

**MINUTES OF  
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST  
FINANCE COMMITTEE MEETING  
HELD ON JANUARY 17, 2019**

PRESENT: Mark L. Morgan, Chair  
Quentin Dastugue, Committee Member  
Richard A. Luettich, Jr., Committee Member  
Herbert I. Miller, Committee Member

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The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on January 17, 2019, at the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, LA. Mr. Morgan called the meeting to order at 10:50 a.m.

**Opening Comments:** None.

**Adoption of Agenda:** The Committee adopted the agenda as presented.

**Approval of Minutes:** The Committee approved the minutes of the Finance Committee meeting held on November 26, 2018.

**Public Comments:** None.

**Regional Finance Director's Report:**

Kelli Chandler, Regional Finance Director, reviewed the highlights of the Regional Finance Director's report:

- Fiscal Year (FY) 2020 Budget: The first round of budget meetings were held with various departments. The meeting regarding the Special Levee Improvement Fund (SLIP) Fund budget will be held soon. The consolidation of systems and the budget process revealed a need to focus on two points: 1) the need to determine which costs should be tracked as a region and the reason from a strategic viewpoint for tracking those costs, and 2) the need for consistency in coding across the organization so that accurate reports can be produced. A listing is being developed to ensure coding consistency. Guidance from the committee is needed regarding tracking costs.
- ADP Benefits System: The implementation of the ADP benefits system has been completed. Employees can access personal information on leave and benefits via a computer or smartphone.
- Finance staffing: Interviews were held to fill the position of Procurement Specialist; however, the position may have to be re-advertised. Strategic staffing needs are being reviewed and additional positions will be filled in the near future.
- Records Retention Policy: Staff participated in the kick-off meeting on records retention. A huge volume of documents has been placed in storage over a

number of years that must be addressed. A plan is being developed to work through all of the stored documents, which will be a huge undertaking, especially in light of the relocations necessitated by the Franklin Facility renovations.

**New Business:**

**A. Discussion of the proposed sale of surplus equipment by an auction.**

The appraisals have not yet been completed; therefore, the item was deferred.

**B. Update date on preparation of Fiscal Year 2020 Budgets.**

Draft FY 2020 Budgets for the FPA and levee districts will be presented to the Board in February. The final FY 2020 Budgets must be approved by the Board in March. Ms. Chandler noted that the FY budgets have changed from year to year and will continue to change as the FPA advances in its regionalization efforts. She noted that budgets are prepared according to levee district; however, the regionalized system should be budgeted according to department. Budgeting by department allows directors and managers to be held accountable for their department or area. Ms. Chandler stated that her goal is to shift from a focus on levee districts, which continues to be important, to departments on a regional basis. Committee members concurred that the next Finance Committee should be scheduled to accommodate a longer meeting for an extensive review of the budgets.

**C. Discussion of cost allocations.**

Ms. Chandler explained that activities such as coding, review of year end results and the on-going consolidation of functions as a region, brought to light the need for guidance in two areas: 1) a determination is needed from a strategic point of view of the costs that should be tracked and the reasons for tracking the costs, and 2) to what level of accuracy should costs be tracked. For example, in many instances in the private sector time is accounted for by hour; however, the tracking of each employee's time by hour would require a great amount of time and effort from supervisors, resulting in the use of a tremendous amount of the FPA's resources for this effort. Ms. Chandler commented that she gave thought to these two areas from a historical perspective; i.e., the type of information historically requested by the Board, legislators and the public [e.g., the cost of the Hurricane and Storm Damage Risk Reduction System (HSDRRS) versus the Mississippi River Levee System (MRL) and the cost of the perimeter system versus interior system]. A significant factor in this effort is the need to officially define which components comprise the HSDRRS versus the perimeter system so that everyone will know exactly what is included in the tracking of each system.

A map showing the distinction between the HSDRRS perimeter system (lakefront levees, New Orleans East Southpoint to GIWW, MRGO and GIWW levees, and IHNC Surge Barrier), HSDRRS interior system (levees along the IHNC corridor and outfall canals), the Mississippi River Levee, and the non-federal levees (interior drainage system levees) was made available for the discussion.

Ms. Chandler advised that certain costs will need tracking for purposes other than accounting, such as, tracking maintenance/repair costs per vehicle in order to determine each vehicle's potential remaining useful life. However, maintenance and repair costs per vehicle can be tracked by means of a system other than the accounting system.

