

STATE OF LOUISIANA
DEPARTMENT OF ENVIRONMENTAL QUALITY
MOTOR FUELS UNDERGROUND STORAGE TANK TRUST
FUND ADVISORY BOARD

The above-entitled meeting was held at the LDEQ, Galvez Building, Conference Center, 602 North 5th Street, Baton Rouge, Louisiana, beginning at 1:09 p.m., on May 10, 2018.

BEFORE:

Lori B. Overland
Certified Court Reporter
In and For the State of
Louisiana

A P P E A R A N C E S

Steve Burnham
Chairman

Kerry Hill, via telephone
Durwood Franklin, via telephone
Jeff Baker
Gary Fulton
Cy Morin
Roger Bright, via telephone
Theresa Delafosse
Perry Theriot
John Milazzo
Joe McCartney, via telephone

Melissa Vizinat
Natalie Issacks, via telephone
Jason Efferson
Trey Kemp
Byron Blanchard
Roger Gingles
Lacey Vitteri
Christy Gardner
Shawn Ivy
Jill Carter

* * * * *

I N D E X

EXAMINATION:	PAGE(S):
None	
EXHIBITS:	
None	
REPORTER'S PAGE	69
REPORTER'S CERTIFICATE	70

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MR. BURNHAM:

Okay. Well, I'm going to call the meeting to order. The first thing we'll do is the roll call and adoption of the February 22, 2018 board minutes.

Let's start with roll call. I'm Steve Burnham with Engineering Associates.

MR. MILAZZO:

Johnny Milazzo, representing Louisiana Oil Marketers Association.

MR. THERIOT:

Perry Theriot, LDEQ Legal.

MR. BAKER:

Jeff Baker, LDEQ Motor Fuel Trust Fund.

MR. FULTON:

Gary Fulton, UST Division Administrator.

MR. MORIN:

Cy Morin, LDEQ Audit.

MS. DELAFOSSE:

Theresa Delafosse, LDEQ Financial Services.

MS. VIZINAT:

1 Melissa Vizinat, LDEQ Trust Fund.

2 MR. BAKER:

3 On the phone, we have Durwood Franklin
4 from the Motor Fuel Trust Fund. Can the
5 rest of ya'll try to get on there without --

6 MR. HILL:

7 Kerry Hill with Louisiana Oil
8 Marketers.

9 MR. FULTON:

10 Who else is on the phone?

11 MR. MCCARTNEY:

12 Joe McCartney, Louisiana Oil
13 Marketers.

14 MR. BRIGHT:

15 Roger Bright, Jones Environmental.

16 MS. ISSACKS:

17 And Natalie Issacks.

18 MR. BURNHAM:

19 Anybody else on the phone that hasn't
20 been recognized?

21 (No response.)

22 MR. BURNHAM:

23 Okay.

24 MR. EFFERSON:

25 Jason Efferson, DEQ Trust Fund.

DEPARTMENT OF ENVIRONMENTAL QUALITY

6

1 MS. VITTERI:

2 Lacy Vitteri, DEQ Financial Services.

3 MR. BLANCHARD:

4 Byron Blanchard, LDEQ Audit.

5 MR. KEMP:

6 Trey Kemp, DEQ Trust Fund.

7 MS. GARDNER:

8 Christy Gardner, PPM Consultants.

9 MR. IVY:

10 Shawn Ivy, PPM Consultants.

11 MR. BURNHAM:

12 Announce yourself Roger, please,
13 seriously for the roll call.

14 MR. BRIGHT:

15 Roger Bright, Jones Environmental.

16 MR. BURNHAM:

17 All right. And, Roger, would you
18 announce yourself for the roll call, please.

19 MR. GINGLES:

20 Roger Gingles. I'm here.

21 MS. DELAFOSSE:

22 We have another Roger.

23 MR. BRIGHT:

24 Sorry.

25 MS. DELAFOSSE:

1 You're good.

2 MR. BURNHAM:

3 We've got Roger Bright on the phone?

4 MR. BRIGHT:

5 Yes.

6 MR. BURNHAM:

7 Okay. I think that's it. Could I
8 hear a motion to adopt the February 22, 2018
9 board minutes?

10 MR. MILAZZO:

11 So moved.

12 MR. FULTON:

13 Second.

14 MR. BURNHAM:

15 Second. All in favor say "aye".

16 (All indicated "aye".)

17 MR. BURNHAM:

18 Any opposed?

19 (No response.)

20 MR. BURNHAM:

21 No oppose. Thank you.

22 We'll move on to our financial
23 services report by Theresa, please.

24 MS. DELAFOSSE:

25 Good afternoon everybody. If you'll

1 flip to tab number three in your packet, you
2 have the financial statement for the third
3 quarter of fiscal year 2018.

4 So I have on here three columns. I'll
5 let everybody flip to that page.

6 So we have three columns here. The
7 left-hand column is the fiscal year 2017
8 fourth quarter, so the full year financial
9 statement. The center column is the third
10 quarter of last year, so the third quarter
11 of fiscal year 2017. And the right-hand
12 column is the third year -- or, the third
13 quarter of fiscal year 2018, so the quarter
14 that just ended on March 31st.

15 We -- with -- with the February 22nd
16 board meeting, we did slightly change the
17 presentation of the financial statements,
18 but this is the presentation that you'll see
19 going forward. It contains basically the
20 same information but we did take into
21 account here that the interest money is to
22 be allocated for the abandoned sites. Which
23 Gary will have an update for us on the
24 abandoned site stuff later during the
25 meeting.

1 But as you can see, when you compare
2 last year's third quarter to this year's
3 third quarter, we're a little ahead of where
4 we were last year on the bulk distribution
5 fee collection. And then we also had about
6 three million dollars -- or, a little over
7 two million dollars more of claims for
8 reimbursement -- so that's good too --
9 throughout the first nine months of last
10 year.

11 And then at the -- in the very bottom
12 block, you'll see the total cash balance of
13 the fund, which is just -- as of March 31st
14 was just under 112 million, that 111,964
15 figure. With the liability on the current
16 sites, at that same date, of 84 million.
17 Leaving us with an unobligated balance of
18 20.8 million dollars.

19 And ya'll stop me at any time for
20 questions.

21 If you flip to the second sheet, this
22 is also an exercise that we do quarterly.
23 And this is a projection of what we believe
24 the transfer will be from the motor fuel
25 trust fund to the environmental trust fund

1 to cover the -- the administrative costs
2 that are not accounted for with the program
3 revenues. So we have the revenues, again,
4 of environmental trust fund and federal,
5 which total right at 2.2 million. And we
6 forecast that our expenditures will be right
7 at 7.2 million. And so that leaves a
8 balance of about 5 million that we project
9 will be transferred, again, from the
10 trust fund to the environmental -- from
11 motor fuel trust fund to the environmental
12 trust fund to cover those administrative
13 expenses. So that is a slight decrease from
14 last year, which was about 5.6 million.

15 So if there are no questions on that
16 information, I will go to the podium and do
17 the financial -- for the financial slide
18 show.

19 (No response.)

20 MR. BAKER:

21 Guys, if ya'll can't hear on the
22 phone, let us know.

23 MR. HILL:

24 Okay.

25 MS. DELAFOSSE:

1 I -- I can talk pretty loud so I
2 should be -- ya'll -- can ya'll hear me at
3 this volume?

4 (An off-the-record discussion followed.)

5 MS. DELAFOSSE:

6 How about now?

7 MR. BAKER:

8 Can ya'll hear her?

9 MR. HILL:

10 Yes, I can hear.

11 MS. DELAFOSSE:

12 So as I mentioned with our bulk
13 distribution fees, we do have an increase as
14 of this time last year over this year. As
15 of last year -- last year at third quarter,
16 we had collected 15.2 million of the bulk
17 distribution fees. This year, we're at
18 16.5. So that was an increase of nine
19 percent. You'll see in that -- or 8.9
20 percent, you see in that -- in the bottom
21 row. And then we've also seen great
22 increases in our interest income, which is
23 wonderful, because that gives us some --
24 some good resources to clean up those
25 abandoned sites. The increase is both due

1 to the interest rates with our treasury
2 being higher and due to the principal being
3 larger. So we earn more interest because
4 our -- our fund has more cash in it,
5 essentially. So we've already earned
6 \$925,000 just in interest in this year
7 alone.

8 These are the projected expenditures
9 by function for the entire year, fiscal year
10 2018, which ends on June 30th. As you see,
11 the majority of the expenditures are the UST
12 core activities. We also have some
13 enforcement cost and the motor fuel trust
14 fund section, Jeff's group, who reviews the
15 applications. And then 26 percent
16 represents the support and indirect charges.

17 This slide shows us the salaries and
18 related benefits. So as you see for the
19 salaries, our actual, we're right at 3
20 million for fiscal '17 and we do project an
21 increase in that for fiscal year '18. But
22 as we've discussed previously, in January,
23 there were two pay adjustments that were
24 done statewide. One was a two percent
25 adjustment that every employee received and

1 the other was an adjustment, bringing
2 employees who were outside of the new pay
3 ranges, into those ranges, up the new
4 minimum. So we did have some employees
5 affected by that change. And that -- that's
6 why you will see an increase in the salaries
7 for 2017 and '18.

8 Same thing with related benefits.
9 Those costs are driven by how much the
10 salaries cost. As a -- you know, for
11 example, retirement costs are right under 38
12 percent per employee. So if employees make
13 more, that 38 percent piece is a little bit
14 more. So we're anticipating a slight
15 increase in the related benefit category,
16 again, of about \$15,000, between last year
17 and this year.

18 We're projecting a decrease in our
19 travel expenditures from last year to this
20 year. But, you know, they're very -- very
21 low travel cost for the program.

22 And then our operating services,
23 there'll be a slight increase. I didn't
24 look into this -- I didn't get a chance to
25 look into this to let ya'll know what that

1 increase was attributable to, but it -- it
2 could be maintenance on our vehicles or
3 perhaps some additional supplies that we
4 needed this year that we didn't end up
5 needing last year.

6 So again, that's just a projection at
7 this point. As you can see, through the
8 first nine months of the year, we spent
9 58,000, so it's -- it's possible that we
10 could still come in under that 88,000
11 projection on the right-hand side and be
12 closer to where we were last year.

13 Our professional services cost remain
14 fairly low here. We project about \$4,000.
15 We just have some lab analysis contracts
16 that we've used for site work, so those are
17 -- those are likely in the amount.

18 Now, on our other charges slide, these
19 also represent some professional services
20 type work. It just doesn't fall under
21 professional -- the professional services
22 category. As you can see, there's some lab
23 contracts and then the compliance
24 inspection, tank operator training. I have
25 in red here, the attorney general fees. We

1 included the budget in this slide, which is
2 1.1 million dollars, but as I'll show you in
3 the next slide, I -- I don't believe that we
4 will come close to that this year, just
5 based on the work that the attorneys have
6 done on an ongoing basis.

7 So that's why at the top, you'll see
8 that our year-end projection is only 563,000
9 where our budget was 1.8 million. So we --
10 we definitely underspent in this category.
11 And it'll be a reduction from last year's
12 expenditures as well.

13 So here's the attorney general
14 charges. Again, those are related to the
15 ongoing litigation. We did transfer those
16 settlement proceeds to the motor fuel trust
17 fund in April 2017. And I will say that,
18 also, Karyn Andrews, our Undersecretary had
19 some conversations with the budget office
20 and I believe that there has been an
21 amendment put into a supplemental
22 appropriation or an ancillary appropriation
23 where we will be paid back for part of the
24 seven million that remained in the attorney
25 general's trust fund -- or, attorney general

1 escrow account, sorry. So again, we had
2 asked the -- we worked with the
3 administration on that and let them know
4 that, you know, we needed -- we just needed
5 a plan in place to get that money placed
6 back into the trust fund. So they have put
7 the wheels in motion on that. And we
8 anticipate that we'll -- we'll begin
9 receiving those funds back, again, that were
10 transferred out of the attorney general's
11 escrow, but really were ours from the
12 settlement.

13 So then you see down here in the chart
14 that the fiscal year 2018, the expenditures
15 for the first nine months of the year were
16 just about 115,000. We did get another bill
17 from them recently, but it was just about
18 12,000. So again, those -- those won't --
19 they're certainly not hitting the 1.1
20 million dollar budget that we agreed to with
21 the attorney general's office for the year.
22 It'll probably be 200 or less if I had to
23 forecast. So --

24 MR. BURNHAM:

25 Theresa, the 19.1 is for the same

1 period that those expenditures are, for 2014
2 to 2018?

3 MS. DELAFOSSE:

4 Correct.

5 MR. BURNHAM:

6 Okay.

7 MS. DELAFOSSE:

8 Yes.

9 Then we have our interagency transfer
10 category. This one is going to be around
11 the same from last year to this year and
12 that includes those expenses listed below,
13 the rent in the Shreveport -- in our
14 Shreveport office and then in the Galvez
15 Building. Which again, the Galvez Building
16 rent will decrease. We are consolidating
17 within this building and getting off of a
18 floor and a half. So either at some point
19 during fiscal year '19 or at the latest,
20 fiscal year '20, we will see our rent cost
21 decrease in the state-owned building, which
22 is -- which is a charge that is part of the
23 interagency transfer category, so we'll see
24 some savings there going forward.

25 MR. MILAZZO:

1 Theresa, real quick. Before we move
2 too far along. On the -- the work of the
3 attorney general, that 19.1, is there
4 anybody left out there -- do we have open
5 suits that we know of today?

6 MR. THERIOT:

7 I -- I will -- I -- yes, we do.

8 MR. MILAZZO:

9 Okay. So we should still expect to
10 see some litigation charges coming back from
11 the attorney general?

12 MR. THERIOT:

13 Yes.

14 MS. DELAFOSSE:

15 I'll -- I'll let Perry speak on that.

16 MR. THERIOT:

17 Yes.

18 MR. MILAZZO:

19 Okay.

20 MR. THERIOT:

21 We should expect some charges from the
22 attorney general and some charges from our
23 outside attorneys, yes.

24 MS. DELAFOSSE:

25 Okay. And we've discussed in detail

1 our indirect costs. And the -- the
2 beginning of fiscal '13, we included half of
3 our agency approved -- the -- the EPA each
4 year approves our overhead rate. And since
5 fiscal year '13, we've included half of that
6 rate in the motor fuel cost and the overall
7 cost for the administration of the program.
8 And again, that includes the work that legal
9 does, the work that financial services does,
10 myself and Lacey, and the other members of
11 financial services, and then all the budget
12 work that's handled. And then, for example,
13 the account's receivable group who deposits
14 all the money, you know, and legal is not
15 just Perry and Jill. They're more visible
16 to ya'll, but we also have our legal staff
17 that works on collections. So any -- any
18 work that they do to collect any fees that
19 were unpaid is also part of the overhead
20 expenditures.

