MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JUNE 20, 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 June 20, 2019, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 10:00 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 May 16, 2019.

Public Comments: None

Regional Finance Director's Report:

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

- The position of Administrative Coordinator in Finance has been filled.
- A meeting was recently held with the FPA's web developer relative to modifications to the FPA's website, including two new portals that will allow Police Reserve Officer applications and invoices to be uploaded directly into the Laserfiche system.
- Training sessions were held with the developers for the purchasing system. Work flows, approval levels, etc., are being set up to allow staff to enter requisitions into the system.
- Inventory levels at the Franklin Complex are being analyzed to ensure stock items are efficiently kept. A voucher system has been set up for safety boots for all locations. A safety vending machine is being set up to issue safety equipment, such as, safety glasses. Employees will receive an ID card that can be swiped and the items disbursed will be tracked.
- Drill point reports are still under development. The senior developers are working on eliminating recently discovered issues.

- Finance and Engineering staff met to discuss project coding for Special Levee Improvement (SLIP) Fund projects to ensure that all costs are captured. A new system is expected to be in place by July 1st to capture costs. Costs are also being captured on legacy projects for which project numbers were not issued.

Mr. Luettich congratulated Ms. Chandler on the leadership that she brought financially, culturally and organizationally to the FPA and thanked her for her efforts.

Mr. Morgan inquired about the tracking of costs to match budgets. Ms. Chandler advised that staff is getting increasingly better with this task, especially after receiving additional historical data, and is continuing to learn and refine the procedures.

New Business:

A. Discussion of the proposed execution of an agreement with Universal Data, Inc. for deploying and leasing information technology infrastructure equipment to upgrade and migrate the FPA's current servers to a replicated private cloud infrastructure for a period of five years at a cost of $331,901.65.

Roman Dody, Regional Director of Information Technology (IT), explained that competitive offers were received from three vendors (Universal Data, Inc., Semi Technology Solutions and Dell EMC). All three vendors met the FPA's technical expectations from a financial standpoint. Universal Data, Inc. provided the best option for the FPA from a long term perspective. He recommended that Universal Data, Inc. be selected to provide the IT infrastructure upgrade.

Mr. Miller thanked Mr. Dody for this efforts on this project. He explained that Mr. Dody first came to the Finance Committee with a single offer and the Committee instructed that he obtain additional offers. The agreement has been revised to omit the clauses that Committee members previously objected to and a 16 percent reduction in price was realized. Mr. Dody added that the lease program allows the FPA to refresh its IT infrastructure every four to five years in order to keep up with industry standards.

Mr. Miller recommended that the Committee accept Mr. Dody's recommendation. The Committee concurred with Mr. Miller's recommendation and will recommend that the Board approve the agreement..

B. Investment Update.

Ms. Chandler reviewed the FPA's investment holdings. She explained that the FPA is mainly invested in treasuries with a few government agency bonds. Long term interest rates are usually higher than short term rates; however, the yield curve has been very flat. Since the FPA would receive the same interest rate for two year or ten year investments, many of the FPA's investments have been placed in LAMP (Louisiana Asset Management Pool). LAMP is managed by the State Treasurer and is used by government agencies for their excess cash. The average maturity in LAMP is 365 days. LAMP has daily liquidity and has been paying very well.

Ms. Chandler advised that recently $1.6 million was received from FEMA in reimbursements for two Lake Borgne Basin Levee District (LBBLD) projects. Some of the excess cash was placed in LAMP in order to generate additional revenue. Only needed cash is retained in the levee districts' checking accounts and any excess cash is invested in LAMP to generate additional revenue.

Total LAMP investments are: Orleans Levee District (O.L.D.) SLIP Fund - $35.5 million, O.L.D. General Fund - $57.2 million, East Jefferson Levee District (EJLD) - $33.4 million, LBBLD - $1.8 million, and FPA - $3.6 million (BP settlement money). Previously, $1,235,000 was withdrawn from LAMP about a year and a half ago for cash flow purposes for the FPA. Adjustments have been made to the way that the FPA manages its cash and the number of transfers have been minimized; therefore, at some point these funds can be placed back into LAMP. The FPA and levee districts realize approximately $2 million per year in interest on investments, which can be utilized for long term maintenance purposes.

Ms. Chandler commented that the implementation of Primavera will assist with the timing of projects and will allow the timing of maturities to coincide with cash needs.

C. Discussion of revisions to the Lake Borgne Basin Levee District FY 2019 Budget.

Ms. Chandler explained that Board approval is required for the revisions to the LBBLD Fiscal Year (FY) 2019 Budget since the revision to expenses is over five percent. The revisions have no impact on the budget and reflect an increase in expenses and corresponding increase in revenues for FEMA related project costs and the reimbursement of those costs by FEMA.

The Committee will recommend that the Board approve the LBBLD FY 2019 Budget revisions.

D. Discussion of Louisiana Compliance Questionnaires for FY 2019.

Ms. Chandler advised that the Legislative Auditor requires that the Louisiana Compliance Questionnaires be completed each year in connection with the fiscal year financial audit. The Compliance Questionnaires certify that the FPA and levee districts are in compliance with State law.

The Committee will recommend that the Board approve the Compliance Questionnaires.

