

Irby/Finance Committee Meeting

Monday, March 9, 2015

The Irby/Finance Committee met on March 9, 2015 at 10:30 AM at the Old U.S. Mint.

Members present: Robert A. Barnett; Michael M. Davis; Rosemary Upshaw Ewing; Janet V. Haedicke, Ph.D.; Kevin Kelly; Lawrence N. Powell, Ph.D.; Philip Woollam; and Diane K. Zink

Staff present: Yvette Cuccia, Mark Tullos, Celestine Washington and Robert E. Wheat

Also in attendance: Randy Davis (Deputy Secretary – DCRT); Julia George Moore (DCRT Counsel); Mr. Hughes Drumm (*Tabasco*); Ms. Lisette Sutton (*Creole Delicacies*); Mr. Alan Fisher (tenant 503 St. Ann, 2nd Floor); and Mr. Edward A. Ready (Ready Law LLC)

A quorum was present.

1. Call to Order

Mr. R. Barnett called the meeting to order at 10:44 AM.

2. Motion to Adopt the Agenda

Motion to Adopt the Agenda MOVED by Dr. Haedicke, seconded by Ms. Zink. There were no comments from the public. **Unanimously approved.**

3. Approval of minutes

The minutes from the December 8, 2014 meeting were distributed in advance. Ms. Zink MOVED, seconded by Ms. Ewing to approve the December 8, 2014 Irby/Finance Committee minutes. **Unanimously approved.**

The minutes from the January 15, 2015 meeting were distributed in advance. Mr. Woollam MOVED, seconded by Dr. Powell, to approve the January 15, 2015 Irby/Finance Committee minutes. **Unanimously approved.**

4. Request for rent discount

Mr. Drumm of *Tabasco* addressed the Committee. He said sales were down 38% in February and are 39% down since the beginning of March. He said the scaffolding has had a real negative impact on their store. They have put large signage on the construction wall, but so far it has had little effect. They are asking for an in-kind rent reduction. Mr. Barnett said he wanted them to be aware that the Committee has deferred a decision on rental abatements or discounts until after the roofing project is complete. Mr. Drumm said he is aware of that, but he wanted to get it on the record. He said weather issues have delayed the project further. Ms. Ewing wanted to make sure Mr. Drumm was aware that the roofing project is a major, necessary repair to the Pontalba building. Mr. Woollam

asked what Laura Drumm meant in her letter by the statement “few of our requests were honored.” Ms. Sutton of *Creole Delicacies* said she thinks that Ms. Drumm means that a truck is always parked in the fenced enclosure which impedes foot traffic. In addition, she hoped for a transparent plexiglass or chain link fencing in front of her store instead of the wooden façade. Ms. Washington stated that the contractor has been asked to move the truck. In addition, the tenants were made aware that the reason there is no plexiglass or special fencing in front of the stores is that this addition would have cost an additional \$10,000. Mr. Drumm said the timing is particularly bad for them due to Mardi Gras and springtime, which is a very busy time. Ms. Sutton asked if we know when the latest time frame for take-down will be. Ms. Washington said it had been scheduled for March 15th but weather has delayed that a bit. She said she has informed the affected tenants that there is a construction meeting about the roofing project Wednesday, March 11th where updates will be given. Ms. Sutton said her sales are down 40% from last month and so far this month sales are down 70%, so this is very hard on her.

The Committee reiterated that the situation will be reviewed after the roofing project is complete, which should be in June, 2015. Mr. Kelly MOVED to consolidate this request and all future requests by the commercial tenants until the June, 2015 meeting. Seconded by Ms. Zink, the motion was **unanimously approved**.