21 MR. BURNHAM:

22 So the employee's pay rate is
23 multiplied by 1.30 --

24 MS. DELAFOSSE:

25 Yes. So -- so we just multiply the

1 salaries and related benefits by -- yes --

2 MR. BURNHAM:

3 Right.

4 MS. DELAFOSSE:

5 -- 30 percent, essentially.

6 So as you see, in fiscal year 2018,
7 our rate was about 78 percent. That was a
8 high year. So 39.12 was half of that rate,
9 which we used in the admin. Our new rate
10 for fiscal year 2019 is, as you saw, a
11 pretty significant decrease and it'll be 60
12 percent. So the rate that we'll use in our
13 motor fuel calculation is 30. So 30.11. So
14 that explains part of the changes in the
15 transfer as well.

16 We were discussing in our grant
17 revenue that there have been some changes
18 over time. We were, you know, closer to 2
19 million or over 2 million and now we're
20 closer to a million and a half. But again,
21 we did see an increase between '17 and '18.
22 We won't know what our fiscal year '19 award
23 is until I believe September. So that'll be
24 information we have to share at a later
25 board meeting.

1 Then we have our environmental trust
2 fund revenues. So that -- that's the tank
3 registration fees. Previously, the \$54, now
4 the \$60. We sent those bills out towards
5 the end of March. So you see that we
6 project, based on the bills that we sent out
7 and what our collection rate in the year
8 that those bills are sent have been in the
9 past, we project we will collect about
10 680,000 this year. So that was, again,
11 pretty -- pretty much close to a ten percent
12 increase over what our collections have been
13 in the past. So that corresponds with the
14 increase in the fee.

15 This is a new slide. I included this
16 information just for -- for some additional
17 -- additional knowledge for ya'll, just to
18 show that -- but I -- I went three years on
19 this chart. I have fiscal year '15, fiscal
20 year '16 and fiscal year '17. I didn't put
21 '18 because it's -- we send those bills so
22 late in our fiscal year, it's, you know, a
23 little closer to June or July where I'll
24 have better numbers. Just because of the
25 time it takes for people to get those bills

1 in.

2 But you see on the fourth line down,
3 the registration fees for the current year
4 make up right about 85 or 84 percent of our
5 total collections for the year. And that
6 has stayed fairly consistent, as you'll see.

7 We also collect fees from the prior
8 year, so you see some people just -- just
9 pay a little late. They want to pay the
10 next year and not pay the year their -- that
11 they're billed originally. So for example,
12 in fiscal year '17, you know, we collected
13 almost 60,000 of bills that were sent in
14 fiscal year '16. So there's just -- there
15 can be a slight lag in that. And then
16 there's some other little miscellaneous
17 revenues that are coded in this same
18 category and you'll see a little bit of late
19 fee revenue down there which -- which
20 represents a small percentage of the total.
21 So that's just an interesting breakdown that
22 shows that it's not just the tank
23 registration fees, but it is predominately
24 the tank registration fees.

25 MR. MILAZZO:

1 At what point in time would you --
2 does that ever lead to a red tag, if they
3 don't pay the registration?

4 MR. THERIOT:

5 Yes, it does. Under the current
6 system that is in place, if the fees are not
7 paid -- with the new regulations that are
8 coming in, they're not effective yet --

9 MR. MILAZZO:

10 Okay.

11 MR. THERIOT:

12 -- but there will be a -- your -- a
13 ban on delivering fuel to any tank without a
14 current registration.

15 MR. MILAZZO:

16 Okay.

17 MS. DELAFOSSE:

18 Thank you, Perry.

19 And then we've discussed some again,
20 the transfer. This includes our projection
21 from fiscal year '18 what we anticipate it
22 will be. The difference between these
23 numbers and what's presented in the
24 financial statements is that I did deduct
25 the attorney general expenses in the

1 previous years because those were reimbursed
2 from the settlement proceeds, you know, so
3 where we paid the attorney general a million
4 dollars, but we got that million dollars
5 back. So I had deducted those in the years
6 with the asterisks just to show that -- that
7 adjustment because it kinda -- it -- it
8 kinda artificially inflates the
9 expenditures. But I haven't done that for
10 the fiscal year '18 projection, but again,
11 it's just a -- it -- but it still stayed
12 similar to the same, but we did have some
13 increases in -- in some costs, salaries, et
14 cetera.

15 And that's all I have. Any other
16 questions?

17 MR. BURNHAM:

18 You may have said it and I missed it.
19 But the last thing on the slide said, cost
20 have increased and revenue had decreased.
21 Can you elaborate on that a little bit?

22 MS. DELAFOSSE:

23 Sure. That's just what we've
24 discussed previously, that the -- the cost
25 of the program in general have increased,

1 predominately the salary cost, and then, you
2 know, some of the -- the indirect rate has
3 changed. It fluctuates, I guess, from year
4 to year, but it has been as high as about 38
5 percent. So that -- that drives the cost of
6 the administration of the program up. But
7 the revenues have decreased. So
8 predominately, the revenues that are
9 decreased have been the federal revenues.
10 As you saw on that other slide, where we,
11 you know, we bid over 2 million dollars and
12 then we've had some years where we've been
13 down at one and a half. So that's -- you
14 know, that's a significant decrease, half a
15 million dollars, that's not available for
16 program expenditures.

17 MR. BURNHAM:

18 Thank you.

19 MS. DELAFOSSE:

20 Sure.

21 MR. BURNHAM:

22 Are there any other questions? Are
23 you through, Theresa?

24 MS. DELAFOSSE:

25 I'm finished.

1 MR. BURNHAM:

2 Are there any other questions for
3 Theresa? Johnny, do you want to --

4 MR. MILAZZO:

5 Theresa, I meant to ask this the last
6 time, but this is a little bit different
7 view of this. When you have the three
8 columns, looking at the fiscal year of '17
9 versus what would be the quarter ending 3/31
10 versus 3/31/18, when I look down at the
11 bottom and I look at total cash balance, and
12 then you consider the liability on current
13 sites, that math doesn't add up. Am I
14 missing something there?

15 MS. DELAFOSSE:

16 We didn't -- we don't use the total
17 cash balance in that calculation anymore
18 because the total cash includes the interest
19 revenue, which the interest revenue since
20 2001 is set aside for the abandon site work.

21 MR. MILAZZO:

22 Okay. So --

23 MS. DELAFOSSE:

24 So that -- that's what changed
25 predominately about the presentation. So

1 you can see the interest total -- on the
2 right-hand column, the interest total is --
3 for example in this -- if we're looking at
4 the center column, the interest is the
5 5,644,332 number.

6 MR. MILAZZO:

7 Right. So that --

8 MS. DELAFOSSE:

9 That's not included --

10 MR. MILAZZO:

11 In the total?

12 MS. DELAFOSSE:

13 Exactly.

14 MR. MILAZZO:

15 All right. Okay.

16 MS. DELAFOSSE:

17 So --

18 MR. MILAZZO:

19 Well, it's -- it's not -- it's -- it's
20 not part of the unobligated balance --

21 MS. DELAFOSSE:

22 Exactly.

23 MR. MILAZZO:

24 -- is what you're saying?

25 MS. DELAFOSSE:

1 Exactly.

2 MR. MILAZZO:

3 Okay. All right.

4 MS. DELAFOSSE:

5 It needs --

6 MR. MILAZZO:

7 That -- that's all I've got. Thanks.

8 It makes -- it makes sense based on what you
9 said earlier.

10 MS. DELAFOSSE:

11 Sure. And when we start having more
12 expenditures against the interest, you'll
13 see some more information presented in the
14 right-hand column. And then you'll see even
15 in the most right-hand column, we have other
16 charges, professional services of \$4,000.
17 So that's some work that we had done on some
18 abandoned sites and it's a deduction from
19 the interest that's available. It -- so,
20 you know, once we have more work being done,
21 you'll see some more expenditures come out
22 of there. And we'll keep -- we have to keep
23 track of that separately, because it's
24 essentially a separate program --

25 MR. MILAZZO:

1 Yes, so --

2 MS. DELAFOSSE:

3 -- with separate revenues and separate
4 expenditures.

5 MR. MILAZZO:

6 Right. So the -- I guess maybe kinda
7 of adding to this presentation a little bit
8 or an illustration of it, you know, what is
9 kinda unencumbered, so to speak.

10 MS. DELAFOSSE:

11 Okay.

12 MR. MILAZZO:

13 If there's -- if you take the interest
14 and any expenses that really are working
15 against the interest so that we're not -- as
16 we do the math on this -- not that we -- I'm
17 -- I'm stuck on this, because when I look at
18 this, I'm going, where does that fit and
19 where does this fit?

20 MS. DELAFOSSE:

21 Sure.

22 MR. MILAZZO:

23 So we -- if we look at it, okay, what
24 is the interest and what is the interest
25 doing in cost and then all of it.

1 MS. DELAFOSSE:

2 Okay. We'll take that into account
3 and see what we need to adjust in the
4 presentation and so forth.

5 MR. BURNHAM:

6 Theresa, one last thing. On -- on one
7 of the slides, I noticed that the retirement
8 expenditures was like 37 percent of the
9 total.

10 MS. DELAFOSSE:

11 Yes.

12 MR. BURNHAM:

13 Is that -- I'm going to show my
14 ignorance on this. Is that money that's
15 being funded to employees as they're
16 employed by the DEQ or money that comes out
17 after they retired from the DEQ?

18 MS. DELAFOSSE:

19 So you're fortunate that I'm familiar
20 with these retirement issues, because in my
21 previous job, I actually wrote some reports
22 with the state actuary on this very issue,
23 so I can give a little bit of additional
24 information. But essentially, the state has
25 a large unfunded accrued liability with it's

1 retirement systems that they recognized as
2 an obligation at some point in the past -- I
3 think it may be about 15 years ago. So when
4 they recognized that, they had to
5 essentially develop a plan to pay it off.
6 Part of that -- I guess the easiest cost
7 driver or the easiest way to charge that
8 amount that is owed by the agencies to the
9 agencies is on their current employees. So
10 the normal cost or the amount that's
11 attributable to my retirement is closer to
12 like I want to say eight percent or I don't
13 -- I don't recall off the top of my head.
14 But only a small percentage of that is the -
15 - for that person's retirement. They're
16 basically paying for the people in the past.
17 So the retirement system, you know, doesn't
18 have --

19 MR. BURNHAM:

20 And does that number grow -- as
21 employees within the motor fuel trust fund
22 retire, would it grow in -- in this regard?

23 MS. DELAFOSSE:

24 It's based -- it's a calculation
25 that's based on the entire state workforce.

1 MR. BURNHAM:

2 Okay.

3 MS. DELAFOSSE:

4 So it's -- it changes every year. It
5 typically stays kinda around that percent
6 but I think the lowest in recent years was
7 maybe 35.2. But they do a calculation every
8 year, based on how many retirees there are,
9 how many active members there are. They
10 project how many active members will retire
11 and leave. So, I mean, it's complicated,
12 but --

13 MR. MILAZZO:

14 What was the number, like 38-
15 something?

16 MR. BURNHAM:

17 37 --

18 MS. DELAFOSSE:

19 It's 37.9 percent. So that's just how
20 much we have to pay, but that's not going to
21 the employees.

22 MR. BURNHAM:

23 I guess what I'm trying to figure out
24 is, let's say, one person retires and you
25 replace that person, now, is that 37 percent

1 across two people rather than just one? I
2 mean, did it add to that 37 point something
3 percent, the fact that somebody retired and
4 a new guy got hired?

5 MS. DELAFOSSE:

6 I don't -- it wouldn't on that
7 scenario, no.

8 MR. MILAZZO:

9 So is it fair to say, the number of
10 employees dedicated to this program, that
11 you guys are showing a budget, you're just
12 using the factor, let's say 38 percent --

13 MS. DELAFOSSE:

14 Yes.

15 MR. MILAZZO:

16 -- as -- because that's what the
17 states require you to do to --

18 MS. DELAFOSSE:

19 Yes. We just pay --

20 MR. MILAZZO:

21 -- to fund --

22 MS. DELAFOSSE:

23 We just pay what they tell us to pay.

24 MR. MILAZZO:

25 -- to fund what has happened in --

1 MR. BURNHAM:

2 Got you.

3 MS. DELAFOSSE:

4 Yes.

5 MR. MILAZZO:

6 -- in the previous --

7 MS. DELAFOSSE:

8 We have to pay what they tell us to
9 pay.

10 MR. THERIOT:

11 And -- and that is -- that is
12 projected to go to zero by 2025.

13 MR. BURNHAM:

14 Is that right? I was just trying to
15 figure out if that thing was going to be 78
16 percent ten years from now or --

17 MS. DELAFOSSE:

18 No, no.

19 MR. BURNHAM:

20 -- five years from now, or --

21 MS. DELAFOSSE:

22 I wouldn't -- I -- I mean, I'm not a -
23 - I don't have a crystal ball and I'm not an
24 actuary, but it's not going to be -- I think
25 it does -- there is some point in time where

1 it may go up a little bit more, but they --
2 they make changes to it every year too.

3 MR. BURNHAM:

4 Right.

5 MS. DELAFOSSE:

6 They make changes to people's
7 retirement eligibility and they make changes
8 to the -- for example, they -- I think they
9 have a new plan that they're going to
10 introduce for people and current employees
11 with a certain number of years of service
12 can go to the new plan. That might change,
13 or -- I -- it's -- there's a lot of moving
14 pieces.

15 MR. BURNHAM:

16 Okay. Thank you.

17 MS. DELAFOSSE:

18 So -- but it won't double or anything.

19 MR. BURNHAM:

20 Thank you. Thank you.

21 MR. THERIOT:

22 It's easy to figure it if you're a
23 state employee. You look at how much
24 they're taking out of your check each month
25 --

1 MR. BURNHAM:

2 Yes.

3 MR. THERIOT:

4 -- for your retirement and the state
5 has a match.

6 MR. BURNHAM:

7 I got you.

8 MS. DELAFOSSE:

9 But it's just -- yes, they have to pay
10 extra match to pay for the --

11 MR. THERIOT:

12 Extra match.

13 MS. DELAFOSSE:

14 -- for the past.

15 MR. BURNHAM:

16 I'm with you.

17 MS. DELAFOSSE:

18 So it's a -- it's quite a pickle.

19 MR. BURNHAM:

20 Any other questions for Theresa?

21 (No response.)

22 MR. BURNHAM:

23 Thank you, Theresa.

24 MS. DELAFOSSE:

25 Sure.

1 MR. BURNHAM:

2 We'll move to Cy and auditor's status
3 report.

4 MR. MORIN:

5 Yes. Cy Morin, DEQ Audit. If you'll
6 turn to tab four. This -- this report
7 details 22 open motor fuel audit cases, as
8 of May 2, 2018.

