

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON NOVEMBER 21, 2019**

PRESENT: Quentin D. Dastugue, Chair
Mark L. Morgan, Committee Member
Herbert I. Miller, President

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on November 21, 2019, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Dastugue called the meeting to order at 10:10 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 October 10, 2019.

Public Comments:

Roy Arrigo stated that he was very upset about the delay in the transfer of the pumping and drainage functions to St. Bernard Parish Government (SBPG). He requested that the Commissioners carefully consider their vote on this issue and vote against extending the turnover of the pumping and drainage functions to SBPG.

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

- Staff is still reviewing the long term operations and maintenance costs provided by the FPA's consultant in order to establish reserves.
- Staff has been meeting with FEMA representatives concerning Hurricane Barry reimbursement. The local FEMA representatives have had to engage with upper management in Washington relative to allocation of FPA costs. FPA staff is considering consolidating levee district FEMA applications.
- Staff's current review of inventory includes looking for old stock and analyzing frequent purchases.
- Since the consolidation has taken place and processes have been standardized, staff is attempting to find a single software system that will integrate all needs agency-wide and is cost effective. Finance is using a number of different software systems and has spent significant money on consultants in order to obtain basic required information from the current systems. Derek Boese, Chief Administrative Officer, advised that this issue will be addressed in his report to the Board under the Asset Management Initiative.

New Business:

A. Discussion of designation of the FPA Chief Administrative Officer as the authorized signatory for all documents pertaining to Federal, State, local and other grants for the FPA, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District.

Mr. Boese advised that the requested designation would allow him to sign all grant related documents, including grant applications approved by the Board. Ms. Chandler added that the need to formally designate a signatory came up during meetings with FEMA and GOSEPH representatives regarding Hurricane Barry reimbursements.

The Committee will recommend that the Board approve the requested designation of signatory authority.

B. Discussion of adoption of FY 2019 Financial Audit Report as submitted.

Mr. Dastugue requested that the discussion of the Fiscal Year (FY) 2019 Financial Audit Report be deferred to the next meeting in order to allow sufficient time for its review.

Ms. Chandler noted that the Auditor's letter, which is made part of the Audit Report, states that there were no audit findings, no disagreements with management and no misstatements; therefore, it was a clean audit.

C. Discussion of renewal of certain insurance coverages.

Rusty Kennedy, Deputy CAO, advised that a number of insurance coverages for the FPA, East Jefferson Levee District (EJLD), Lake Borgne Basin Levee District (LBBLD) and Orleans Levee District (O.L.D.) will expire on January 1st. A spreadsheet providing a comparison of the renewal and expiring premiums was distributed. Mr. Kennedy and Matt Byrd with Arthur J. Gallagher provided information on the major coverages, as follows:

- EJLD Workers Compensation (LWCC) – There was an increase in the renewal premium (\$98,340). It was pointed out that credits for overpaid premiums in prior years were applied in 2019 reducing the expiring premium from approximately \$80,000 to \$28,000. The FPA reviewed all class codes in all divisions with the LWCC auditor to ensure the codes are correct. The EJLD MOD is 1.08; however, it includes injuries for which codes are no longer carried.
- O.L.D. Workers Compensation (LWCC) – The renewal premium is \$93,444.
- FPA Property Insurance (AmRisc) – The expiring premium is \$540,000 for an 18-month period; therefore, the estimated cost for a 12-month period is \$361,000. The renewal premium is \$415,206 and includes the new EJLD facility and Franklin Avenue Complex renovations. The property schedule is at replacement cost. Mr. Dastugue requested that a list of the insured values be provided.

- Liability Package (ACE American Insurance Company) – The expiring premium is \$1.1 million for an 18-month period. The renewal premium is \$688,700 for a 12-month period (a reduction in cost). Coverages are as follows: General Liability and Law Enforcement Liability - \$5 million per occurrence, and Auto Liability (300 units) - \$4 million per occurrence. Since policies with \$50,000 deductibles are no longer being written, the Property Insurance deductible increased from \$50,000 to \$100,000.
- FPA Workers Compensation (LWCC) – The renewal premium is \$302,952. The FPA MOD is 1.03.
- Equipment (AGCS Marine Insurance Company) – The renewal premium is \$44,624 due to increased equipment purchases and values. An additional endorsement was included to allow new equipment purchased at a cost of \$500,000 or less to be automatically covered once the equipment is acquired. The premium will be tried at the end of the year and the FPA will pay one-half the rate for the additions, in lieu of individual transactions throughout the year.
- Pollution (Allied World Assurance Company) – The expiring premium is about \$55,000 and the renewal premium is \$56,395. The site pollution policy covers fuel tanks at facilities owned and operated by the levee districts. The new EJLD facility fuel tanks have been added. The tanks at the old EJLD facility are in the process of being removed. The LBBLD pump stations are still covered in order to ensure coverage is maintained. The premium will shift to SBPG upon transfer of the pump stations.
- Auto Physical Damage (Lexington Insurance Company) – The expiring premium is \$56,397 and the renewal premium is \$61,150. The total insured value for last year was \$2.1 million. The current insured value is \$3 million. A decision was made last year to put a \$10,000 retention in place for vehicles. The insurance schedule includes vehicles valued at \$20,000 or more.
- Public Officials Liability (Illinois Union Insurance Company) – The limit basically remains the same. The renewal premium of \$70,848 is \$43 less than last year on the public officials' component and \$15 on the cybersecurity component. The limit on crisis management was increased from \$50,000 to \$100,000.

