

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MAY 16, 2019**

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on May 16, 2019, in the St. Bernard Parish Council Chambers, St. Bernard Parish Government Complex, 8201 Judge Perez Drive, Chalmette, Louisiana. Mr. Morgan called the meeting to order at 9:00 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 April 18, 2019.

Public Comments: Public comments were received under New Business Item A.

Regional Finance Director's Report:

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

- Finance staff participated in a tour of the IHNC Surge Barrier and the 17th Street Canal Permanent Canal Closures and Pumps (PCCP) facility.
- Staff developed Drill Point Reports using an Excel add-in for distribution to Directors to produce various information and data (e.g., budget to actuals and contract schedules). Directors can refresh the data, which allows the most recent data to be pulled from the financial software to update reports. The Drill Point Reports also allow Directors to access certain information in the financial software system (e.g., invoices and check clearance data).
- Work is continuing on the file feed for LASERS and Laserfiche scanning.

New Business:

A. Discussion of certification of Lake Borgne Basin Levee District millage rates and assessments for Tax Year 2019.

Robert Romero explained that he has lived in New Orleans for the past seven years and commented on the connection between New Orleans and water. He also commented on Audubon Park's attempt to put in place a revenue for a specific project through a

referendum; however, during the process through a grass roots effort the public learned about the huge salary received at that time by the Director of the Audubon Zoo in the neighborhood of about one-twentieth of the entire annual millage resulting in the tax being soundly defeated. This effort gave credence to the ability of a person from a grass roots level to scrutinize and make a difference on issues. He explained that he watched House Bill (HB) 581 being presented in the House Transportation Committee of the LA Legislature and that the information presented in support of the bill did not make sense to him. After Hurricane Katrina the citizens of Orleans and Jefferson Parishes reassessed their drainage and flood protection and restructured their taxes. He pointed out that Orleans Parish taxpayers pay ad valorem taxes in advance of the calendar year and taxpayers in all other parishes pay their ad valorem taxes at the end of the calendar year. St. Bernard Parish has not changed its millage assessments to protect its citizens since Hurricane Katrina. He explained that he heard that St. Bernard Parish is the first line and blocks hurricane surge from entering Orleans and other parishes; however, he had spoken to engineers who advised that it does not work that way and that other people do not see it that way. He asked, why doesn't St. Bernard pay its share? He stated that Orleans Parish pays for more of St. Bernard Parish's flood protection than does St. Bernard Parish, and that the problem needs to be fixed so that St. Bernard Parish pays its fair share.

Roy Arrigo stated that the FPA should turn off the faucet. About a year ago the Board voted to turn off the faucet at the end of the year; however, negotiations with St. Bernard Parish Government (SBPG) regarding its takeover of the drainage and pumping functions and addressing splitting the Lake Borgne Basin Levee District's (LBBLD) tax millages have continued past December 31st, and Orleans Parish is still footing the bill for them. He added that extending the stay of the divestiture provides no motivation for SBPG to end the negotiations. He asked that the FPA turn off the faucet, which would provide motivation for SBPG to do what it needs to do and raise St. Bernard Parish's millage in order to pay for its drainage and flood protection.

Mr. Morgan explained that the item before the Committee concerns the recertification of the LBBLD's existing millage rates for the 2019 tax roll. He stated that he had the same sentiments as the individuals who provided public comment and that currently no one is working to inform the public that one of the LBBLD's three millages (4.36 mills) will expire in 2020 and needs to be renewed. The FPA is negotiating with SBPG relative to its taking on the responsibility for the pumping and drainage system.

Mr. Luettich commented that the recertification of the millage rates would produce the same amount of revenue in 2019 as in 2018. The Board does not have the authority to assess new millages without a vote of the people. The FPA attempted to assess a new millage in St. Bernard Parish twice; however, the referendums failed. At a minimum, the millage that expires in 2020 should be renewed.