9 One case resulted in a credit of
10 \$579.61. We are still waiting on
11 confirmation that this credit deduction
12 being used toward current payment available
13 before we close this file.

14 As of May 2nd, 14 cases were awaiting
15 review. Pending the final review, these
16 represent one potential credit of
17 approximately \$4,400, one potential
18 assessment of approximately \$3,000. And
19 there were 12 potential audits with no
20 assessment.

21 Since creating this report, two of
22 these 12 cases, case 316015 and 317005 were
23 closed yesterday. Both were clean audits
24 with no assessment.

25 Six cases are still in progress with

1 results to be determined. And one case --
2 one fiscal year 2018 case has been scheduled
3 to start later and that's the last one on
4 the list.

5 If you don't have any questions on
6 that page, we'll turn to page two.

7 Same four cases remain outstanding,
8 being pursued legally.

9 Mr. Milazzo, you asked last time about
10 the status of the businesses. According to
11 the Secretary of State's site, these
12 businesses are inactive and all four
13 businesses no longer have an active
14 certificate. They're all inactive. I just
15 wanted to confirm that for you.

16 MR. MILAZZO:

17 Thank you.

18 MR. MORIN:

19 Yes, sir.

20 The first and fourth cases have now
21 been referred to the Office of Debt
22 Recovery. That was done on May 2nd. The
23 second case is still being collected. As of
24 the date of this report, the last payment
25 was 4/5/18; however, another payment of \$250

1 was received today, increasing the amount
2 collected for that case to \$9,610 and
3 leaving a balance of \$5,555.43 plus court
4 cost. Again, this case, if -- will be
5 referred to ODR if payments cease. And the
6 third case status remains the same. No
7 payments from ODR as of May 2nd, 2018.

8 As of today, these four legal cases
9 represent a total of \$105,105.20 in
10 delinquent motor fuel fees, plus attorney
11 fees, court cost and judicial interest.

12 Any questions?

13 MR. BURNHAM:

14 Thank you.

15 MR. MORIN:

16 You're welcome.

17 MR. BURNHAM:

18 Questions for Cy?

19 (No response.)

20 MR. BURNHAM:

21 If not, we'll move on to the trust
22 fund status report, Mr. Baker.

23 MR. BAKER:

24 Good afternoon. If you'll turn to tab
25 five in your packets. These are the figures

1 for the third quarter of fiscal year 2018.

2 During the third quarter of fiscal
3 year 2018, the trust fund received 269
4 applications, totaling approximately 4.1
5 million dollars. As of the end of March
6 2018, the trust fund had 148 pending
7 applications to process, which have
8 requested amounts totaling approximately 2.3
9 million dollars. 241 applications were
10 processed for payment during the fiscal
11 quarter, totaling approximately 3.4 million
12 dollars. And 27 applications were returned
13 with deficiencies.

14 If you'll turn to the next page,
15 you'll see the page that's titled, report of
16 cumulative activities for the motor fuel
17 trust fund. Under this tab, you'll see the
18 historical numbers, along with this fiscal
19 year up to this point. It kinda gives you
20 an idea of where we are and we're kinda
21 close -- you know, we've got one more
22 quarter left. You can look at the totals
23 and see we're kinda on task for where we
24 have been in the previous years. We may be
25 a little bit higher than we were last year,

1 but I don't think we're going to be any
2 higher than we were the year or two before
3 that.

4 If you'll turn to the next handout,
5 it's entitled, monthly motor fuel trust fund
6 obligation determination. All right. This
7 worksheet list the various component
8 determinations for the potential obligation
9 against the trust fund, as of the end of
10 March of 2018. For sites in the corrective
11 action phase, the outstanding liability for
12 corrective action plan budget and estimated
13 cost to reach closure at the end of March
14 2018 was approximately 27.4 million dollars.
15 This total includes the CAP budget remaining
16 amounts and the RAC estimated cost to close
17 amounts.

18 The fund obligation recognized for
19 sites without ROG approval, the CAP budgets
20 is approximately 27 million dollars. This
21 is determined using a three-year average
22 closure cost and applying these costs to the
23 active trust fund sites without current CAP
24 budgets.

25 The fund obligation recognizes 29

1 sites that have been determined to be trust
2 fund eligible; however, have not submitted a
3 reimbursement application. And we estimate
4 this amount to be approximately 8.7 million
5 dollars. This is also determined using a
6 three-year average site closure cost and
7 applying these costs to sites that have
8 requested eligibility but have yet submitted
9 a request for reimbursement from the fund.

10 The five year projected fund
11 obligation related to the motor fuel trust
12 fund environmental trust fund transfers is
13 approximately 21 million dollars. This
14 estimate uses the three-year average dollars
15 transferred from the motor fuel trust fund
16 to the environmental trust fund and
17 multiplies that average by five years. So
18 we'll probably be looking at a change in the
19 next quarter with that as we get the final
20 quarter's numbers.

21 MR. BURNHAM:

22 Very good.

23 MR. BAKER:

24 The total estimated obligation amount
25 is 84 -- approximately 84 million dollars,

1 which represents a 4.7 million dollar
2 increase over last quarter's estimate. That
3 increase is attributed to some higher CAP --
4 we approved some CAP budgets. We also had
5 an adjustment to the average cost closure
6 cost. It moved up about 25,000. That's
7 going to change quarter to quarter as we get
8 -- sites come into that average and drop
9 off.

10 MR. BURNHAM:

11 You recalculate that every --

12 MR. BAKER:

13 Every quarter.

14 MR. BURNHAM:

15 Quarter.

16 MR. BAKER:

17 Yes. Because it can fluctuate so
18 much, we didn't think it was prudent to do
19 it on a monthly basis.

20 MR. BURNHAM:

21 Okay.

22 MR. BAKER:

23 So we do, do it on a quarterly basis.

24 MR. MILAZZO:

25 So, Jeff, if I look at the 84 million

1 dollars and I go back to column three, it's
2 fair to say that the abandoned tanks, the
3 cost associated, they're not in this
4 worksheet?

5 MR. BAKER:

6 No, sir.

7 MR. MILAZZO:

8 Okay. Good.

9 MR. BAKER:

10 This is strictly active, eligible --

11 MR. MILAZZO:

12 Got it. Okay.

13 MR. BAKER:

14 -- trust fund sites.

15 MR. MILAZZO:

16 That -- that -- now, it ties together.

17 MR. BAKER:

18 Okay. If you'll go to the next page
19 in your packet, labeled incidents determined
20 to be eligible for the motor fuel trust
21 fund, you'll -- this report shows the number
22 of potential trust fund sites that have been
23 reviewed and made eligible during this
24 current fiscal year. You'll see there were
25 32 sites representing 40 active incidents

1 that -- because as you recognize, some of
2 these sites can have more than one incident;
3 i.e., diesel and gas or whatever.

4 If you'll turn to the next page,
5 labeled trust fund sites that had a release
6 granted no further action status. You'll
7 see the trust fund sites that have received
8 the trust -- no further action status during
9 this fiscal year and we're looking at
10 approximately 32 locations. So basically,
11 when you look at these two reports, we
12 gained 32 and we've lost 32 during this
13 fiscal year so far.

14 MR. BURNHAM:

15 Okay.

16 MR. BAKER:

17 It's just coincidental. It's not --

18 MR. THERIOT:

19 It's a pretty big coincidence.

20 MR. BAKER:

21 Yes, it is. It's actually strange.
22 That actually happens within a couple sites
23 pretty regular.

24 Some points of interest. If you'll
25 look -- you -- you had some additional

1 handouts that were not included in the
2 packet. One was labeled the corrective
3 action plan summary report for motor fuel
4 trust fund active sites and the other one is
5 labeled the summary report for motor fuel
6 active sites without corrective action
7 plans. These are the same -- same reports
8 that we normally put in your packets that
9 kinda give you the background of some of the
10 obligation numbers. The last time -- and
11 during the last meeting, one of the board
12 members asked us to include some milestone
13 dates in that report. So what we did is, we
14 included the date for the first application
15 received by the trust fund and we also
16 included the last application received date.
17 So on both of those reports, the only thing
18 that's changed from the previous months is
19 we added those two columns. And like I
20 said, one is the first application received
21 date and the next one is the last
22 application received date.

23 Does anybody have any questions about
24 that?

25 MR. MILAZZO:

1 Thanks for adding this.

2 MR. BAKER:

3 No problem. If there's anything else
4 ya'll wanted added in these reports, please
5 let me know.

6 Another point of interest is, due to
7 some recent RAC complaints, we're working
8 with the RAC board members and the PPM staff
9 to re-evaluate our current estimation unit
10 rates. The complainant stated that the
11 current unit rates were not adequate to
12 address all the cost associated with their
13 projects. Since this remediation tool is
14 often -- is often the best choose, cost
15 effectively and time efficiently, clean up a
16 site, we wanted this unit rate to be
17 appropriate to reflect this true cost. So
18 in other words, we asked the members that
19 have been -- that participated in the
20 original development of these unit rates to
21 come back together and help us look at this
22 and see if we need to make some adjustments.
23 We're hoping to make some changes as of July
24 1st of this year. We're not -- I mean, like
25 I said, we're just kinda in the review

1 stages right now. We don't think it's gonna
2 be a huge jump, but we don't want to take
3 this tool out of the toolbox. Excavations
4 can cleanup a site quicker and -- and many
5 times more efficiently than other options.
6 And we don't want RACs not choosing it
7 because they're losing money on it. So --

8 Just another point of interest. Last
9 year, we implemented the new version of the
10 guidance document. It had been five years
11 since we had done that. We made some pretty
12 major changes. So this -- this year, as we
13 have looked at the current -- the new -- the
14 new document, we've had a lot of questions,
15 asking about the new CAP categories and
16 whatnot. So what we've done is, we've had
17 to make some kinda interim determinations
18 and -- and decisions. So what we're going
19 to do is, we're going to try to implement
20 these in a new version as of July 1st, 2018.
21 It won't be a major change, but we will get
22 some language in there to kinda cleanup some
23 of the confusion from the previous version.
24 That's all I have. If anybody has any
25 questions?

1 (No response.)

2 MR. BURNHAM:

3 Okay. If there's no questions for
4 Jeff -- thank you, Jeff -- we'll move to
5 third party claims with Mr. Theriot. And,
6 Perry, if you don't mind, would you just
7 move straight to other business and the
8 legislative activities?

9 MR. THERIOT:

10 That'll be fine. I have good news in
11 third party claims. We've had no new ones
12 filed since our last meeting. We are in the
13 process of settling one of the cases that's
14 been outstanding and I think in a
15 preferential way, without going into
16 details. It -- it's a standard case
17 involving a release that got into a manhole
18 cover that is owned by, of course, our
19 telecommunications people, who filed a third
20 party claim. They own the -- the manhole.
21 And -- and so there's been a settlement of
22 that one. It doesn't -- I consider it to be
23 in our favor. Without going into executive
24 session, that's about all I'll -- I'll feel
25 comfortable saying. But it -- it's a good

1 settlement. So that one will be off the
2 books soon.

3 I think that leaves us with only one
4 outstanding third party claim left. We've
5 been doing a good job of keeping those from
6 getting too out of hand.

7 As for legislation, we had only one
8 bill involving the USTs and as of this week,
9 it has been sent to the Governor for
10 signature. So we have good news on that.
11 It will impose a new obligation on the
12 board, which will be, once a year to take
13 information that we're going to gather and -
14 - and present to the board and make a
15 recommendation on the amount of the fee that
16 is being collected for the bulk delivery of
17 gasoline. We still maintain under the new
18 legislation. The maximum is still there.
19 So the -- at least the first time, the only
20 thing you can do is lower it. After that,
21 they will -- you -- once a year, the board
22 will meet like it does for the deductible
23 amounts for the owner's responsibility, and
24 we'll make a recommendation and then the
25 secretary will take that recommendation and

1 either implement it or not implement it and
2 give reasons. But that has been passed and
3 we're hoping to -- I think -- well, Theresa
4 is going to talk to you about it in a couple
5 of minutes, about a way to provide the
6 information the board will need, which
7 involves the actuarial study. Okay.

8 As for third party -- I've already did
9 that. No third party claims.

10 So we do have some outstanding issues
11 later that are going to come up, but they're
12 not on the agenda yet and that we'll --
13 we'll be talking about involving some
14 current matters that involve legal,
15 involving what can be done and not done at
16 certain sites. So we can get that on the
17 next agenda for when we're going to talk
18 about it, because that -- that's going to
19 take a while to fix.

20 MR. BURNHAM:

21 Thank you, Perry.

22 Any other questions for Perry?

23 (No response.)

24 MR. BURNHAM:

25 Can we go to Theresa now for actuary

1 discussion and update, please.

2 MS. DELAFOSSE:

3 I just wanted to comment on the
4 legislation too. It was -- it was a great
5 bill. A victory for everybody, I think.
6 Kinda of a win, win situation. It went very
7 smooth through the process. And I don't
8 know, it's -- it -- I feel like, it's -- you
9 know, I've watched the legislature a lot and
10 I don't know how common it is for things to
11 go through that smoothly that are also
12 meaningful and will have a great impact on
13 the program. So it's a -- it's a big
14 accomplishment for the department and the
15 board. So I just wanted to add that.

16 MR. BURNHAM:

17 Great. Thank you.

18 MS. DELAFOSSE:

19 So with regard to that, you know,
20 internally, we could come up with a process
21 to discuss the different fee levels and what
22 we believe should be set for the next fiscal
23 year, but part of that discussion also is --
24 you know, part of that calculation, I guess,
25 is what the obligation is on the sites, as

1 well, which Jeff discussed. We've tweaked
2 that methodology throughout the years, but
3 Jeff is an engineer, not an actuary. I'm a
4 CPA, not an actuary. They have a whole
5 special toolbox of ways to project these
6 types of things. So we've done some
7 research and identified two firms that have
8 done actuarial work on motor fuel programs
9 in other states. Some came -- you know,
10 recommended from other states, one, I
11 believe, Jeff and Perry had heard speak at a
12 conference previously. So we held some
13 conference calls with those folks over the
14 past couple of weeks and are kinda
15 working through their proposals and getting
16 additional information from them on what
17 pricing would be to review both the
18 obligation calculation and then also review
19 -- or -- and help us develop a process to
20 annually recommend and discuss with the
21 board a fee amount for the next year.