Mr. Byrd advised that the total cost of the renewal premiums is \$1.8 million. The net result of comparing the expiring and renewal premiums is flat. He informed the Committee that about three years ago a legislative change was made to the surplus lines tax statute to exempt political subdivisions with a population of not less than 350,000 from surplus lines taxes. Arthur Gallagher will gather the data on the surplus lines taxes paid over the three-year period and apply to the State for reimbursement.

The Committee will recommend that the Board approve the renewal of the insurance coverages.

D. Discussion of FY 2020 Budget to actuals for first quarter.

Ms. Chandler advised that the FPA's General Operating costs for the first quarter total \$11.3 million (21% of the budget). Only one percent was expended for the quarter for Capital Outlay. She reviewed highlights of the FY 2020 Budget to actuals for the first quarter:

Maintenance:

- Personnel Services: Under budget primarily due to 52 open positions. Regionalization will change the structure of the department over the year.
- Contractual Services: Under budget primarily due to the inclusion of estimated costs for contracted grass maintenance services. At this time crews are being supplemented from one levee district to another to meet grass maintenance needs. After the U.S. Army Corps of Engineers (USACE) returns the lakefront levee to the EJLD, it will become more difficult for the FPA to continue this practice and the work may be bid and contracted.
- Materials and Supplies: Over budget mainly due to the purchase of sandbags for Hurricane Barry for which the FPA will be reimbursed approximately \$50,000.
- Machinery and Equipment: Under budget primarily due to orders being placed, but not yet received. The budget should be in line by the end of the year.

Operations:

- Professional Services: Under budget primarily because services were budgeted in Operations for the PCCP and complex structures; however, the costs are paid through the SLIP Fund Budget. Professional Services for the PCCP will not be included in the Operations Budget next year.
- Personnel Services: Slightly under budget due to two open positions at the LBBLD that were placed on hold due to the turnover of the pump stations.
- Materials and Supplies: Under budget due to lower than expected expenditures for parts and fuel. Fuel had been topped off prior to hurricane season.
- Machinery and Equipment: Under budget due to orders being place, but not yet received.

Police: (overall in line with budget)

- Professional Services: Under budget primarily because the contracted cost for grant applications was budgeted for the entire year; however, the contract expired in November.
- Contractual Services: Over budget due to the cost of moving to the new EJLD facility, which was split between Police and Maintenance, and higher than expected voice and data services at the new facility.
- Materials and Supplies: In line with budget.
- Machinery and Equipment: Under budget due to orders being placed, but not yet received. The line item is anticipated to be over budget by the end of the year

because the costs of sirens, decals and other items required for Police vehicles and motorcycles were not budgeted.

Administration:

- Administration is over budget overall due to the settlement payment of \$233,000 to Gabriel Properties for the EJLD and higher than expected software maintenance costs.
- Personnel Services: In line with budget.
- Training and Travel: Slightly under budget due to reduced travel expenses for Commissioners.
- Professional Services: Over budget due to higher than expected legal fees and audit fees. Audit fees are expected to be in line by the end of the year.
- Contractual Services: Over budget primarily due to LWCC being budgeted by levee district; however, the first quarter's expenses were recorded in Administration and must be allocated to the districts. In addition, software maintenance costs for Spreadsheet Server (reporting software for Finance) and Primavera (Engineering) were higher than expected, and payment was made for the annual Microsoft Sequel, Office and Windows server licenses (IT).
- Parts and Supplies: Over budget due to IT related expenses and purchase of a fluoride tester by Engineering to test water at MRL seepage points.

Capital Outlay:

- The FPA anticipated paying the USACE \$7 million for the levee lift portion of ARM-09; however, the money was transferred to the USACE before the end of FY 2019.
- The bid opening for the Seawall Erosion Phase 4 Project was delayed and construction is anticipated to begin in March.
- The Outfall Canal Erosion Repair Project will be advertised on December 6th and construction is anticipated to begin in March.
- The FPA is awaiting advice from the Coastal Protection and Restoration Authority (CPRA) regarding funding for the levee recertification project.
- The Regional Finance Director will reevaluate the preparation of future Capital Outlay budgets and anticipates budgeting expenses over a longer time period (two or three years). This approach was recommended at the Government Finance Officers Association's annual conference.

E. Discussion of establishing reserves for the Hurricane and Storm Damage Risk Reduction System.

Ms. Chandler provided a first draft schedule of the O.L.D.'s anticipated long term maintenance costs and corresponding annual reserves. The annual long term cost estimates provided by the FPA's consultant (MOCA) are being reviewed by staff. The draft schedule, which provides a starting point for establishing reserves and will be

revised, includes the cost share for pre-Katrina work, insurance deductibles presenting significant cost exposures (e.g., the 3% wind deductible for the PCCP), future levee lifts, Orleans Lakefront Seawall (steps) repairs and PCCP costs.

Mr. Morgan advised that the establishment of reserves was brought up during the discussion of the certification of O.L.D. millage rates. He noted that the draft schedule indicates that the O.L.D.'s annual reserve should be about \$35 million.

Ms. Chandler pointed out that some of the items are upfront, not on-going, expenses, such as the pre-Katrina cost share and working capital. The estimated total long term expenses in the draft schedule total \$129,620,072. The current investment balance is \$110,000,000. The current practice is to reserve 10% of revenues (about \$5 million per year for the O.L.D.). Establishment of reserves will ensure that sufficient monies are being set aside. The same exercise will be done to establish reserves for the EJLD and LBBLD.

There was no further business; therefore, the meeting was adjourned at 11:00 a.m.