5. 503 St. Ann, 2nd floor – renovations deadline

Mr. Alan Fisher attended the meeting with this attorney, Mr. Edward Ready. Several issues were discussed. First, Mr. Fisher still has not fixed his bathtub step to be in compliance and second, he has not removed nor repaired his leaking refrigerator. As to the bathtub step issue, Ms. Washington said that Mr. Fisher advised her that he will not renovate the bathtub to a shower at this time. Instead, he will fix the bathtub step, which he acknowledged is currently out of compliance. He sent an estimate but LSM staff responded that the ‘estimate’ was not satisfactory nor did it provide any clear information; it was simply an email quote. It did not include the name of the person or entity doing the work. There was no detail of the scope of the work to be performed. There was no insurance or bonding information. Staff again requested of Mr. Fisher that LSM needs more information in terms of bonding and insurance. Currently, Mr. Fisher is waiting on specifications from the LSM maintenance department in order to get a complete estimate. Staff responded that it had answered Mr. Fisher’s questions. Staff is to follow-up with Mr. Fisher to get timely answers. With regards to the second issue of the leaking refrigerator, Mr. Fisher said he was in the apartment during Mardi Gras and did not notice any leakage. However, over this past weekend, he did notice the refrigerator was leaking. He acknowledged that he has done nothing since to prevent the leaking or even repair the refrigerator. He hopes to get a refrigerator repairman out to fix it very soon or get a new one. Mr. Fisher thought there were ceiling leaks which might have contributed to the leakage but Mr. Wheat advised that those leaks were fixed some time ago and that there was absolutely no relationship between the two leak events. The LSM maintenance department checked the refrigerator recently and confirmed that it was leaking again. Mr. Barnett questioned whether the latest refrigerator leak was causing damage. Staff was unsure, but would inspect immediately. A photograph was circulated that showed discoloration of water or rust flowing from the refrigerator interior on to the floor. The members discussed whether this type of event would trigger a notice of default under the terms of the lease. The members suggested several options for Mr. Fisher, such as unplug, repair or replace the refrigerator immediately. Mr. Ready said the refrigerator will be unplugged until repairs are done. Currently, there is no known damage to the floors until confirmed

by staff, but that if there is water, damage will occur soon if it is not fixed. Ms. Moore stated that LSM can fix the floor and make repairs even if it is not our responsibility to do so and then get reimbursed from the tenant. If damage to the floor has occurred, the Irby Committee will consider cancelling the lease. Mr. R. Davis reminded the Committee that there is pending litigation by Mr. Fisher against the State which has not been settled yet. He said he hopes the Committee understands all that Mr. Fisher has been through. Mr. R. Davis said he does not think a motion needs to be passed today about cancelling Mr. Fisher's lease. He suggested that the refrigerator and floor be inspected by the LSM maintenance department this week and that Mr. Fisher be given a chance to resolve the situation. Mr. Fisher said he will deal with the issue today. Ms. Ewing MOVED that Mr. Fisher unplug, repair or replace the refrigerator today and not use it or buy a new unit and that the maintenance department be given full access to continually inspect the floors for continued leakage and damage. Seconded by Mr. Woollam, the motion was **unanimously approved**.

Regarding the bathtub step, the LSM will await the contractor's insurance/bonding information once the specifications are sent to Mr. Fisher. The LSM staff will work with Mr. Fisher to ensure that all is done correctly and in compliance.

6. Financials/Old Business

Items 6 and 7 on the agenda were merged.

Mr. R. Davis gave a presentation (attached to the minutes) of the financial commitment from the Lt. Governor's office over the past several years (from 2012 to the present) to support the LSM. In order to maintain services and programs at current levels and to minimize loss of personnel, funding from the Office of Tourism has been used to provide for the Louisiana Sports Hall of Fame and Northwest Louisiana History Museum (SHOF) since its opening and to offset state general fund cuts for general operating expenses of the LSM. Lt. Governor Dardenne has expressed his concerns to the legislature, stating that the LSM should be properly funded with state general fund dollars and that tourism funds should be used for promoting the state as intended.

Dr. Powell asked if the SHOF museum was pulling its weight and generating a lot of traffic. Mr. Tullos said it is meeting its anticipated attendance mark of approximately 20,000 visitors per year. It is building an audience and an identity.