22 So we just wanted to mention that to
23 the board. I think we'll have a little bit
24 more information on those proposals at the
25 next board meeting. But I also wanted to

1 open it up to -- if the board has any
2 questions they would like us to pose to the
3 firms, we can certainly do that. We have
4 some followup questions, based on the
5 preliminary information that they've
6 provided that we hope to get out to them
7 either this week or next so we can, again,
8 continue to work through that process. You
9 know, that -- on the contracting side of
10 things, it's easy to contract with
11 actuaries, because they are considered a
12 professional services contract so there are
13 less restrictions in place as far as going
14 out on bid, et cetera. So whoever we feel
15 more comfortable with and who we think will
16 do the best job and the most thorough job
17 for our program, that's who we can employ.
18 So I think that's going to really add a lot
19 of value to our calculations and make sure
20 that we have good numbers going forward and
21 really take into account everything that we
22 need to, to have a full picture of the
23 fund's costs and make sure that we're
24 collecting the correct amount to continue to
25 have a healthy program moving forward.

1 MR. MILAZZO:

2 So my question would be, this is to
3 determine a collection fee. This isn't cost
4 fee on behalf of having it. This is simply
5 year after year, what -- is it eight tenths,
6 if it's five tenths, if it's --

7 MS. DELAFOSSE:

8 Exactly.

9 MR. MILAZZO:

10 -- indexed somehow --

11 MS. DELAFOSSE:

12 Right.

13 MR. MILAZZO:

14 -- to --

15 MR. THERIOT:

16 They do that -- actuaries use both,
17 just --

18 MR. MILAZZO:

19 Well, yes, I would think so.

20 MR. THERIOT:

21 They have to take the program as it
22 is. They do a study of how -- they go
23 through the history of our expenditures.
24 They have some -- and then they'll get the
25 history of our receipts. Then they'll take

1 a look at the program as a whole and they
2 basically do what I like to call an
3 algorithm like the internet does all the
4 time, it actually does calculations and can
5 project expenses into the future versus
6 receipts into the future. And we, of
7 course, would want them to try to match them
8 as close as possible so that we're never in
9 any trouble but we're also not over
10 collecting.

11 MR. MILAZZO:

12 So the statute, as we know it today,
13 does that allow for that kind of fluctuation
14 up or down?

15 MR. THERIOT:

16 Well, no. The statute, as we know it
17 today, unless -- until the Governor signs
18 it, it's set at what it is.

19 MR. MILAZZO:

20 Okay.

21 MR. THERIOT:

22 And we can't change that. And it
23 tells us we have to quit collecting it, if
24 we reach a certain point. And then we can't
25 start recollecting it again until it drops

1 down to a -- a way low amount. And -- and
2 then you start collecting it again. That's
3 not a real efficient way. That's kinda
4 like, you know, taking a sledgehammer to
5 kill an ant. But this way will enable us to
6 do it in a yearly fashion. Many things
7 change. For instance, I looked at the
8 chart. I saw that the amount of the
9 receipts has been growing and that coincides
10 with what the car companies have been saying
11 in that very large automobiles are now
12 selling. Ford is getting out of the
13 business of small cars and that's why
14 gasoline consumption has increased. So if
15 you have a gasoline increase, you're in the
16 business, that's going to be more fees that
17 are coming into -- into the fund. If you
18 have less gasoline being purchased, that's,
19 of course, less. And I think that's one of
20 the factors that -- that the guys --

21 MR. MILAZZO:

22 So --

23 MR. THERIOT:

24 -- take into effect to look at that.

25 MR. MILAZZO:

1 So the bill as -- as you described it
2 a few moments ago will lead to that
3 flexibility, right?

4 MS. DELAFOSSE:

5 Yes. Sure.

6 MR. MILAZZO:

7 So I -- quiet frankly, I commend you
8 guys. I think it's a good idea, concept,
9 because, you know, we could find ourselves a
10 decade where demand is changing, electric
11 vehicles are having some impact and cost may
12 not be changing. So --

13 MS. DELAFOSSE:

14 And we may -- it may be that they
15 review our obligation and they say, well,
16 this looks too low. It really should be 100
17 million dollars. And without taking into --
18 without having an expert such as that,
19 weigh-in, I guess on what our revenues and
20 expenditures picture is going to look like
21 and make sure that our forecasting is
22 accurate, we may cut the fee in half for way
23 too many years and then find ourselves in
24 trouble. So --

25 MR. MILAZZO:

1 I -- I just --

2 MS. DELAFOSSE:

3 -- we hate to be hasty, I guess.

4 MR. MILAZZO:

5 Right. So -- but when this -- if --
6 if you do engage this, this advisory board
7 would have some influence as to the decision
8 going forward, right?

9 MS. DELAFOSSE:

10 Oh, for sure.

11 MR. MILAZZO:

12 Okay.

13 MR. THERIOT:

14 It's your -- it's your recommendation.

15 MR. MILAZZO:

16 All right. Good.

17 MR. BAKER:

18 The way the bill is written, there
19 will be probably in the -- maybe the March -
20 - the February meeting, we would present the
21 information to ya'll from the actuary or
22 whatever happens at that point, on an annual
23 basis, and then ya'll would review that
24 information and make a recommendation to the
25 secretary. And it'll be the secretary's

1 decision.

2 MS. DELAFOSSE:

3 Yes. And -- and my -- my thought is
4 that we would propose several different
5 scenarios as well. So if we decide to set
6 it for example at .05, this is what we think
7 it will look like five -- you know, two
8 years from now or next year or by the end of
9 the year, et cetera. Just -- and, you know,
10 if we do .06, this is what we think it will
11 look like, et cetera. Just different --
12 what different funding scenarios would
13 result in for the program.

14 MR. MILAZZO:

15 And probably leave some comfort for
16 you guys when we begin to forecast into the
17 future --

18 MS. DELAFOSSE:

19 Yes.

20 MR. MILAZZO:

21 -- that there's -- that there's some
22 other -- some algorithm that's -- so I think
23 it's a good idea, as long as it comes back
24 to this group.

25 MS. DELAFOSSE:

1 Absolutely.

2 MR. BAKER:

3 And both of the actuaries that we've
4 talked to have done other reports on other
5 trust funds in other states. So they're not
6 new to the process. They're not new to the
7 -- the funds like this, where you have the -
8 - the relearning curve, where you have to
9 teach them about what a trust fund is and
10 about USTs and all that. These people have
11 done it before, so --

12 MR. MILAZZO:

13 Okay. So, Natalie, you and Kerry
14 Hill, the -- the folks on the -- kinda the
15 collection side, you're hearing this, right?

16 MR. HILL:

17 Yes.

18 MS. ISSACKS:

19 Yes.

20 MR. MILAZZO:

21 Okay. I don't have any other
22 questions.

23 MS. DELAFOSSE:

24 Okay.

25 MR. BURNHAM:

1 Okay. Any other questions for
2 Theresa?

3 (No response.)

4 MR. BURNHAM:

5 Are there any other questions before
6 we adjourn our meeting?

7 MR. FULTON:

8 Well, I -- I would like to add some
9 stuff, if I may.

10 MR. BURNHAM:

11 Please. Please do.

12 MR. FULTON:

13 I know -- I know I'm not on the
14 agenda; however, I just kinda want to give
15 an -- maybe a divisional update from the
16 UST.

17 MR. BURNHAM:

18 That'd be awesome. Thank you.

19 MR. FULTON:

20 We have a few things going right now
21 other than our normal work. But our --
22 we're very close to implementing and
23 instituting our app tablets for inspections.
24 So I just want to kinda give ya'll a heads
25 up for that. We're very close. I'm

1 guessing we're probably about three months
2 out before we really start testing. I
3 suspect and I truly believe that this is
4 going to increase our efficiency with the
5 inspection process. It's going to help out
6 the regulated community. And we'll have
7 less transcription errors with handwritten
8 paper. So that's -- that's one thing.

9 MR. BURNHAM:

10 That's great.

11 MR. FULTON:

12 Contracting with the abandoned tanks,
13 we have our 24 month assessment contract is
14 -- is finalized. We have our tank pull
15 which is about to go -- I'm pretty sure the
16 last update I heard was it was close to
17 getting done and sent over to OSB, I think
18 so. And then our other one is our
19 corrective action contract, which we are
20 currently still working on, but we are going
21 to what is called an RSIQ, which is request
22 for interest and statement of
23 qualifications. And we'll be selecting a --
24 one or -- one or more RACs to do corrective
25 action process with contracts.

1 MS. DELAFOSSE:

2 And we're -- we're still planning to
3 select those regionally or --

4 MR. FULTON:

5 We haven't -- those -- that decision
6 hasn't been made yet.

7 MS. DELAFOSSE:

8 Okay.

9 MR. FULTON:

10 We still have some more discussions to
11 go about that.

12 MS. DELAFOSSE:

13 Okay. Got you.

14 MR. FULTON:

15 But we will be selecting one or more
16 contractors. It will be regionally or --
17 we're looking how we can divide the state up
18 and save money to the fund. So we're very
19 close to that.

20 And then on the grants issue, we are
21 working on our 19 -- four year 19 grants.
22 And I can't guarantee anything, but from
23 what I've been told from EPA is it will be
24 equal to or slightly higher. But that is
25 not a guarantee.

1 MR. BURNHAM:

2 What is that?

3 MR. FULTON:

4 Oh, whatever 19 or --

5 MS. DELAFOSSE:

6 1.6.

7 MR. FULTON:

8 Yes, 1.6. It might be a little --
9 slightly higher than that.

10 MR. BURNHAM:

11 Good.

12 MR. FULTON:

13 There's no guarantees for that though.

14 MR. BURNHAM:

15 Okay.

16 MR. FULTON:

17 Then the other thing is, is we are
18 requesting information and a grant for
19 hurricane money for Harvey. Evidently, EPA
20 has a little bit of money to help the
21 abandoned tank sites in the Harvey hurricane
22 effected areas. And we are -- have a
23 handful of sites that qualify that and we
24 are applying for those funds now. So that -
25 - I'm always looking for other money to help

1 abandoned tanks when it's EPA money.

2 MR. BURNHAM:

3 Absolutely.

4 MR. FULTON:

5 So that's a quick update of what we --
6 what the division is up to.

7 MR. BURNHAM:

8 Thank you.

9 Any questions for Gary on those items?

10 (No response.)

11 MR. BURNHAM:

12 Thank you, Gary, for sharing that.

13 MS. DELAFOSSE:

14 And I wanted to mention too, if I can.
15 We've discussed previously the potential to
16 hold the meetings elsewhere instead of Baton
17 Rouge, just to give some of the folks that
18 have to come from out of town a break. I
19 mean, that's one reason Durwood's not here.
20 I know he loves to come to Baton Rouge to
21 see me. But he didn't make it today. So I
22 believe Jeff and Durwood are -- have plans
23 to go look at a facility kinda closer to the
24 middle of the state. So that would even be
25 a possibility for our August meeting. But I

1 know we'll need to communicate about that to
2 the board sooner rather than later, just so
3 plans can be made. But I just wanted to
4 mention that again, because I know I had
5 mentioned it previously. But if anyone has
6 any feedback or questions on that, think
7 August is a bad idea or good idea, we are
8 all ears. Just wanted to mention that.

9 MR. BAKER:

10 Durwood and I plan to go inspect a
11 facility. Durwood has found one in
12 Alexandria. I think it's at the Ag Center
13 there, Durwood?

14 MR. FRANKLIN:

15 Yes. It's at the LSU Ag Center, just
16 south of Alexandria.

17 MR. BAKER:

18 And they supposedly have a really nice
19 facility for something like this. So we're
20 going to go check it out in the next couple
21 of weeks. And we'll -- we'll let ya'll know
22 well in advance.

23 MR. BURNHAM:

24 Okay. Great.

25 Okay. Any other issues to address

1 before we move to adjourn?

2 (No response.)

3 MR. BURNHAM:

4 Okay. Could I have a motion to
5 adjourn, please?

6 MR. MILAZZO:

7 So moved.

8 MR. BURNHAM:

9 Second?

10 MR. FULTON:

11 Second.

12 MR. BURNHAM:

13 Any opposed?

14 (No response.)

15 MR. BURNHAM:

16 We are adjourned.

17 THE MEETING ADJOURNED AT 2:02 P.M.

18 * * * * *

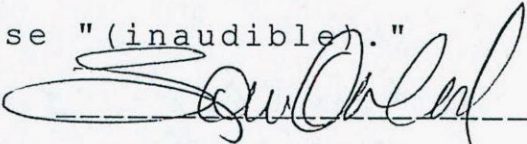
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R E P O R T E R ' S P A G E

I, Lori B. Overland, Certified Court Reporter, in and for the State of Louisiana, the officer, as defined in Rule 28 of the Federal Rules of Civil Procedure and/or Article 1434(b) of the Louisiana code of Civil Procedure, before whom this sworn testimony was taken, do hereby state on the Record

That due to the interaction in the spontaneous discourse of this proceeding, dashes (--) have been used to indicate pauses, changes in thought, and/or talk overs; that same is the proper method for a Court Reporters's transcription of proceeding, and that the dashes (--) do not indicated that words or phrases have been left out of this transcript;

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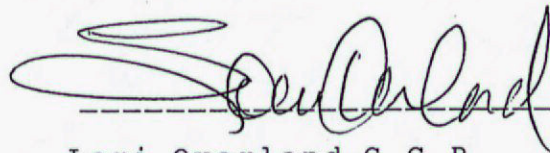


Lori Overland, C.C.R.

97083

C E R T I F I C A T I O N

1
2 I, Lori B. Overland, Certified Court Reporter in
3 and for the State of Louisiana, as the officer
4 before whom this testimony was taken, do hereby
5 certify that the above referenced individual to whom
6 oath was administered, after having been duly sworn
7 by me upon authority of R.S. 37:2554, did testify as
8 hereinbefore set forth in the foregoing pages, that
9 this testimony was reported by me in the stenomask
10 reporting method, was prepared and transcribed by me
11 or under my personal direction and supervision, and
12 is a true and correct transcript to the best of my
13 ability and understanding; that the transcript has
14 been prepared in compliance with transcript format
15 guidelines required by statute or by rules of the
16 board, that I have acted in compliance with the
17 prohibition on contractual relationships, as defined
18 by Louisiana Code of Civil Procedure Article 1434
19 and in rules and advisory opinions of the board;
20 that I am not related to counsel or to the parties
21 herein, nor am I otherwise interested in the outcome
22 of this matter.

23 
24 _____
Lori Overland C.C.R.