Mr. Luettich offered a motion, which was seconded by Mr. Miller, to recommend that the Board approve the recertification of the LBBLD millage rates. Mr. Morgan, Mr. Luettich and Mr. Miller voted in favor of the motion and Mr. Dastugue voted against the motion.

Mr. Morgan explained that if the Board does not recertify the LBBLD millage rates for the 2019 tax roll, no revenues would be received for calendar year 2019. He pointed out that if a Commissioner wished to make a strong statement, instead of voting against the recertification of the millage rates, he could vote at the Board meeting against extending the stay of the divestiture.

B. Discussion of the proposed execution of an agreement for deploying and leasing information technology infrastructure equipment to upgrade and migrate the FPA's current servers to a replicated private cloud infrastructure.

Derek Boese, Chief Administrative Officer, requested that the item be deferred until next month. The last proposal was received on May 14th and staff did not have sufficient time to properly assess it prior to the Board meeting. He was confident that staff would provide a recommendation next month after a very thorough analysis on the best way to go forward.

C. Review of 3rd quarter budget to actuals for Fiscal Year (FY) 2019.

Ms. Chandler reviewed the highlights of the year-to-date actuals compared to the budget at the 3RD quarter:

Flood Protection Authority:

- The FPA is under budget for the quarter mainly due to savings in Personnel Services because of vacancies during part of the fiscal year.
- The FPA is under budget for Training due to timing and Professional Services because expenses for certain IT related costs have not yet been incurred.
- The FPA is over budget on Materials and Supplies due to higher than expected costs (i.e., purchasing more laptops than anticipated for cycling and to replace old equipment).

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

General Fund Budget:

- The O.L.D. is running over budget for the year to date.
- Personnel Services is under budget mainly due to savings in the Maintenance Department.
- PCCP is under budget by \$153,000 for the year-to-date.
- Savings on the aforementioned items are offset by Police, which is over budget because of overtime required for high river inspections that have extended over the past 6+ months.
- Training is under budget.
- Professional Services are under budget because expenses have not been incurred this year for the GIWW east closure and bypass gate dive inspection,

audit fees that should have been budgeted at the Authority rather than district level, and the consolidation of drug testing at the Authority level.

- Materials and Supplies are slightly under budget because of lower than expected fuel costs for the PCCP and lower than expected supplies and fill material for levee maintenance.
- The intercompany debt negotiated between the FPA and the Non-Flood Protection Asset Management Authority (NFA) as part of the Memorandum of Understanding (MOU) between the two entities was adjusted resulting in an expense for FY 2019. The expense was not a cash transaction or a cash flow item. Expenses and debt related to the non-flood protection assets prior to Hurricane Katrina were passed on to the NFA after the division of the O.L.D. An agreement was reached during the negotiations that carrying over pre-Katrina debt and expenses to the NFA was not proper resulting in the adjustment of the intercompany debt.
- Machinery and Equipment is under budget due the timing of equipment delivery.

Mr. Miller questioned the amounts budgeted for insurance premiums. Ms. Chandler responded that the amounts budgeted for insurance premiums are skewed. In some instances, policies were issued for 18 months in order to achieve a January 1st renewal date; therefore, the premiums were larger due to the extended time period. She explained the difficulties encountered during the consolidation in attempting to determine how premiums would be paid and budgeted. Staff subsequently reviewed all of the insurance policies and determined how the coverages would be budgeted and paid going forward. In addition, staff assumed insurance costs would increase by 10 percent; however, costs were the same or lower than the previous year. In total the FPA is under budget for insurance, partially because some coverages were budgeted twice (at the Authority and district levels).

Special Levee Improvement (SLIP) Fund Budget:

- The SLIP Fund Budget is under budget for the 3rd quarter and is expected to remain under budget at the end of the fiscal year primarily due to the following:
 - Outfall Canal Erosion Mitigation Project - delayed due to the U.S. Army Corps of Engineers (USACE) permitting process,
 - Phase IV of the Seawall Erosion Control Project - delayed in order to first close out Phase III prior to commencing Phase IV.
 - Delay of the Visitors Center Project - Approximately \$750,000 is included in the next FY budget for the design of the project.
- The Floodgate Painting and Repair Project was about \$1 million over budget because the initial budget estimate was not updated after the design engineer submitted the final estimate for the project. The award of the construction project and funding for the work was approved by the Board.