Mr. R. Davis then illustrated how the Irby balance has grown since 2009. The net cumulative change has been \$1,782,083.91. (See attached spreadsheet) The Irby operations have been prudently managed over the years by museum and DCRT staff. In addition, funds have been replaced from other sources whenever possible. The Committee members discussed their concerns with the intent & purpose of The Irby Fund as originally established by the Irby Will. The fund was established for maintenance upkeep and repair of the Lower Pontalba building, as well as for general operations of the LSM; there was a brief discussion of the system in 1930 as opposed to its expansion today, which consists of more than just the New Orleans properties. Irby has been used over the years to cover staff costs, and in case of hiring freezes, to hire necessary positions. In the past, there have been as many as 28 positions funded by Irby. Over the last few years since Lt. Governor Dardenne's administration, much more detailed financial information has been provided than in the past. If the

State budget has available funds, state funding is used first to meet LSM obligations in order to preserve the Irby fund balance.

The Irby financial projection as of January 31, 2015 reflects a positive year-end variance of \$101,343 with the LSM's requested budget reallocations and adjustments included. Irby is projecting to exceed the revenue budget by \$11,462 due to increases in the Consumer Price Index (CPI), the common area maintenance fees (CAM), and a rent increase for one commercial property. Personnel Services is also less than originally projected partly as a result of attrition and not filling open positions. The last page in Mr. R. Davis' presentation showed projected year-end Irby budget variances, both negative and positive. For example, \$61,001 in savings is projected by using WAE's vs. paying overtime for LSM security personnel. Mr. Wheat came up with this cost saving solution of using retired police officers on a part-time basis to meet the Smithsonian's security requirements necessary for having the Andrew Jackson coat on display. This approach was less costly and lessened the burden on existing security staff. Mr. R. Davis pointed out that two positions (Public Information Director and the Public Information Officer) would be moved from the State side to the Irby budget for the remainder of the fiscal year

Other projected variances include: \$25,000 was budgeted for acquisitions/collections but no acquisitions were anticipated through June, 2015. Operating Supplies for buildings/grounds/general and plants includes gas for mowers, cleaning supplies, toilet tissue, paper towels, and maintenance of grounds, etc. In that category, Irby fell short by \$15,122 due to a lack of funds available on the state side for these expenses, which had to be paid by Irby. LSM and DCRT are asking that \$75,000 be paid by Irby for utilities for the LSM properties, not including the Pontalba building. With this assistance, we hopefully will avoid any further staff cuts or layoffs. Overall, there is still a projected surplus in the current Irby budget of \$101,343.

Mr. R. Davis said the LSM will have to come back to the Committee in April with a plan on how to maintain this level for the new fiscal year. There are currently 8 vacancies on the State side and those will remain unfilled for now.

Mr. Woollam said he knows the State owns the buildings and they should be responsible for their upkeep and care, which includes utilities. He dislikes the precedent set where Irby pays for utilities that the State should cover. Mr. Woollam said he would rather see positions and exhibits funded. He asked if the reallocation of expenses could be adjusted for salaries instead of utilities.

Mr. R. Davis said positions have gone back and forth between Irby and the State historically and he sees no problem with Mr. Woollam's proposed change. Mr. Tullos added that we are in rough waters right now, but he is hopeful that we can come out in decent shape because of Irby. New Orleans museums are not the only cultural asset affected in the museum system. LSM is defined as the caretaker of all of Louisiana's History and culture.

Mr. Woollam MOVED, seconded by Dr. Haedicke, to approve the LSM's proposal as presented by Mr. R. Davis requesting Irby to help offset a portion of the current fiscal year budget shortfall, adjusted as requested to reflect an increase in personnel services to be offset by the elimination and equivalent reduction for LSM utilities. **Unanimously approved.**

7. New Business

Regarding the Pontalba commercial leases, Mr. Barnett advised a meeting has not been set with the sub-committee assigned to review such leases and will not do so without the involvement of Ms. Moore. The sub-committee consists of Ms. Zink as Chair, Mr. Barnett and Mr. Kelly. Ms. Moore, DCRT Counsel, will attend all lease sub-committee meetings to provide guidance and support during their deliberations. Ms. Moore said the commercial lease is in good shape as compared to the prior problems with the residential lease. She will review the commercial lease and Policy and Procedure manual and asked the Irby/Finance Committee members to call her with any additions or changes they wish to see in the lease. She also asked Ms. Washington to advise her if there were any other pertinent issues for consideration by the sub-committee.

Mr. Woollam MOVED, seconded by Dr. Haedicke, to adjourn the meeting. **Unanimously approved.**