25 # 97083

In The Matter Of:

*DEPARTMENT OF ENVIRONMENTAL QUALITY
MOTOR FUELS UNDERGROUND STORAGE TANK TRUST FUND*

*ADVISORY BOARD MEETING
May 10, 2018*

*Associated Reporters, Inc.
2431 South Acadian Thruway
Suite 550
Baton Rouge, La. 70808*

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In The Matter Of:
*DEPARTMENT OF ENVIRONMENTAL QUALITY
MOTOR FUELS UNDERGROUND STORAGE TANK TRUST FUND*

*ADVISORY BOARD MEETING
May 10, 2018*

*Associated Reporters, Inc.
2431 South Acadian Thruway
Suite 550
Baton Rouge, La. 70808*

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3 STATE OF LOUISIANA
4 DEPARTMENT OF ENVIRONMENTAL QUALITY
5 MOTOR FUELS UNDERGROUND STORAGE TANK TRUST
6 FUND ADVISORY BOARD
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8
9
10
11
12 The above-entitled meeting was held at the
13 LDEQ, Galvez Building, Conference Center, 602
14 North 5th Street, Baton Rouge, Louisiana,
beginning at 1:09 p.m., on May 10, 2018.
15
16
17
18
19 BEFORE:
20 Lori B. Overland
21 Certified Court Reporter
22 In and For the State of
23 Louisiana
24
25

Page 2

1 A P P E A R A N C E S
2
3 Steve Burnham
Chairman
4 Kerry Hill, via telephone
Durwood Franklin, via telephone
5 Jeff Baker
Gary Fulton
6 Cy Morin
Roger Bright, via telephone
7 Theresa Delafosse
Perry Theriot
8 John Milazzo
Joe McCartney, via telephone
9
10 Melissa Vizinat
Natalie Issacks, via telephone
Jason Efferson
11 Trey Kemp
Byron Blanchard
12 Roger Gingles
Lacey Vitteri
13 Christy Gardner
Shawn Ivy
14 Jill Carter
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Page 3

1 I N D E X
2
3 EXAMINATION: PAGE (S) :
4 None
5 EXHIBITS:
6 None
7
8 REPORTER'S PAGE 69
9 REPORTER'S CERTIFICATE 70
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1 * * * * *
2 MR. BURNHAM:
3 Okay. Well, I'm going to call the
4 meeting to order. The first thing we'll do
5 is the roll call and adoption of the
6 February 22, 2018 board minutes.
7 Let's start with roll call. I'm Steve
8 Burnham with Engineering Associates.
9 MR. MILAZZO:
10 Johnny Milazzo, representing Louisiana
11 Oil Marketers Association.
12 MR. THERIOT:
13 Perry Theriot, LDEQ Legal.
14 MR. BAKER:
15 Jeff Baker, LDEQ Motor Fuel Trust
16 Fund.
17 MR. FULTON:
18 Gary Fulton, UST Division
19 Administrator.
20 MR. MORIN:
21 Cy Morin, LDEQ Audit.
22 MS. DELAFOSSE:
23 Theresa Delafosse, LDEQ Financial
24 Services.
25 MS. VIZINAT:

1 Melissa Vizinat, LDEQ Trust Fund.
2 MR. BAKER:
3 On the phone, we have Durwood Franklin
4 from the Motor Fuel Trust Fund. Can the
5 rest of ya'll try to get on there without --
6 MR. HILL:
7 Kerry Hill with Louisiana Oil
8 Marketers.
9 MR. FULTON:
10 Who else is on the phone?
11 MR. MCCARTNEY:
12 Joe McCartney, Louisiana Oil
13 Marketers.
14 MR. BRIGHT:
15 Roger Bright, Jones Environmental.
16 MS. ISSACKS:
17 And Natalie Issacks.
18 MR. BURNHAM:
19 Anybody else on the phone that hasn't
20 been recognized?
21 (No response.)
22 MR. BURNHAM:
23 Okay.
24 MR. EFFERSON:
25 Jason Efferson, DEQ Trust Fund.

1 You're good.
2 MR. BURNHAM:
3 We've got Roger Bright on the phone?
4 MR. BRIGHT:
5 Yes.
6 MR. BURNHAM:
7 Okay. I think that's it. Could I
8 hear a motion to adopt the February 22, 2018
9 board minutes?
10 MR. MILAZZO:
11 So moved.
12 MR. FULTON:
13 Second.
14 MR. BURNHAM:
15 Second. All in favor say "aye".
16 (All indicated "aye".)
17 MR. BURNHAM:
18 Any opposed?
19 (No response.)
20 MR. BURNHAM:
21 No oppose. Thank you.
22 We'll move on to our financial
23 services report by Theresa, please.
24 MS. DELAFOSSE:
25 Good afternoon everybody. If you'll

1 MS. VITTERI:
2 Lacy Vitteri, DEQ Financial Services.
3 MR. BLANCHARD:
4 Byron Blanchard, LDEQ Audit.
5 MR. KEMP:
6 Trey Kemp, DEQ Trust Fund.
7 MS. GARDNER:
8 Christy Gardner, PPM Consultants.
9 MR. IVY:
10 Shawn Ivy, PPM Consultants.
11 MR. BURNHAM:
12 Announce yourself Roger, please,
13 seriously for the roll call.
14 MR. BRIGHT:
15 Roger Bright, Jones Environmental.
16 MR. BURNHAM:
17 All right. And, Roger, would you
18 announce yourself for the roll call, please.
19 MR. GINGLES:
20 Roger Gingles. I'm here.
21 MS. DELAFOSSE:
22 We have another Roger.
23 MR. BRIGHT:
24 Sorry.
25 MS. DELAFOSSE:

1 flip to tab number three in your packet, you
2 have the financial statement for the third
3 quarter of fiscal year 2018.
4 So I have on here three columns. I'll
5 let everybody flip to that page.
6 So we have three columns here. The
7 left-hand column is the fiscal year 2017
8 fourth quarter, so the full year financial
9 statement. The center column is the third
10 quarter of last year, so the third quarter
11 of fiscal year 2017. And the right-hand
12 column is the third year -- or, the third
13 quarter of fiscal year 2018, so the quarter
14 that just ended on March 31st.
15 We -- with -- with the February 22nd
16 board meeting, we did slightly change the
17 presentation of the financial statements,
18 but this is the presentation that you'll see
19 going forward. It contains basically the
20 same information but we did take into
21 account here that the interest money is to
22 be allocated for the abandoned sites. Which
23 Gary will have an update for us on the
24 abandoned site stuff later during the
25 meeting.

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1 But as you can see, when you compare
2 last year's third quarter to this year's
3 third quarter, we're a little ahead of where
4 we were last year on the bulk distribution
5 fee collection. And then we also had about
6 three million dollars -- or, a little over
7 two million dollars more of claims for
8 reimbursement -- so that's good too --
9 throughout the first nine months of last
10 year.
11 And then at the -- in the very bottom
12 block, you'll see the total cash balance of
13 the fund, which is just -- as of March 31st
14 was just under 112 million, that 111,964
15 figure. With the liability on the current
16 sites, at that same date, of 84 million.
17 Leaving us with an unobligated balance of
18 20.8 million dollars.
19 And ya'll stop me at any time for
20 questions.
21 If you flip to the second sheet, this
22 is also an exercise that we do quarterly.
23 And this is a projection of what we believe
24 the transfer will be from the motor fuel
25 trust fund to the environmental trust fund

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1 to cover the -- the administrative costs
2 that are not accounted for with the program
3 revenues. So we have the revenues, again,
4 of environmental trust fund and federal,
5 which total right at 2.2 million. And we
6 forecast that our expenditures will be right
7 at 7.2 million. And so that leaves a
8 balance of about 5 million that we project
9 will be transferred, again, from the
10 trust fund to the environmental -- from
11 motor fuel trust fund to the environmental
12 trust fund to cover those administrative
13 expenses. So that is a slight decrease from
14 last year, which was about 5.6 million.
15 So if there are no questions on that
16 information, I will go to the podium and do
17 the financial -- for the financial slide
18 show.
19 (No response.)
20 MR. BAKER:
21 Guys, if ya'll can't hear on the
22 phone, let us know.
23 MR. HILL:
24 Okay.
25 MS. DELAFOSSE:

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1 I -- I can talk pretty loud so I
2 should be -- ya'll -- can ya'll hear me at
3 this volume?
4 (An off-the-record discussion followed.)
5 MS. DELAFOSSE:
6 How about now?
7 MR. BAKER:
8 Can ya'll hear her?
9 MR. HILL:
10 Yes, I can hear.
11 MS. DELAFOSSE:
12 So as I mentioned with our bulk
13 distribution fees, we do have an increase as
14 of this time last year over this year. As
15 of last year -- last year at third quarter,
16 we had collected 15.2 million of the bulk
17 distribution fees. This year, we're at
18 16.5. So that was an increase of nine
19 percent. You'll see in that -- or 8.9
20 percent, you see in that -- in the bottom
21 row. And then we've also seen great
22 increases in our interest income, which is
23 wonderful, because that gives us some --
24 some good resources to clean up those
25 abandoned sites. The increase is both due

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1 to the interest rates with our treasury
2 being higher and due to the principal being
3 larger. So we earn more interest because
4 our -- our fund has more cash in it,
5 essentially. So we've already earned
6 \$925,000 just in interest in this year
7 alone.
8 These are the projected expenditures
9 by function for the entire year, fiscal year
10 2018, which ends on June 30th. As you see,
11 the majority of the expenditures are the UST
12 core activities. We also have some
13 enforcement cost and the motor fuel trust
14 fund section, Jeff's group, who reviews the
15 applications. And then 26 percent
16 represents the support and indirect charges.
17 This slide shows us the salaries and
18 related benefits. So as you see for the
19 salaries, our actual, we're right at 3
20 million for fiscal '17 and we do project an
21 increase in that for fiscal year '18. But
22 as we've discussed previously, in January,
23 there were two pay adjustments that were
24 done statewide. One was a two percent
25 adjustment that every employee received and

1 the other was an adjustment, bringing
2 employees who were outside of the new pay
3 ranges, into those ranges, up the new
4 minimum. So we did have some employees
5 affected by that change. And that -- that's
6 why you will see an increase in the salaries
7 for 2017 and '18.

8 Same thing with related benefits.
9 Those costs are driven by how much the
10 salaries cost. As a -- you know, for
11 example, retirement costs are right under 38
12 percent per employee. So if employees make
13 more, that 38 percent piece is a little bit
14 more. So we're anticipating a slight
15 increase in the related benefit category,
16 again, of about \$15,000, between last year
17 and this year.

18 We're projecting a decrease in our
19 travel expenditures from last year to this
20 year. But, you know, they're very -- very
21 low travel cost for the program.

22 And then our operating services,
23 there'll be a slight increase. I didn't
24 look into this -- I didn't get a chance to
25 look into this to let ya'll know what that

1 included the budget in this slide, which is
2 1.1 million dollars, but as I'll show you in
3 the next slide, I -- I don't believe that we
4 will come close to that this year, just
5 based on the work that the attorneys have
6 done on an ongoing basis.

7 So that's why at the top, you'll see
8 that our year-end projection is only 563,000
9 where our budget was 1.8 million. So we --
10 we definitely underspent in this category.
11 And it'll be a reduction from last year's
12 expenditures as well.

13 So here's the attorney general
14 charges. Again, those are related to the
15 ongoing litigation. We did transfer those
16 settlement proceeds to the motor fuel trust
17 fund in April 2017. And I will say that,
18 also, Karyn Andrews, our Undersecretary had
19 some conversations with the budget office
20 and I believe that there has been an
21 amendment put into a supplemental
22 appropriation or an ancillary appropriation
23 where we will be paid back for part of the
24 seven million that remained in the attorney
25 general's trust fund -- or, attorney general

1 increase was attributable to, but it -- it
2 could be maintenance on our vehicles or
3 perhaps some additional supplies that we
4 needed this year that we didn't end up
5 needing last year.

6 So again, that's just a projection at
7 this point. As you can see, through the
8 first nine months of the year, we spent
9 58,000, so it's -- it's possible that we
10 could still come in under that 88,000
11 projection on the right-hand side and be
12 closer to where we were last year.

13 Our professional services cost remain
14 fairly low here. We project about \$4,000.
15 We just have some lab analysis contracts
16 that we've used for site work, so those are
17 -- those are likely in the amount.

18 Now, on our other charges slide, these
19 also represent some professional services
20 type work. It just doesn't fall under
21 professional -- the professional services
22 category. As you can see, there's some lab
23 contracts and then the compliance
24 inspection, tank operator training. I have
25 in red here, the attorney general fees. We

1 escrow account, sorry. So again, we had
2 asked the -- we worked with the
3 administration on that and let them know
4 that, you know, we needed -- we just needed
5 a plan in place to get that money placed
6 back into the trust fund. So they have put
7 the wheels in motion on that. And we
8 anticipate that we'll -- we'll begin
9 receiving those funds back, again, that were
10 transferred out of the attorney general's
11 escrow, but really were ours from the
12 settlement.

13 So then you see down here in the chart
14 that the fiscal year 2018, the expenditures
15 for the first nine months of the year were
16 just about 115,000. We did get another bill
17 from them recently, but it was just about
18 12,000. So again, those -- those won't --
19 they're certainly not hitting the 1.1
20 million dollar budget that we agreed to with
21 the attorney general's office for the year.
22 It'll probably be 200 or less if I had to
23 forecast. So --

24 MR. BURNHAM:

25 Theresa, the 19.1 is for the same

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1 period that those expenditures are, for 2014
2 to 2018?
3 MS. DELAFOSSE:
4 Correct.
5 MR. BURNHAM:
6 Okay.
7 MS. DELAFOSSE:
8 Yes.
9 Then we have our interagency transfer
10 category. This one is going to be around
11 the same from last year to this year and
12 that includes those expenses listed below,
13 the rent in the Shreveport -- in our
14 Shreveport office and then in the Galvez
15 Building. Which again, the Galvez Building
16 rent will decrease. We are consolidating
17 within this building and getting off of a
18 floor and a half. So either at some point
19 during fiscal year '19 or at the latest,
20 fiscal year '20, we will see our rent cost
21 decrease in the state-owned building, which
22 is -- which is a charge that is part of the
23 interagency transfer category, so we'll see
24 some savings there going forward.
25 MR. MILAZZO:

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1 Theresa, real quick. Before we move
2 too far along. On the -- the work of the
3 attorney general, that 19.1, is there
4 anybody left out there -- do we have open
5 suits that we know of today?
6 MR. THERIOT:
7 I -- I will -- I -- yes, we do.
8 MR. MILAZZO:
9 Okay. So we should still expect to
10 see some litigation charges coming back from
11 the attorney general?
12 MR. THERIOT:
13 Yes.
14 MS. DELAFOSSE:
15 I'll -- I'll let Perry speak on that.
16 MR. THERIOT:
17 Yes.
18 MR. MILAZZO:
19 Okay.
20 MR. THERIOT:
21 We should expect some charges from the
22 attorney general and some charges from our
23 outside attorneys, yes.
24 MS. DELAFOSSE:
25 Okay. And we've discussed in detail

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1 our indirect costs. And the -- the
2 beginning of fiscal '13, we included half of
3 our agency approved -- the -- the EPA each
4 year approves our overhead rate. And since
5 fiscal year '13, we've included half of that
6 rate in the motor fuel cost and the overall
7 cost for the administration of the program.
8 And again, that includes the work that legal
9 does, the work that financial services does,
10 myself and Lacey, and the other members of
11 financial services, and then all the budget
12 work that's handled. And then, for example,
13 the account's receivable group who deposits
14 all the money, you know, and legal is not
15 just Perry and Jill. They're more visible
16 to ya'll, but we also have our legal staff
17 that works on collections. So any -- any
18 work that they do to collect any fees that
19 were unpaid is also part of the overhead
20 expenditures.
21 MR. BURNHAM:
22 So the employee's pay rate is
23 multiplied by 1.30 --
24 MS. DELAFOSSE:
25 Yes. So -- so we just multiply the

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1 salaries and related benefits by -- yes --
2 MR. BURNHAM:
3 Right.
4 MS. DELAFOSSE:
5 -- 30 percent, essentially.
6 So as you see, in fiscal year 2018,
7 our rate was about 78 percent. That was a
8 high year. So 39.12 was half of that rate,
9 which we used in the admin. Our new rate
10 for fiscal year 2019 is, as you saw, a
11 pretty significant decrease and it'll be 60
12 percent. So the rate that we'll use in our
13 motor fuel calculation is 30. So 30.11. So
14 that explains part of the changes in the
15 transfer as well.
16 We were discussing in our grant
17 revenue that there have been some changes
18 over time. We were, you know, closer to 2
19 million or over 2 million and now we're
20 closer to a million and a half. But again,
21 we did see an increase between '17 and '18.
22 We won't know what our fiscal year '19 award
23 is until I believe September. So that'll be
24 information we have to share at a later
25 board meeting.