Ms. Chandler explained that guidance is also needed from the Committee on the components of the flood defense system that should be tracked separate and apart from the system; for example, complex structures should be tracked separate and apart from levees/floodwalls. At this time floodgates are tracked separate and apart from earthen levees and floodwalls; however, she asked is this distinction necessary?

Ms. Chandler further explained that the next area of discussion would be the level of accuracy for allocating costs. For example, could formulas or assumptions be used for allocations in lieu of tracking and allocating exact costs?

Mr. Hassinger commented that his use of the term "perimeter system" includes the HSDRRS perimeter and interior systems and the MRL. The cost of the perimeter system is needed versus the structures/systems that are interior to each parish. He pointed out that the FPA is attempting to bring its accounting in line with the way that the organization is currently being managed and operated, which was the purpose for creating the FPA. He questioned the need for maintaining floodgate costs versus floodwall costs or floodwall costs versus levee costs by district or otherwise.

It was noted that the U.S. Army Corps of Engineers (USACE) is tasked with major projects (levee and floodwall) along the Mississippi River under the Mississippi River and Tributaries Program. The levee districts perform minor maintenance and operate the MRL system, including inspecting valves along the MRL.

Examples that were noted of activities that are not part of the perimeter or interior systems include maintenance along the canals in St. Bernard Parish and grass maintenance along Bayou St. John behind the Bayou St. John Floodgate.

Mr. Dastugue suggested tracking activities/costs required by the Federal government versus activities/costs as a result of FPA decisions. He asked would this be tracked through coding. Ms. Chandler responded that she would need to know from a strategic standpoint the costs that are to be tracked and she would then establish a system to produce the desired results. Mr. Dastugue pointed out that there are two considerations relative to tracking costs: 1) what Board members may want to see, and 2) what is needed for staff to do its job. Ms. Chandler advised that meetings would be held with staff to discuss their needs and potential methodologies for capturing the costs.

Derek Boese, Chief Administrative Officer, explained that as the accounting system evolved over time requests were made to track a tremendous volume of information requiring a massive amount of the Finance Department's time and manpower. He pointed out that at least 60 percent of the FPA staff is made up of maintenance personnel who simply clock in and out each day. Therefore, supervisors are required to appropriately allocate each employee's time in order to track the time spent each day at

each levee district or on each levee reach. Employees can work on multiple projects or at multiple levee districts on any given day.

Mr. Luettich recommended tracking the flood defense system hierarchically; that is, the highest level would be the split between the perimeter and interior systems; next, the perimeter level may be split into the HSDRRS perimeter and interior systems, MRL and complex structures; and the interior level may be split into back levees and other. He suggested that the splits could stop at this point even though the accounting system may track by function.

Ms. Chandler explained that she is attempting to achieve a balance of resources versus value. She noted that there is an additional split for every level in the hierarchy; e.g., the perimeter and interior system splits must be split further between levee districts.

Mr. Luettich explained that he presented a strawman for staff to evaluate and provide recommendations to the Committee for further consideration and a final decision.

Ms. Chandler addressed the question of level of accuracy. A maintenance employee could cut grass one-half day on the HSDRRS perimeter system and one-half day on a non-federal levee with the activities taking place at multiple levee districts. A painter in a single day may work on multiple projects for multiple levee districts. Mr. Luettich commented that with the levee districts' significant experience with grass cutting, there should be good statistics that could be utilized and that the results should fall within one or two percent of the actuals on a biannual or annual basis. Mr. Morgan added that the same methodology could be used for tracking costs for each levee district. Ms. Chandler responded that this is the type of guidance that she is seeking and that she wanted to ensure that the Commissioners are comfortable with the methodologies and level of accuracy. Mr. Dastugue recommended that Ms. Chandler return to the Committee with staff's recommendations and reasons for said recommendations. Mr. Morgan added that special projects could also be tracked separately. Mr. Boese noted that the PCCP is tracked separately because of the Cooperative Endeavor Agreement with the New Orleans Sewerage and Water Board and the annual audit requirements.

Ms. Chandler advised that she would also like the Board to consider certain allocations, such as general liability insurance estimated at \$1.2 million per annum and facilities maintenance costs, for which a logical basis for allocating the costs between the perimeter and interior systems does not exist. She suggested that these types of costs could be allocated based on labor dollars and added that she would present staff's formal suggestions regarding such allocations to the Committee.

Mr. Luettich commented on the benefit of incremental discussions on this matter and noted that Ms. Chandler's thoughts regarding tracking and allocations were pretty much on target.

There was no further business; therefore, the meeting was adjourned at 11:25 a.m.