

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE INFORMATIONAL MEETING
HELD ON FEBRUARY 12, 2019**

PRESENT: Mark L. Morgan, Chair
Richard A. Luettich, Jr., Committee Member (via teleconference)

A meeting of the Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) was scheduled for 10:00 a.m. on February 12, 2019, at the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, LA. Since a quorum of the Committee was not present, an informational meeting was held.

Opening Comments: None.

Adoption of Agenda: The agenda was accepted.

Public Comments: None.

Regional Finance Director's Report: Kelli Chandler, Regional Finance Director, advised that she did not have a report for the Finance Committee and that her report would be included in the Chief Administrative Officer's Report for the Board meeting.

New Business:

A. Review of 2nd Quarter Budget to Actuals.

Ms. Chandler reviewed highlights of the 2nd Quarter revenues/expenditures compared to the Actual Fiscal Year (FY) 2019 Budgets. She pointed out that ad valorem tax revenues and State revenue sharing monies will be received in the 3rd Quarter. An additional revenue line is included for the O.L.D. and EJLD for police details. The receipt of police detail revenues and payment of monies to police officers are now handled by Finance staff with an administrative fee being charged for each detail.

Flood Protection Authority (FPA):

- The FPA is under budget by \$1.2 million partly due to vacancies and positions that are now filled, but were budgeted for the full year; i.e., Executive Counsel, Procurement Specialist, HR Analysis and HR Director.
- Contractual Services are under budget relative to insurance and Workers Compensation (WC) premiums. Insurance premiums were budgeted on the FPA's books due to the consolidation, but expended on the levee districts' books, producing a net effect. The first six months of WC premiums were expended on the levee districts' books. The audit of the consolidated WC will take place in

February, at which time positions will be reviewed and determinations made about their categorization. The expense should be incurred in the third quarter.

- Materials and Supplies are over budget due to the purchase of laptops for the cycling program.
- Professional Services includes \$100,000 under IT Services for equipment for the new EJLD facility; however, the cost was captured in the overall cost of the consolidated facility.

Orleans Levee District (O.L.D.):

General Fund Budget:

- The O.L.D. General Fund Budget is over budget by \$3 million.
- Personnel Services are under budget due to vacancies in the Maintenance Department and Permanent Canal Closures and Pumps (PCCP) staff. Employees Services is attempting to address the difficulty in hiring personnel by implementing on-going postings for certain key positions with a high turnover rate, working with various organizations to recruit candidates for maintenance positions and employing special entrance rates to attract and retain personnel. The Police Department is over budget due to the implementation of supplemental pay.
- Contractual Services are over budget. The O.L.D. is over budget for WC and insurance premiums; however, the FPA is under budget for WC and insurance premiums, resulting in a net effect. Utility costs are over budget. Contractual Sector Gate expenses and Miscellaneous Contractual Services are under budget.
- Travel and Training are under budget due to the timing of training.
- Professional Services will be researched and additional information will be provided on the reason the category is under budget.
- Materials and Supplies are under budget primarily due to fuel costs, which will be incurred in the third quarter with lower prices anticipated, and partly due to parts and supplies for equipment repairs.
- Cost Sharing with Affiliates is over budget as a result of writing off the difference between the historical intercompany balance and the agreed upon balance included in the recently approved Memorandum of Understanding with the Non-Flood Protection Asset Management Authority (NFA). The difference was recorded as an expense. The agreed upon balance will be paid by the NFA in quarterly installments of \$100,000 (minimum payment). The historical balance was recorded in 2006 and 2007 and included loan payments and shared costs at the time the agency was split into the Flood Protection and Non-Flood Protection Divisions. The historical balance, which included costs incurred by the O.L.D. prior to the creation of the NFA, was analyzed to determine the appropriate costs incurred and the FPA and NFA arrived at an agreed upon balance of approximately \$1.3 million.

- Machinery and Equipment is under budget due to timing of equipment purchases and should be in line by year's end.
- Other Charges is under budget since the category includes Assessor's fees for collection of ad valorem taxes and the cost is incurred in the 3rd Quarter.