1 Then we have our environmental trust
2 fund revenues. So that -- that's the tank
3 registration fees. Previously, the \$54, now
4 the \$60. We sent those bills out towards
5 the end of March. So you see that we
6 project, based on the bills that we sent out
7 and what our collection rate in the year
8 that those bills are sent have been in the
9 past, we project we will collect about
10 680,000 this year. So that was, again,
11 pretty -- pretty much close to a ten percent
12 increase over what our collections have been
13 in the past. So that corresponds with the
14 increase in the fee.

15 This is a new slide. I included this
16 information just for -- for some additional
17 -- additional knowledge for ya'll, just to
18 show that -- but I -- I went three years on
19 this chart. I have fiscal year '15, fiscal
20 year '16 and fiscal year '17. I didn't put
21 '18 because it's -- we send those bills so
22 late in our fiscal year, it's, you know, a
23 little closer to June or July where I'll
24 have better numbers. Just because of the
25 time it takes for people to get those bills

1 At what point in time would you --
2 does that ever lead to a red tag, if they
3 don't pay the registration?
4 MR. THERIOT:
5 Yes, it does. Under the current
6 system that is in place, if the fees are not
7 paid -- with the new regulations that are
8 coming in, they're not effective yet --
9 MR. MILAZZO:
10 Okay.
11 MR. THERIOT:
12 -- but there will be a -- your -- a
13 ban on delivering fuel to any tank without a
14 current registration.
15 MR. MILAZZO:
16 Okay.
17 MS. DELAFOSSE:
18 Thank you, Perry.
19 And then we've discussed some again,
20 the transfer. This includes our projection
21 from fiscal year '18 what we anticipate it
22 will be. The difference between these
23 numbers and what's presented in the
24 financial statements is that I did deduct
25 the attorney general expenses in the

1 in.
2 But you see on the fourth line down,
3 the registration fees for the current year
4 make up right about 85 or 84 percent of our
5 total collections for the year. And that
6 has stayed fairly consistent, as you'll see.
7 We also collect fees from the prior
8 year, so you see some people just -- just
9 pay a little late. They want to pay the
10 next year and not pay the year their -- that
11 they're billed originally. So for example,
12 in fiscal year '17, you know, we collected
13 almost 60,000 of bills that were sent in
14 fiscal year '16. So there's just -- there
15 can be a slight lag in that. And then
16 there's some other little miscellaneous
17 revenues that are coded in this same
18 category and you'll see a little bit of late
19 fee revenue down there which -- which
20 represents a small percentage of the total.
21 So that's just an interesting breakdown that
22 shows that it's not just the tank
23 registration fees, but it is predominately
24 the tank registration fees.
25 MR. MILAZZO:

1 previous years because those were reimbursed
2 from the settlement proceeds, you know, so
3 where we paid the attorney general a million
4 dollars, but we got that million dollars
5 back. So I had deducted those in the years
6 with the asterisks just to show that -- that
7 adjustment because it kinda -- it -- it
8 kinda artificially inflates the
9 expenditures. But I haven't done that for
10 the fiscal year '18 projection, but again,
11 it's just a -- it -- but it still stayed
12 similar to the same, but we did have some
13 increases in -- in some costs, salaries, et
14 cetera.
15 And that's all I have. Any other
16 questions?
17 MR. BURNHAM:
18 You may have said it and I missed it.
19 But the last thing on the slide said, cost
20 have increased and revenue had decreased.
21 Can you elaborate on that a little bit?
22 MS. DELAFOSSE:
23 Sure. That's just what we've
24 discussed previously, that the -- the cost
25 of the program in general have increased,

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1 predominately the salary cost, and then, you
2 know, some of the -- the indirect rate has
3 changed. It fluctuates, I guess, from year
4 to year, but it has been as high as about 38
5 percent. So that -- that drives the cost of
6 the administration of the program up. But
7 the revenues have decreased. So
8 predominately, the revenues that are
9 decreased have been the federal revenues.
10 As you saw on that other slide, where we,
11 you know, we bid over 2 million dollars and
12 then we've had some years where we've been
13 down at one and a half. So that's -- you
14 know, that's a significant decrease, half a
15 million dollars, that's not available for
16 program expenditures.
17 MR. BURNHAM:
18 Thank you.
19 MS. DELAFOSSE:
20 Sure.
21 MR. BURNHAM:
22 Are there any other questions? Are
23 you through, Theresa?
24 MS. DELAFOSSE:
25 I'm finished.

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1 MR. BURNHAM:
2 Are there any other questions for
3 Theresa? Johnny, do you want to --
4 MR. MILAZZO:
5 Theresa, I meant to ask this the last
6 time, but this is a little bit different
7 view of this. When you have the three
8 columns, looking at the fiscal year of '17
9 versus what would be the quarter ending 3/31
10 versus 3/31/18, when I look down at the
11 bottom and I look at total cash balance, and
12 then you consider the liability on current
13 sites, that math doesn't add up. Am I
14 missing something there?
15 MS. DELAFOSSE:
16 We didn't -- we don't use the total
17 cash balance in that calculation anymore
18 because the total cash includes the interest
19 revenue, which the interest revenue since
20 2001 is set aside for the abandon site work.
21 MR. MILAZZO:
22 Okay. So --
23 MS. DELAFOSSE:
24 So that -- that's what changed
25 predominately about the presentation. So

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1 you can see the interest total -- on the
2 right-hand column, the interest total is --
3 for example in this -- if we're looking at
4 the center column, the interest is the
5 5,644,332 number.
6 MR. MILAZZO:
7 Right. So that --
8 MS. DELAFOSSE:
9 That's not included --
10 MR. MILAZZO:
11 In the total?
12 MS. DELAFOSSE:
13 Exactly.
14 MR. MILAZZO:
15 All right. Okay.
16 MS. DELAFOSSE:
17 So --
18 MR. MILAZZO:
19 Well, it's -- it's not -- it's -- it's
20 not part of the unobligated balance --
21 MS. DELAFOSSE:
22 Exactly.
23 MR. MILAZZO:
24 -- is what you're saying?
25 MS. DELAFOSSE:

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1 Exactly.
2 MR. MILAZZO:
3 Okay. All right.
4 MS. DELAFOSSE:
5 It needs --
6 MR. MILAZZO:
7 That -- that's all I've got. Thanks.
8 It makes -- it makes sense based on what you
9 said earlier.
10 MS. DELAFOSSE:
11 Sure. And when we start having more
12 expenditures against the interest, you'll
13 see some more information presented in the
14 right-hand column. And then you'll see even
15 in the most right-hand column, we have other
16 charges, professional services of \$4,000.
17 So that's some work that we had done on some
18 abandoned sites and it's a deduction from
19 the interest that's available. It -- so,
20 you know, once we have more work being done,
21 you'll see some more expenditures come out
22 of there. And we'll keep -- we have to keep
23 track of that separately, because it's
24 essentially a separate program --
25 MR. MILAZZO:

1 Yes, so --
2 MS. DELAFOSSE:
3 -- with separate revenues and separate
4 expenditures.
5 MR. MILAZZO:
6 Right. So the -- I guess maybe kinda
7 of adding to this presentation a little bit
8 or an illustration of it, you know, what is
9 kinda unencumbered, so to speak.
10 MS. DELAFOSSE:
11 Okay.
12 MR. MILAZZO:
13 If there's -- if you take the interest
14 and any expenses that really are working
15 against the interest so that we're not -- as
16 we do the math on this -- not that we -- I'm
17 -- I'm stuck on this, because when I look at
18 this, I'm going, where does that fit and
19 where does this fit?
20 MS. DELAFOSSE:
21 Sure.
22 MR. MILAZZO:
23 So we -- if we look at it, okay, what
24 is the interest and what is the interest
25 doing in cost and then all of it.

1 retirement systems that they recognized as
2 an obligation at some point in the past -- I
3 think it may be about 15 years ago. So when
4 they recognized that, they had to
5 essentially develop a plan to pay it off.
6 Part of that -- I guess the easiest cost
7 driver or the easiest way to charge that
8 amount that is owed by the agencies to the
9 agencies is on their current employees. So
10 the normal cost or the amount that's
11 attributable to my retirement is closer to
12 like I want to say eight percent or I don't
13 -- I don't recall off the top of my head.
14 But only a small percentage of that is the -
15 - for that person's retirement. They're
16 basically paying for the people in the past.
17 So the retirement system, you know, doesn't
18 have --
19 MR. BURNHAM:
20 And does that number grow -- as
21 employees within the motor fuel trust fund
22 retire, would it grow in -- in this regard?
23 MS. DELAFOSSE:
24 It's based -- it's a calculation
25 that's based on the entire state workforce.

1 MS. DELAFOSSE:
2 Okay. We'll take that into account
3 and see what we need to adjust in the
4 presentation and so forth.
5 MR. BURNHAM:
6 Theresa, one last thing. On -- on one
7 of the slides, I noticed that the retirement
8 expenditures was like 37 percent of the
9 total.
10 MS. DELAFOSSE:
11 Yes.
12 MR. BURNHAM:
13 Is that -- I'm going to show my
14 ignorance on this. Is that money that's
15 being funded to employees as they're
16 employed by the DEQ or money that comes out
17 after they retired from the DEQ?
18 MS. DELAFOSSE:
19 So you're fortunate that I'm familiar
20 with these retirement issues, because in my
21 previous job, I actually wrote some reports
22 with the state actuary on this very issue,
23 so I can give a little bit of additional
24 information. But essentially, the state has
25 a large unfunded accrued liability with it's

1 MR. BURNHAM:
2 Okay.
3 MS. DELAFOSSE:
4 So it's -- it changes every year. It
5 typically stays kinda around that percent
6 but I think the lowest in recent years was
7 maybe 35.2. But they do a calculation every
8 year, based on how many retirees there are,
9 how many active members there are. They
10 project how many active members will retire
11 and leave. So, I mean, it's complicated,
12 but --
13 MR. MILAZZO:
14 What was the number, like 38-
15 something?
16 MR. BURNHAM:
17 37 --
18 MS. DELAFOSSE:
19 It's 37.9 percent. So that's just how
20 much we have to pay, but that's not going to
21 the employees.
22 MR. BURNHAM:
23 I guess what I'm trying to figure out
24 is, let's say, one person retires and you
25 replace that person, now, is that 37 percent

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1 across two people rather than just one? I
2 mean, did it add to that 37 point something
3 percent, the fact that somebody retired and
4 a new guy got hired?
5 MS. DELAFOSSE:
6 I don't -- it wouldn't on that
7 scenario, no.
8 MR. MILAZZO:
9 So is it fair to say, the number of
10 employees dedicated to this program, that
11 you guys are showing a budget, you're just
12 using the factor, let's say 38 percent --
13 MS. DELAFOSSE:
14 Yes.
15 MR. MILAZZO:
16 -- as -- because that's what the
17 states require you to do to --
18 MS. DELAFOSSE:
19 Yes. We just pay --
20 MR. MILAZZO:
21 -- to fund --
22 MS. DELAFOSSE:
23 We just pay what they tell us to pay.
24 MR. MILAZZO:
25 -- to fund what has happened in --

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1 MR. BURNHAM:
2 Got you.
3 MS. DELAFOSSE:
4 Yes.
5 MR. MILAZZO:
6 -- in the previous --
7 MS. DELAFOSSE:
8 We have to pay what they tell us to
9 pay.
10 MR. THERIOT:
11 And -- and that is -- that is
12 projected to go to zero by 2025.
13 MR. BURNHAM:
14 Is that right? I was just trying to
15 figure out if that thing was going to be 78
16 percent ten years from now or --
17 MS. DELAFOSSE:
18 No, no.
19 MR. BURNHAM:
20 -- five years from now, or --
21 MS. DELAFOSSE:
22 I wouldn't -- I -- I mean, I'm not a -
23 - I don't have a crystal ball and I'm not an
24 actuary, but it's not going to be -- I think
25 it does -- there is some point in time where

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1 it may go up a little bit more, but they --
2 they make changes to it every year too.
3 MR. BURNHAM:
4 Right.
5 MS. DELAFOSSE:
6 They make changes to people's
7 retirement eligibility and they make changes
8 to the -- for example, they -- I think they
9 have a new plan that they're going to
10 introduce for people and current employees
11 with a certain number of years of service
12 can go to the new plan. That might change,
13 or -- I -- it's -- there's a lot of moving
14 pieces.
15 MR. BURNHAM:
16 Okay. Thank you.
17 MS. DELAFOSSE:
18 So -- but it won't double or anything.
19 MR. BURNHAM:
20 Thank you. Thank you.
21 MR. THERIOT:
22 It's easy to figure it if you're a
23 state employee. You look at how much
24 they're taking out of your check each month
25 --

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1 MR. BURNHAM:
2 Yes.
3 MR. THERIOT:
4 -- for your retirement and the state
5 has a match.
6 MR. BURNHAM:
7 I got you.
8 MS. DELAFOSSE:
9 But it's just -- yes, they have to pay
10 extra match to pay for the --
11 MR. THERIOT:
12 Extra match.
13 MS. DELAFOSSE:
14 -- for the past.
15 MR. BURNHAM:
16 I'm with you.
17 MS. DELAFOSSE:
18 So it's a -- it's quite a pickle.
19 MR. BURNHAM:
20 Any other questions for Theresa?
21 (No response.)
22 MR. BURNHAM:
23 Thank you, Theresa.
24 MS. DELAFOSSE:
25 Sure.

