City of New Orleans Disadvantaged Business Enterprise list, a DBE firm to assist in the function of the Independent Auditor. Mr. O'Connor seconded and on roll call the vote was as follows:

AYES: ARNOLD, HEAD, HEBERT (FOR MAYOR LANDRIEU), JOHNSON,
MOODY, O'CONNOR, WILLIAMS, ZERVIGON

NAYS: NONE

ABSENT: NONE

VACANCY: ONE

And the resolution was adopted.

The President then asked the Secretary to address item #6 on the agenda, to select an independent registered municipal advisor to the Board, from responses to a Request for Proposal. The Secretary stated that a summary of the firms responding and a matrix evaluating those responses was in each member's folder. He said the firms of PFM Financial Advisors LLC and CLB Porter submitted a joint proposal. He stated the only other firm responding was The RSI Group, a minority firm based in Arkansas with an office in Baton Rouge. Mr. Gernhauser said that PFM Financial Advisors LLC and CLB Porter currently serve as the registered municipal advisor to the Board. He said their proposal included a \$40,000 quarterly retainer and fees equivalent to the attorney general's guidelines for bond attorneys in Louisiana. Councilmember Head stated the summary lists CLB Porter as a certified DBE on the Regional Transit Authority (RTA) list. Mr. Barney, co-financial advisor to the Board, said that was correct and that his firm met the RTA small business requirements. Councilmember Head asked if the RTA DBE certification by CLB Porter met the DBE requirement in the RFP. Mr. Hebert said he felt it met the DBE requirement.

Mr. Hebert (for Mayor Landrieu) moved to select from the RFP responses for Financial Advisor the firm of PFM Financial Advisors LLC and the firm of CLB Porter LLC., to serve as co-financial advisors to the Board. Councilmember Williams seconded and on roll call the vote was as follows:

AYES: ARNOLD, HEAD, HEBERT (FOR MAYOR LANDRIEU), JOHNSON,
MOODY, O'CONNOR, WILLIAMS, ZERVIGON

NAYS: NONE

ABSENT: NONE

VACANCY: ONE

And the resolution was adopted

The President then asked the Secretary to address item #6 on the agenda, to select bond counsel to the Board, from responses to a Request for Proposal. The Secretary stated there was a summary of the five bond counsel firms responding, along with a matrix of listing those firms and evaluating and scoring each proposal in the member's folders. He said the only certified DBE firm responding was Auzenne & Associates with a single proposal to serve as bond counsel to the Board. He said the firm of Foley & Judell listed Auzenne & Associates and Laskey Murphey as DBE firms they are currently have a working relationship. Councilmember Head asked the Secretary to explain the evaluation matrix. Mr. Gernhauser said each firm listed a fee distribution between the primary firm and the DBE. He said Foley & Judell, which scored the highest on the evaluation matrix, proposed a 65-35 split of the Attorney General guidelines for general obligation bonds and 60-40 split on refunding and revenue bonds. Councilmember Head asked if any of the firms would work for less than the recommended attorney general guidelines. Ms. Meredith Hathorn, co-bond counsel to the Board, stated her firm of Foley & Judell proposed a fee distribution on 95% of the Attorney General guidelines for revenue bonds. The Secretary stated he did not reflect that in the matrix and agreed that was part of the proposal by Foley & Judell. Ms. Zervigon said a timeline should be agreed upon for bond counsel to choose a certified DBE firm. Mr. Arnold said there were only a few firms listed on the city DBE list for bond attorneys. Ms. Zervigon stated that the primary firm selected should notify the Board of any DBE firms they select to serve as DBE co-bond counsel or report to the Board if they are not able to find any qualified DBE firms. Mr. Arnold suggested the Board select the DBE firm from an RFP process listing their qualifications. Councilmember Head disagreed with that proposal and felt the primary firm should select a DBE firm from a certified list with the City. Mr. Arnold said next time the primary firm should make a proposal with a selected certified DBE firm. Councilmember Head said this process should help grow the number of DBE firms by having the primary firms select a firm and educate them through the DBE qualification process. Ms. Zervigon and Mr. Arnold discussed the standards set by the DBE qualification process. Mr. Hebert said the City uses more than their own DBE list. He said the City uses the state's list of qualified DBE firms as well. Ms. Zervigon asked Mr. Barney if the DBE certification requirements work for his

firm. Mr. Barney said it was a question of the net worth requirement that was inconsistent. Ms. Zervigon asked if the system worked for him, he said it did work under the RTA requirements for DBE certification. Ms. Zervigon stated that the next RFP process should direct the primary firm to select, from a DBE list provided, a DBE firm to submit as a joint proposal.

Mr. Arnold moved to select from the RFP responses for Bond Counsel the firm of Foley & Judell LLP, with direction to the firm to notify the Board of their selection, from the City of New Orleans DBE list, a DBE firm to assist in the function of bond counsel. Mr. O'Connor seconded.

Councilmember Head asked if the Board had the same confidence in the firm of Adams & Reese. Mr. Arnold stated that the matrix suggested less confidence in the volume of bond issuance experience by the firm of Adams & Reese. The Secretary disagreed stating the Board staff has complete confidence in the firm of Adams & Reese and would work with any qualified firm selected by the Board. Mr. Arnold said the Board would need the depth of a firm like Foley & Judell in a time of crisis. Mr. Moody asked about the list of recent transactions in the joint proposal of Adams & Reese and The McKee Law Firm. The Secretary stated that The McKee Law Firm currently serves as the Board's co-bond counsel and participated in the most recent bond issuances by the Board. Mr. O'Connor stated that the most recent transactions in the Adams & Reese and the McKee Law Firm joint proposal were in other cities and states, especially the larger transactions. Councilmember Head said this was a difficult decision and suggested the score for Foley & Judell for the fees and services criteria should be raised to 10%, since they did propose a 5% reduction in fees. She said Meredith Hathorn and Jason Akers have done an exceptional job for the Board and that women are under-represented in their profession. She said this is a unique board, where two women represent the legal and finance professions in an advisory capacity. Although this is not her deciding factor, she said she appreciates the diversity at such a high level of finance. Mr. Moody agreed. Mr. Arnold said he recognizes the national, state and local expertise and experience Foley & Judell has provided the Board.

On roll call the vote was as follows:

AYES:	ARNOLD, HEAD, HEBERT (FOR MAYOR LANDRIEU), JOHNSON, MOODY, O'CONNOR, WILLIAMS, ZERVIGON
NAYS:	NONE
ABSENT:	NONE
VACANCY:	ONE

And the resolution was adopted.

There being no further business to come before the Board, Ms. Zervigon motioned for adjournment, Mr. Moody seconded, there being no objections, the meeting was adjourned by the President at 4:53 P.M.

David W. Gernhauser
Secretary