Special Levee Improvement Fund (SLIP) Budget:

- The Seawall Erosion Phase 4 Project is in design, but will not be advertised until Phase 3 is completed (anticipated completion by July 1) and issues associated with Phases 1 and 2 are resolved. Mediation was held last week on Phases 1-3.
- Three million dollars was previously budgeted in the SLIP Budget for a learning center, which is revenue dependent (i.e., dependent on Grants, Capital Outlay or other sources). A decision was made not to include revenue dependent projects in the SLIP Budget. Revenue dependent projects will be included in a fund created for grants and other revenue sources.
- Finance and Engineering staff is developing a budgetary numbering system for projects and working on the categorization of projects. Finance staff struggles with matching expenses to budget items. Future projects will reflect the budget number in order to match expenses to the correct budget items. Primavera will be on line by the start of the FY with an emphasis on capital projects.
- The budgeted amount (\$900,000) for the Sandblasting, Painting and Repair of IHNC and Michoud Floodgates Project was discussed. The final estimate for the project is anticipated to be \$2.3 million. Ryan Foster, Engineer, explained that the budget amount was generated internally by a previous project manager and may have been split over more than one FY. The engineer's estimate at the time of bid was much higher than \$900,000. Additional costs were incurred since the project was on-going thru hurricane season. In addition, about 10 LBBLD floodgates were added, which were not included in the budget estimate, prior to the design being finalized. Ms. Chandler advised that budget adjustments are generally not done on a case by case basis unless an amount is significant (e.g., paying off a bond debt). Adjustments are made at the end of the FY with the total net figure used to determine whether a budget adjustment is needed. Mr. Luettich requested that project budget amounts be made clear to the Board at the time contracts are approved.

East Jefferson Levee District (EJLD):

- The EJLD is slightly under budget (\$500,000), due to the timing of purchases of Machinery and Equipment, vacancies in the Maintenance Department and the timing of WC premiums.

Lake Borgne Basin Levee District:

- The LBBLD is over budget \$1 million due to expenses related to the Violet Canal Levee Realignment Project and Repairs to Pump Stations 6 and 7, which are to be reimbursed by FEMA or other grant sources. Intergovernmental Revenue is

over budget since the amounts due from FEMA were recorded. Backing out the expenses for the two projects results in the LBBLD being slightly under budget.

- The budget includes \$293,000 for the payment of LBBLD's loan debt to the O.L.D. The payment has not yet been made for cash flow reasons due to the timing of the FEMA/grants reimbursements.

B. Discussion of the Fiscal Year 2020 Proposed Budgets for the Authority, EJLD, LBBLD and O.L.D.

Ms. Chandler reviewed the highlights of the FY 2020 Proposed Budgets with a focus on categories (all entities combined). She advised that in the future she hoped to have the categorization in detail and by department.

- Personnel Services - The final budget amount is anticipated to be refined. The increase is primarily due to the following:
 - Recognition of a full year's expense for positions at the Authority level; i.e., Executive Counsel, Procurement Specialist, HR Analysis and HR Director.
 - Additional EJLD Maintenance staff required as a result of the soon to take place turn over of large sections of levee armored by the U.S. Army Corps of Engineers (USACE). EJLD Maintenance staff must be brought up to the level that it was prior to the USACE taking over the levee sections.
 - Regionalization of the Maintenance process. Staff is working with Civil Service and Fazande Consulting to formulate teams to work across the levee districts. Three new regional positions will be created to supervise all districts in various areas. Mr. Luetlich requested that information be provided that includes potential savings resulting from regionalizing categories.

Costs budgeted for grass maintenance in Personnel Services versus Contractual Services was discussed. The current contractual provider (lowest bidder) for grass maintenance does not have adequate staff or equipment and has not performed as expected. Therefore, the service is anticipated to be re-bid and an increase in cost is expected.