1 MR. BURNHAM:
2 We'll move to Cy and auditor's status
3 report.
4 MR. MORIN:
5 Yes. Cy Morin, DEQ Audit. If you'll
6 turn to tab four. This -- this report
7 details 22 open motor fuel audit cases, as
8 of May 2, 2018.
9 One case resulted in a credit of
10 \$579.61. We are still waiting on
11 confirmation that this credit deduction
12 being used toward current payment available
13 before we close this file.
14 As of May 2nd, 14 cases were awaiting
15 review. Pending the final review, these
16 represent one potential credit of
17 approximately \$4,400, one potential
18 assessment of approximately \$3,000. And
19 there were 12 potential audits with no
20 assessment.
21 Since creating this report, two of
22 these 12 cases, case 316015 and 317005 were
23 closed yesterday. Both were clean audits
24 with no assessment.
25 Six cases are still in progress with

1 was received today, increasing the amount
2 collected for that case to \$9,610 and
3 leaving a balance of \$5,555.43 plus court
4 cost. Again, this case, if -- will be
5 referred to ODR if payments cease. And the
6 third case status remains the same. No
7 payments from ODR as of May 2nd, 2018.
8 As of today, these four legal cases
9 represent a total of \$105,105.20 in
10 delinquent motor fuel fees, plus attorney
11 fees, court cost and judicial interest.
12 Any questions?
13 MR. BURNHAM:
14 Thank you.
15 MR. MORIN:
16 You're welcome.
17 MR. BURNHAM:
18 Questions for Cy?
19 (No response.)
20 MR. BURNHAM:
21 If not, we'll move on to the trust
22 fund status report, Mr. Baker.
23 MR. BAKER:
24 Good afternoon. If you'll turn to tab
25 five in your packets. These are the figures

1 results to be determined. And one case --
2 one fiscal year 2018 case has been scheduled
3 to start later and that's the last one on
4 the list.
5 If you don't have any questions on
6 that page, we'll turn to page two.
7 Same four cases remain outstanding,
8 being pursued legally.
9 Mr. Milazzo, you asked last time about
10 the status of the businesses. According to
11 the Secretary of State's site, these
12 businesses are inactive and all four
13 businesses no longer have an active
14 certificate. They're all inactive. I just
15 wanted to confirm that for you.
16 MR. MILAZZO:
17 Thank you.
18 MR. MORIN:
19 Yes, sir.
20 The first and fourth cases have now
21 been referred to the Office of Debt
22 Recovery. That was done on May 2nd. The
23 second case is still being collected. As of
24 the date of this report, the last payment
25 was 4/5/18; however, another payment of \$250

1 for the third quarter of fiscal year 2018.
2 During the third quarter of fiscal
3 year 2018, the trust fund received 269
4 applications, totaling approximately 4.1
5 million dollars. As of the end of March
6 2018, the trust fund had 148 pending
7 applications to process, which have
8 requested amounts totaling approximately 2.3
9 million dollars. 241 applications were
10 processed for payment during the fiscal
11 quarter, totaling approximately 3.4 million
12 dollars. And 27 applications were returned
13 with deficiencies.
14 If you'll turn to the next page,
15 you'll see the page that's titled, report of
16 cumulative activities for the motor fuel
17 trust fund. Under this tab, you'll see the
18 historical numbers, along with this fiscal
19 year up to this point. It kinda gives you
20 an idea of where we are and we're kinda
21 close -- you know, we've got one more
22 quarter left. You can look at the totals
23 and see we're kinda on task for where we
24 have been in the previous years. We may be
25 a little bit higher than we were last year,

1 but I don't think we're going to be any
2 higher than we were the year or two before
3 that.

4 If you'll turn to the next handout,
5 it's entitled, monthly motor fuel trust fund
6 obligation determination. All right. This
7 worksheet list the various component
8 determinations for the potential obligation
9 against the trust fund, as of the end of
10 March of 2018. For sites in the corrective
11 action phase, the outstanding liability for
12 corrective action plan budget and estimated
13 cost to reach closure at the end of March
14 2018 was approximately 27.4 million dollars.
15 This total includes the CAP budget remaining
16 amounts and the RAC estimated cost to close
17 amounts.

18 The fund obligation recognized for
19 sites without ROG approval, the CAP budgets
20 is approximately 27 million dollars. This
21 is determined using a three-year average
22 closure cost and applying these costs to the
23 active trust fund sites without current CAP
24 budgets.

25 The fund obligation recognizes 29

1 which represents a 4.7 million dollar
2 increase over last quarter's estimate. That
3 increase is attributed to some higher CAP --
4 we approved some CAP budgets. We also had
5 an adjustment to the average cost closure
6 cost. It moved up about 25,000. That's
7 going to change quarter to quarter as we get
8 -- sites come into that average and drop
9 off.

10 MR. BURNHAM:

11 You recalculate that every --

12 MR. BAKER:

13 Every quarter.

14 MR. BURNHAM:

15 Quarter.

16 MR. BAKER:

17 Yes. Because it can fluctuate so
18 much, we didn't think it was prudent to do
19 it on a monthly basis.

20 MR. BURNHAM:

21 Okay.

22 MR. BAKER:

23 So we do, do it on a quarterly basis.

24 MR. MILAZZO:

25 So, Jeff, if I look at the 84 million

1 sites that have been determined to be trust
2 fund eligible; however, have not submitted a
3 reimbursement application. And we estimate
4 this amount to be approximately 8.7 million
5 dollars. This is also determined using a
6 three-year average site closure cost and
7 applying these costs to sites that have
8 requested eligibility but have yet submitted
9 a request for reimbursement from the fund.

10 The five year projected fund
11 obligation related to the motor fuel trust
12 fund environmental trust fund transfers is
13 approximately 21 million dollars. This
14 estimate uses the three-year average dollars
15 transferred from the motor fuel trust fund
16 to the environmental trust fund and
17 multiplies that average by five years. So
18 we'll probably be looking at a change in the
19 next quarter with that as we get the final
20 quarter's numbers.

21 MR. BURNHAM:

22 Very good.

23 MR. BAKER:

24 The total estimated obligation amount
25 is 84 -- approximately 84 million dollars,

1 dollars and I go back to column three, it's
2 fair to say that the abandoned tanks, the
3 cost associated, they're not in this
4 worksheet?

5 MR. BAKER:

6 No, sir.

7 MR. MILAZZO:

8 Okay. Good.

9 MR. BAKER:

10 This is strictly active, eligible --

11 MR. MILAZZO:

12 Got it. Okay.

13 MR. BAKER:

14 -- trust fund sites.

15 MR. MILAZZO:

16 That -- that -- now, it ties together.

17 MR. BAKER:

18 Okay. If you'll go to the next page
19 in your packet, labeled incidents determined
20 to be eligible for the motor fuel trust
21 fund, you'll -- this report shows the number
22 of potential trust fund sites that have been
23 reviewed and made eligible during this
24 current fiscal year. You'll see there were
25 32 sites representing 40 active incidents

1 that -- because as you recognize, some of
2 these sites can have more than one incident;
3 i.e., diesel and gas or whatever.

4 If you'll turn to the next page,
5 labeled trust fund sites that had a release
6 granted no further action status. You'll
7 see the trust fund sites that have received
8 the trust -- no further action status during
9 this fiscal year and we're looking at
10 approximately 32 locations. So basically,
11 when you look at these two reports, we
12 gained 32 and we've lost 32 during this
13 fiscal year so far.

14 MR. BURNHAM:

15 Okay.

16 MR. BAKER:

17 It's just coincidental. It's not --

18 MR. THERIOT:

19 It's a pretty big coincidence.

20 MR. BAKER:

21 Yes, it is. It's actually strange.
22 That actually happens within a couple sites
23 pretty regular.

24 Some points of interest. If you'll
25 look -- you -- you had some additional

1 Thanks for adding this.

2 MR. BAKER:

3 No problem. If there's anything else
4 ya'll wanted added in these reports, please
5 let me know.

6 Another point of interest is, due to
7 some recent RAC complaints, we're working
8 with the RAC board members and the PPM staff
9 to re-evaluate our current estimation unit
10 rates. The complainant stated that the
11 current unit rates were not adequate to
12 address all the cost associated with their
13 projects. Since this remediation tool is
14 often -- is often the best choose, cost
15 effectively and time efficiently, clean up a
16 site, we wanted this unit rate to be
17 appropriate to reflect this true cost. So
18 in other words, we asked the members that
19 have been -- that participated in the
20 original development of these unit rates to
21 come back together and help us look at this
22 and see if we need to make some adjustments.
23 We're hoping to make some changes as of July
24 1st of this year. We're not -- I mean, like
25 I said, we're just kinda in the review

1 handouts that were not included in the
2 packet. One was labeled the corrective
3 action plan summary report for motor fuel
4 trust fund active sites and the other one is
5 labeled the summary report for motor fuel
6 active sites without corrective action
7 plans. These are the same -- same reports
8 that we normally put in your packets that
9 kinda give you the background of some of the
10 obligation numbers. The last time -- and
11 during the last meeting, one of the board
12 members asked us to include some milestone
13 dates in that report. So what we did is, we
14 included the date for the first application
15 received by the trust fund and we also
16 included the last application received date.
17 So on both of those reports, the only thing
18 that's changed from the previous months is
19 we added those two columns. And like I
20 said, one is the first application received
21 date and the next one is the last
22 application received date.

23 Does anybody have any questions about
24 that?

25 MR. MILAZZO:

1 stages right now. We don't think it's gonna
2 be a huge jump, but we don't want to take
3 this tool out of the toolbox. Excavations
4 can cleanup a site quicker and -- and many
5 times more efficiently than other options.
6 And we don't want RACs not choosing it
7 because they're losing money on it. So --

8 Just another point of interest. Last
9 year, we implemented the new version of the
10 guidance document. It had been five years
11 since we had done that. We made some pretty
12 major changes. So this -- this year, as we
13 have looked at the current -- the new -- the
14 new document, we've had a lot of questions,
15 asking about the new CAP categories and
16 whatnot. So what we've done is, we've had
17 to make some kinda interim determinations
18 and -- and decisions. So what we're going
19 to do is, we're going to try to implement
20 these in a new version as of July 1st, 2018.
21 It won't be a major change, but we will get
22 some language in there to kinda cleanup some
23 of the confusion from the previous version.

24 That's all I have. If anybody has any
25 questions?

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1 (No response.)
2 MR. BURNHAM:
3 Okay. If there's no questions for
4 Jeff -- thank you, Jeff -- we'll move to
5 third party claims with Mr. Theriot. And,
6 Perry, if you don't mind, would you just
7 move straight to other business and the
8 legislative activities?
9 MR. THERIOT:
10 That'll be fine. I have good news in
11 third party claims. We've had no new ones
12 filed since our last meeting. We are in the
13 process of settling one of the cases that's
14 been outstanding and I think in a
15 preferential way, without going into
16 details. It -- it's a standard case
17 involving a release that got into a manhole
18 cover that is owned by, of course, our
19 telecommunications people, who filed a third
20 party claim. They own the -- the manhole.
21 And -- and so there's been a settlement of
22 that one. It doesn't -- I consider it to be
23 in our favor. Without going into executive
24 session, that's about all I'll -- I'll feel
25 comfortable saying. But it -- it's a good

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1 settlement. So that one will be off the
2 books soon.
3 I think that leaves us with only one
4 outstanding third party claim left. We've
5 been doing a good job of keeping those from
6 getting too out of hand.
7 As for legislation, we had only one
8 bill involving the USTs and as of this week,
9 it has been sent to the Governor for
10 signature. So we have good news on that.
11 It will impose a new obligation on the
12 board, which will be, once a year to take
13 information that we're going to gather and -
14 - and present to the board and make a
15 recommendation on the amount of the fee that
16 is being collected for the bulk delivery of
17 gasoline. We still maintain under the new
18 legislation. The maximum is still there.
19 So the -- at least the first time, the only
20 thing you can do is lower it. After that,
21 they will -- you -- once a year, the board
22 will meet like it does for the deductible
23 amounts for the owner's responsibility, and
24 we'll make a recommendation and then the
25 secretary will take that recommendation and

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1 either implement it or not implement it and
2 give reasons. But that has been passed and
3 we're hoping to -- I think -- well, Theresa
4 is going to talk to you about it in a couple
5 of minutes, about a way to provide the
6 information the board will need, which
7 involves the actuarial study. Okay.
8 As for third party -- I've already did
9 that. No third party claims.
10 So we do have some outstanding issues
11 later that are going to come up, but they're
12 not on the agenda yet and that we'll --
13 we'll be talking about involving some
14 current matters that involve legal,
15 involving what can be done and not done at
16 certain sites. So we can get that on the
17 next agenda for when we're going to talk
18 about it, because that -- that's going to
19 take a while to fix.
20 MR. BURNHAM:
21 Thank you, Perry.
22 Any other questions for Perry?
23 (No response.)
24 MR. BURNHAM:
25 Can we go to Theresa now for actuary

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1 discussion and update, please.
2 MS. DELAFOSSE:
3 I just wanted to comment on the
4 legislation too. It was -- it was a great
5 bill. A victory for everybody, I think.
6 Kinda of a win, win situation. It went very
7 smooth through the process. And I don't
8 know, it's -- it -- I feel like, it's -- you
9 know, I've watched the legislature a lot and
10 I don't know how common it is for things to
11 go through that smoothly that are also
12 meaningful and will have a great impact on
13 the program. So it's a -- it's a big
14 accomplishment for the department and the
15 board. So I just wanted to add that.
16 MR. BURNHAM:
17 Great. Thank you.
18 MS. DELAFOSSE:
19 So with regard to that, you know,
20 internally, we could come up with a process
21 to discuss the different fee levels and what
22 we believe should be set for the next fiscal
23 year, but part of that discussion also is --
24 you know, part of that calculation, I guess,
25 is what the obligation is on the sites, as

1 well, which Jeff discussed. We've tweaked
2 that methodology throughout the years, but
3 Jeff is an engineer, not an actuary. I'm a
4 CPA, not an actuary. They have a whole
5 special toolbox of ways to project these
6 types of things. So we've done some
7 research and identified two firms that have
8 done actuarial work on motor fuel programs
9 in other states. Some came -- you know,
10 recommended from other states, one, I
11 believe, Jeff and Perry had heard speak at a
12 conference previously. So we held some
13 conference calls with those folks over the
14 past couple of weeks and are kinda
15 working through their proposals and getting
16 additional information from them on what
17 pricing would be to review both the
18 obligation calculation and then also review
19 -- or -- and help us develop a process to
20 annually recommend and discuss with the
21 board a fee amount for the next year.