E. Discussion of non-project related costs in Special Levee Improvement (SLIP) Fund and approach going forward.

Ms. Chandler provided a schedule showing the breakdown of all non-project related costs. She explained that Finance and Engineering staff met to review the costs. Some of the costs will be re-classed to projects by the end of the year. These types of expenditures have not historically been captured well as project related costs. Fields are being set up in the accounting system to capture various project related information and costs for SLIP fund projects. Fees for collection of ad valorem taxes will continue to be a non-project related expense in the SLIP Fund.

Ms. Chandler explained that the voter approved Special Levee Improvement ad valorem tax, which generates approximately $20 million per year, is used for major capital projects. A small portion of this tax (.61 mills) goes to the Non-Flood Protection Asset Management Authority.

F. Discussion of insurance costs budgeted for Fiscal Year (FY) 2019 and FY 2020 insurance premiums for the non-flood protection assets.

Ms. Chandler explained she reviewed all insurance coverages for the FPA and levee districts as a result of the discussion that took place at the last Committee meeting. A comparison of insurance expenses for the past several years indicate that the FY 19 and FY 20 budgeted amounts are close in total. Several coverages were moved from the district to the Authority level. In addition, several policies were for an 18 month term in order to achieve a January 1st renewal date.

Ms. Chandler advised that the renewal of Property and NFIP insurance for the non-flood protection assets of the O.L.D. will be handled by the FPA (estimated at $334,000). A portion of these costs (approximately $189,000) will be reimbursed by tenants. Some of the smaller dollar valued non-flood protection assets will be reviewed along with risks and costs of coverage.

Mr. Luettich commented that the Memorandum of Understanding (MOU) between the FPA, on behalf of the O.L.D. and the Non-Flood Protection Asset Management Authority (NFPAMA) addresses the procurement of insurance coverage for the non-flood protection assets in order to achieve savings by bundling coverages; however, the MOU also refers to a pass through. He asked the reason for not recovering all costs for the insurance procured on behalf of the NFPAMA. Derek Boese, Chief Administrative Officer, clarified that the pass through referenced in the MOU refers to leases in which the tenants pay the NFPAMA an amount for insurance coverage as a part of their rent which would pass through to the O.L.D. The MOU places the responsibility for Property and NFIP coverages on the O.L.D. as the owner of the properties.

Mr. Miller pointed out that the insurance for the three PCCP pump stations is a new expense.

G. Discussion of the proposed purchase of property insurance coverage and NFIP insurance for the period 7/1/2019 – 7/1/2020 for Orleans Levee District assets managed by Non-Flood Protection Asset Management Authority (NFP) pursuant to the Memorandum of Understanding between the FPA and the NFP.

Ms. Chandler advised a meeting was held with Matt Byrd with Arthur J. Gallagher to discuss the property insurance marketplace, which is difficult and prices are increasing, in order to come up with a plan. Options were discussed, such as not insuring properties with a low dollar value, grouping properties, increasing deductibles depending on risk exposure, and scheduling renewals for January 1st. The January 1st pricing will be released in September, at which time the coverages and renewals can be reassessed in an attempt to minimize costs. Mr. Boese added that the coverages will be addressed on a short term basis and assessed to determine what should be done for the long term, such as moving the policies to a January 1st renewal date.

Mr. Luettich commented that he found the language in the MOU obfuscating as it discusses coverages to be procured by the FPA because of economy of scale and the pass through as though they were two separate messages. He encouraged the FPA to consider the language and clarify the intent of the MOU. He stated that if the NFPAMA is to be a separate standing organization, there should be a very clear financial trail and clear financial expectations regarding costs.

Mr. Boese advised that the NFPAMA historically paid for the Property and NIFP insurance costs; however, a legitimate question was bought up about whether the NFPAMA should insure assets that it does not own. Mr. Luettich commented that the FPA could insure the properties, but the NFPAMA could pay the costs.

Mr. Morgan explained that Gallagher is waiting for quotes due to changes that the FPA made this week; therefore, the resolution to be presented to the Board will include a not to exceed amount for the cost of the coverages since the renewal date is July 1st.

H. Discussion of a proposed Cooperative Endeavor Agreement between the FPA and Jefferson Parish relative to the 17th Street PCCP Pump Station.

Mr. Boese explained that an agreement was negotiated between the Coastal Protection and Restoration Authority (CPRA), Sewerage and Water Board of New Orleans (SWBNO) and FPA for the operation of the Permanent Canal Closures and Pumps (PCCP). The agreement provides for the SWBNO to pay 50 percent of the costs of operating the PCCPs. Since Pump Station 6 pumps into the 17th Street Canal, an agreement was negotiated with Jefferson Parish for the Parish to pay a share of the cost for the 17th Street Canal PCCP. A ratio was developed for cost sharing that uses the cubic feet per second flow, the number that the FPA can pump and the number that Jefferson Parish puts into the canal. The current estimated cost is about $170,000, and the not to exceed cost is $250,000. This is the same methodology for cost sharing used in Jefferson Parish's agreement with the SWBNO for Pump Station 6. The agreement would also accommodate the new pump stations that Jefferson Parish plans to add along Veterans Highway that will pump into the 17^{th} Street Canal. He recommended that the Board approve the proposed agreement with Jefferson Parish.

There was no further business; therefore, the meeting was adjourned at 10:37 a.m.