- Travel and Training – The increase in budget is due to the following:
 - Additional staff at the Authority level requiring continuing education.
 - Increased training costs as a result of increased staffing.
 - The FPA's focus on training with an emphasis on safety.
- Professional Services – The increase in budget is due to the following:
 - Retention of professional services (\$90,000) to assist the FPA with identifying grant opportunities for the agency's overall security and emergency operations and for the Police Department. Derek Boese, Chief Administrative Officer (CAO), noted that the FPA's Grant's Administrator,

Chandra Chaffin, is working with the team retained to assist with obtaining federal grants.

- \$250,000 budgeted for PCCP costs, which includes crane operations recertification, extension of equipment warranties and diving inspection. Fifty percent of PCCP costs will be reimbursed by the Sewerage and Water Board (S&WB) of New Orleans.
- Legal fees (\$110,000).
- Contractual Services – The large increase in budget is due to the following:
 - The IT Director is analyzing the FPA’s network infrastructure to determine whether infrastructure equipment should be purchased every five years or leased. Leasing equipment includes maintenance with an option to purchase at the end of five years. Leasing may prove to be the best option financially. Therefore, \$278,000 is budgeted (IT Infrastructure Upgrade) for the annual cost of leasing upgraded network infrastructure.
 - Contractual services for levee maintenance must be analyzed in view of the ramping up of personnel. However, an increase in cost is anticipated as a resulting of re-bidding the service.
 - \$193,000 is budgeted for PCCP costs, which includes grass maintenance around the PCCP and complex structures, and maintenance of the PCCP generators and control room. The FPA is in the process of identifying PCCP costs since no historical data exists.
 - \$79,000 is budgeted for storm season public service announcements (TV and radio). FY 2020 will be the FPA’s second year for producing the public service announcement as part of its outreach and education mission. The announcements were aired last year on one TV and one radio station. The Public Information Officer recommended that additional stations be utilized in order to cover all of the potential region in the best manner. A bidding and quote process will be used to select the TV and radio stations to be utilized.
- Materials and Supplies – The budget slightly increased (6% or \$146,000) primarily as a result of expected increases in fuel costs and additional parts and supplies due to the increase in staff. The budget category was offset by a reduction in Police purchased radios.
- Equipment Purchases are decreased by \$142,000 with the majority of the decrease at the O.L.D. Mr. Morgan pointed out the need for a fuel maintenance truck to be used for recycling fuel stored at the PCCP.
- SLIP – It was noted that the NASA Levee Repair project was not included in the budget. Currently, design is estimated at \$150,000 and construction is estimated at \$600,000 to \$700,000. Discussions are taking place with the design engineer concerning what the design will entail.

Mr. Morgan suggested the inclusion of lines in revenues for Police Details and S&WB. Mr. Boese advised that he did not yet wish to include a revenue line for Jefferson Parish for its share of the 17th Street Canal PCCP costs. Discussions have been held over the past several weeks with Jefferson Parish regarding its cost share; however, an amount has not yet been finalized. Mr. Morgan suggested that the annual budget for the PCCP remain at \$4 million until the FPA becomes more familiar with the system. PCCP expenses are budgeted in the General Fund and SLIP Fund/Capital Projects.

Mr. Boese advised that the FPA has been attempting to schedule a meeting with S&WB finance staff for a joint audit of PCCP expenses so that the FPA can invoice the S&WB for the next fiscal year. Mr. Luettich pointed out the need to escrow funding for long term maintenance for the PCCP.

Ms. Chandler recognized Tuyet Nguyen, Accounting Manager 2, for her efforts in preparing the FY 2020 Budgets.

C. Discussion of the proposed sale of surplus equipment by an auction.

A list of the items to be auctioned which includes values provided by an appraiser was distributed. Mr. Boese pointed out that since the items will be publicly auctioned, bids for larger items such as tractors may potentially be higher than the appraised values. After receipt of Board approval the auction will be advertised for thirty days. All items from the EJLD and LBBLD to be auctioned have been situated at the O.L.D. The auction will be conducted by a professional auctioneer. A one day opportunity will be provided for the public to examine items prior to the auction. Ms. Chandler pointed out that most of the items have fully depreciated and have no net book value.

There was no further discussions; therefore, the meeting was adjourned at 11:30 a.m.