22 So we just wanted to mention that to
23 the board. I think we'll have a little bit
24 more information on those proposals at the
25 next board meeting. But I also wanted to

1 MR. MILAZZO:

2 So my question would be, this is to
3 determine a collection fee. This isn't cost
4 fee on behalf of having it. This is simply
5 year after year, what -- is it eight tenths,
6 if it's five tenths, if it's --

7 MS. DELAFOSSE:

8 Exactly.

9 MR. MILAZZO:

10 -- indexed somehow --

11 MS. DELAFOSSE:

12 Right.

13 MR. MILAZZO:

14 -- to --

15 MR. THERIOT:

16 They do that -- actuaries use both,
17 just --

18 MR. MILAZZO:

19 Well, yes, I would think so.

20 MR. THERIOT:

21 They have to take the program as it
22 is. They do a study of how -- they go
23 through the history of our expenditures.
24 They have some -- and then they'll get the
25 history of our receipts. Then they'll take

1 open it up to -- if the board has any
2 questions they would like us to pose to the
3 firms, we can certainly do that. We have
4 some followup questions, based on the
5 preliminary information that they've
6 provided that we hope to get out to them
7 either this week or next so we can, again,
8 continue to work through that process. You
9 know, that -- on the contracting side of
10 things, it's easy to contract with
11 actuaries, because they are considered a
12 professional services contract so there are
13 less restrictions in place as far as going
14 out on bid, et cetera. So whoever we feel
15 more comfortable with and who we think will
16 do the best job and the most thorough job
17 for our program, that's who we can employ.
18 So I think that's going to really add a lot
19 of value to our calculations and make sure
20 that we have good numbers going forward and
21 really take into account everything that we
22 need to, to have a full picture of the
23 fund's costs and make sure that we're
24 collecting the correct amount to continue to
25 have a healthy program moving forward.

1 a look at the program as a whole and they
2 basically do what I like to call an
3 algorithm like the internet does all the
4 time, it actually does calculations and can
5 project expenses into the future versus
6 receipts into the future. And we, of
7 course, would want them to try to match them
8 as close as possible so that we're never in
9 any trouble but we're also not over
10 collecting.

11 MR. MILAZZO:

12 So the statute, as we know it today,
13 does that allow for that kind of fluctuation
14 up or down?

15 MR. THERIOT:

16 Well, no. The statute, as we know it
17 today, unless -- until the Governor signs
18 it, it's set at what it is.

19 MR. MILAZZO:

20 Okay.

21 MR. THERIOT:

22 And we can't change that. And it
23 tells us we have to quit collecting it, if
24 we reach a certain point. And then we can't
25 start recollecting it again until it drops

1 down to a -- a way low amount. And -- and
2 then you start collecting it again. That's
3 not a real efficient way. That's kinda
4 like, you know, taking a sledgehammer to
5 kill an ant. But this way will enable us to
6 do it in a yearly fashion. Many things
7 change. For instance, I looked at the
8 chart. I saw that the amount of the
9 receipts has been growing and that coincides
10 with what the car companies have been saying
11 in that very large automobiles are now
12 selling. Ford is getting out of the
13 business of small cars and that's why
14 gasoline consumption has increased. So if
15 you have a gasoline increase, you're in the
16 business, that's going to be more fees that
17 are coming into -- into the fund. If you
18 have less gasoline being purchased, that's,
19 of course, less. And I think that's one of
20 the factors that -- that the guys --

21 MR. MILAZZO:

22 So --

23 MR. THERIOT:

24 -- take into effect to look at that.

25 MR. MILAZZO:

1 I -- I just --

2 MS. DELAFOSSE:

3 -- we hate to be hasty, I guess.

4 MR. MILAZZO:

5 Right. So -- but when this -- if --

6 if you do engage this, this advisory board

7 would have some influence as to the decision
8 going forward, right?

9 MS. DELAFOSSE:

10 Oh, for sure.

11 MR. MILAZZO:

12 Okay.

13 MR. THERIOT:

14 It's your -- it's your recommendation.

15 MR. MILAZZO:

16 All right. Good.

17 MR. BAKER:

18 The way the bill is written, there

19 will be probably in the -- maybe the March -

20 - the February meeting, we would present the

21 information to ya'll from the actuary or

22 whatever happens at that point, on an annual

23 basis, and then ya'll would review that

24 information and make a recommendation to the

25 secretary. And it'll be the secretary's

1 So the bill as -- as you described it
2 a few moments ago will lead to that
3 flexibility, right?

4 MS. DELAFOSSE:

5 Yes. Sure.

6 MR. MILAZZO:

7 So I -- quiet frankly, I commend you
8 guys. I think it's a good idea, concept,
9 because, you know, we could find ourselves a
10 decade where demand is changing, electric
11 vehicles are having some impact and cost may
12 not be changing. So --

13 MS. DELAFOSSE:

14 And we may -- it may be that they
15 review our obligation and they say, well,
16 this looks too low. It really should be 100
17 million dollars. And without taking into --
18 without having an expert such as that,
19 weigh-in, I guess on what our revenues and
20 expenditures picture is going to look like
21 and make sure that our forecasting is
22 accurate, we may cut the fee in half for way
23 too many years and then find ourselves in
24 trouble. So --

25 MR. MILAZZO:

1 decision.

2 MS. DELAFOSSE:

3 Yes. And -- and my -- my thought is

4 that we would propose several different

5 scenarios as well. So if we decide to set

6 it for example at .05, this is what we think

7 it will look like five -- you know, two

8 years from now or next year or by the end of

9 the year, et cetera. Just -- and, you know,

10 if we do .06, this is what we think it will

11 look like, et cetera. Just different --

12 what different funding scenarios would

13 result in for the program.

14 MR. MILAZZO:

15 And probably leave some comfort for
16 you guys when we begin to forecast into the
17 future --

18 MS. DELAFOSSE:

19 Yes.

20 MR. MILAZZO:

21 -- that there's -- that there's some

22 other -- some algorithm that's -- so I think

23 it's a good idea, as long as it comes back

24 to this group.

25 MS. DELAFOSSE:

1 Absolutely.
2 MR. BAKER:
3 And both of the actuaries that we've
4 talked to have done other reports on other
5 trust funds in other states. So they're not
6 new to the process. They're not new to the
7 -- the funds like this, where you have the -
8 - the relearning curve, where you have to
9 teach them about what a trust fund is and
10 about USTs and all that. These people have
11 done it before, so --
12 MR. MILAZZO:
13 Okay. So, Natalie, you and Kerry
14 Hill, the -- the folks on the -- kinda the
15 collection side, you're hearing this, right?
16 MR. HILL:
17 Yes.
18 MS. ISSACKS:
19 Yes.
20 MR. MILAZZO:
21 Okay. I don't have any other
22 questions.
23 MS. DELAFOSSE:
24 Okay.
25 MR. BURNHAM:

1 guessing we're probably about three months
2 out before we really start testing. I
3 suspect and I truly believe that this is
4 going to increase our efficiency with the
5 inspection process. It's going to help out
6 the regulated community. And we'll have
7 less transcription errors with handwritten
8 paper. So that's -- that's one thing.
9 MR. BURNHAM:
10 That's great.
11 MR. FULTON:
12 Contracting with the abandoned tanks,
13 we have our 24 month assessment contract is
14 -- is finalized. We have our tank pull
15 which is about to go -- I'm pretty sure the
16 last update I heard was it was close to
17 getting done and sent over to OSB, I think
18 so. And then our other one is our
19 corrective action contract, which we are
20 currently still working on, but we are going
21 to what is called an RSIQ, which is request
22 for interest and statement of
23 qualifications. And we'll be selecting a --
24 one or -- one or more RACs to do corrective
25 action process with contracts.

1 Okay. Any other questions for
2 Theresa?
3 (No response.)
4 MR. BURNHAM:
5 Are there any other questions before
6 we adjourn our meeting?
7 MR. FULTON:
8 Well, I -- I would like to add some
9 stuff, if I may.
10 MR. BURNHAM:
11 Please. Please do.
12 MR. FULTON:
13 I know -- I know I'm not on the
14 agenda; however, I just kinda want to give
15 an -- maybe a divisional update from the
16 UST.
17 MR. BURNHAM:
18 That'd be awesome. Thank you.
19 MR. FULTON:
20 We have a few things going right now
21 other than our normal work. But our --
22 we're very close to implementing and
23 instituting our app tablets for inspections.
24 So I just want to kinda give ya'll a heads
25 up for that. We're very close. I'm

1 MS. DELAFOSSE:
2 And we're -- we're still planning to
3 select those regionally or --
4 MR. FULTON:
5 We haven't -- those -- that decision
6 hasn't been made yet.
7 MS. DELAFOSSE:
8 Okay.
9 MR. FULTON:
10 We still have some more discussions to
11 go about that.
12 MS. DELAFOSSE:
13 Okay. Got you.
14 MR. FULTON:
15 But we will be selecting one or more
16 contractors. It will be regionally or --
17 we're looking how we can divide the state up
18 and save money to the fund. So we're very
19 close to that.
20 And then on the grants issue, we are
21 working on our 19 -- four year 19 grants.
22 And I can't guarantee anything, but from
23 what I've been told from EPA is it will be
24 equal to or slightly higher. But that is
25 not a guarantee.

1 MR. BURNHAM:
2 What is that?
3 MR. FULTON:
4 Oh, whatever 19 or --
5 MS. DELAFOSSE:
6 1.6.
7 MR. FULTON:
8 Yes, 1.6. It might be a little --
9 slightly higher than that.
10 MR. BURNHAM:
11 Good.
12 MR. FULTON:
13 There's no guarantees for that though.
14 MR. BURNHAM:
15 Okay.
16 MR. FULTON:
17 Then the other thing is, is we are
18 requesting information and a grant for
19 hurricane money for Harvey. Evidently, EPA
20 has a little bit of money to help the
21 abandoned tank sites in the Harvey hurricane
22 effected areas. And we are -- have a
23 handful of sites that qualify that and we
24 are applying for those funds now. So that -
25 - I'm always looking for other money to help

1 know we'll need to communicate about that to
2 the board sooner rather than later, just so
3 plans can be made. But I just wanted to
4 mention that again, because I know I had
5 mentioned it previously. But if anyone has
6 any feedback or questions on that, think
7 August is a bad idea or good idea, we are
8 all ears. Just wanted to mention that.
9 MR. BAKER:
10 Durwood and I plan to go inspect a
11 facility. Durwood has found one in
12 Alexandria. I think it's at the Ag Center
13 there, Durwood?
14 MR. FRANKLIN:
15 Yes. It's at the LSU Ag Center, just
16 south of Alexandria.
17 MR. BAKER:
18 And they supposedly have a really nice
19 facility for something like this. So we're
20 going to go check it out in the next couple
21 of weeks. And we'll -- we'll let ya'll know
22 well in advance.
23 MR. BURNHAM:
24 Okay. Great.
25 Okay. Any other issues to address

1 abandoned tanks when it's EPA money.
2 MR. BURNHAM:
3 Absolutely.
4 MR. FULTON:
5 So that's a quick update of what we --
6 what the division is up to.
7 MR. BURNHAM:
8 Thank you.
9 Any questions for Gary on those items?
10 (No response.)
11 MR. BURNHAM:
12 Thank you, Gary, for sharing that.
13 MS. DELAFOSSE:
14 And I wanted to mention too, if I can.
15 We've discussed previously the potential to
16 hold the meetings elsewhere instead of Baton
17 Rouge, just to give some of the folks that
18 have to come from out of town a break. I
19 mean, that's one reason Durwood's not here.
20 I know he loves to come to Baton Rouge to
21 see me. But he didn't make it today. So I
22 believe Jeff and Durwood are -- have plans
23 to go look at a facility kinda closer to the
24 middle of the state. So that would even be
25 a possibility for our August meeting. But I

1 before we move to adjourn?
2 (No response.)
3 MR. BURNHAM:
4 Okay. Could I have a motion to
5 adjourn, please?
6 MR. MILAZZO:
7 So moved.
8 MR. BURNHAM:
9 Second?
10 MR. FULTON:
11 Second.
12 MR. BURNHAM:
13 Any opposed?
14 (No response.)
15 MR. BURNHAM:
16 We are adjourned.
17 THE MEETING ADJOURNED AT 2:02 P.M.
18 * * * * *
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25

1 REPORTER'S PAGE

2 I, Lori B. Overland, Certified Court
3 Reporter, in and for the State of Louisiana, the
4 officer, as defined in Rule 28 of the Federal
5 Rules of Civil Procedure and/or Article 1434(b)
6 of the Louisiana code of Civil Procedure, before
7 whom this sworn testimony was taken, do hereby
8 state on the Record

9 That due to the interaction in the
10 spontaneous discourse of this proceeding, dashes
11 (--) have been used to indicate pauses, changes
12 in thought, and/or talk overs; that same is the
13 proper method for a Court Reporters's
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15 (--) do not indicated that words or phrases have
16 been left out of this transcript;

17 That any words and/or names which could not
18 be verified through reference material have been
19 denoted with the phrase "(inaudible)."

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21 Lori Overland, C.C.R.
22 # 97083

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1 C E R T I F I C A T I O N

2 I, Lori B. Overland, Certified Court Reporter in
3 and for the State of Louisiana, as the officer
4 before whom this testimony was taken, do hereby
5 certify that the above referenced individual to whom
6 oath was administered, after having been duly sworn
7 by me upon authority of R.S. 37:2554, did testify as
8 hereinbefore set forth in the foregoing pages, that
9 this testimony was reported by me in the stenomask
10 reporting method, was prepared and transcribed by me
11 or under my personal direction and supervision, and
12 is a true and correct transcript to the best of my
13 ability and understanding; that the transcript has
14 been prepared in compliance with transcript format
15 guidelines required by statute or by rules of the
16 board, that I have acted in compliance with the
17 prohibition on contractual relationships, as defined
18 by Louisiana Code of Civil Procedure Article 1434
19 and in rules and advisory opinions of the board;
20 that I am not related to counsel or to the parties
21 herein, nor am I otherwise interested in the outcome
22 of this matter.

23

24 Lori Overland C.C.R.
25 # 97083

24
25

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