Staff is reviewing the process for assigning project numbers to General Fund and SLIP Fund projects. The new Primavera software is anticipated to assist with this issue and with tracking projects.

- Overall the construction of the new O.L.D. Police Station was within budget. Due to timing, the project was under budget for last FY and over budget for the current FY.
- The Franklin Complex Renovations Project is over budget for the 3rd quarter, but under budget for the total project.
- The total SLIP Budget is \$16.4 million and total SLIP expenses are \$11.89 million. Expenses for some of the budgeted projects are not anticipated to be incurred until the 4th quarter.

East Jefferson Levee District:

- The EJLD is slightly under budget at the 3rd quarter.
- Personnel Services are slightly under budget due to vacancies in Maintenance; however, Police salaries are over budget because police details were not included in the FY budget and due to overtime. An explanation was provided concerning how police details were historically handled and how the responsibility shifted to the Finance Department. Staff will meet with Jefferson Parish's accounting staff and other agencies with a large number of police details to discuss how the details are recorded and treated to ensure that the FPA's procedures are correct. Police details are included in the FY 2020 Budgets.
- Contractual Services are under budget due to the inaccurate budgeting of Workers Comp (WC) and insurance premiums.
- Materials and Supplies are under budget due to lower than expected expenditures for parts, supplies and radios for Police, and lower than anticipated costs of fill materials for levee maintenance.
- The construction of the new EJLD Safe Room and Consolidated Facility was under budget last FY and over budget the current FY; however, the total project was within the project budget.
- Expenses for the Foreshore Protection Repairs have not been incurred. Discussions are ongoing between the FPA, USACE and Coastal Protection and Restoration Authority (CPRA) to determine whether the repairs are due to design, construction or maintenance issues.

Lake Borgne Basin Levee District:

- The LBBLD is over budget at the 3rd quarter with total expenses of \$5.3 million compared to a budget of \$3.6 million; however, the overage is related to monies that will be reimbursed by FEMA for levee realignment work at the Violet Canal and a pump station repair project. The reimbursement by FEMA is included in Revenues. The current fund balance is in the neighborhood of \$4 million to \$5 million.

- Personnel Services are under budget due to vacancies in the Pump Stations and Maintenance Departments.
- Professional Services are over budget due to legal fees related to litigation.
- Contractual Services are under budget because of lower than expected building and equipment maintenance costs, which is partly due to the LBBLD benefitting from the transfer by the O.L.D. and EJLD of older surplus equipment, and insurance costs that need to be adjusted.
- It was noted that Cost Sharing of Affiliates is for the LBBLD's allocated share of the Complex Structure Crew costs for a portion of the IHNC Surge Barrier and the Caernarvon and Bayou Dupre Gate Structures.

D. Discussion of revisions to the Orleans Levee District Fiscal Year 2019 Budget.

The following adjustments to the O.L.D. FY 2019 Budget are needed:

- \$500,000 for the extended warranty for the PCCP Caterpillar generators, which was approved by the Board at its meeting on March 21, 2019.
- \$241,568.71 for the installation of a bi-directional amplifier system at the PCCP pump stations. Approval of the award of the project is on the Board's agenda for today's meeting.
- \$6.5 million for the adjustment to the intercompany debt for the NFA in accordance with the MOU between the FPA and the NFA.
- \$366,000 adjustment in Revenues to provide for the Sewerage and Water Board of New Orleans' cost share for the following PCCP expenses: the extended warranty for Caterpillar generators and installation of a bi-directional amplifier system.

The Committee will recommend that the Board approve the adjustments to the O.L.D. FY 2019 Budget as stated above.

There was no further discussion; therefore, the meeting was adjourned at 10:00 a.m.