

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MAY 21, 2020**

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (Authority or FPA) met on May 21, 2020.

In accordance with Section 2 of the Governor's Proclamation Number 59 JBE 2020: Renewal of State of Emergency for COVID-19 Extension of Emergency Provisions, the Southeast Louisiana Flood Protection Authority – East held its May Finance Committee meeting, scheduled for Thursday, May 21, 2020, virtually via video conference. The video conference was livestreamed for observation by the public, accessible from the following link: <https://stream.lifesizecloud.com/extension/2000076559/d7307d29-07a1-4d48-8d55-9318165661e6>

Consistent with La. R.S. 42:14(D), public comments could be submitted via email to comments@floodauthority.org beginning 30 minutes prior to commencement of the meeting and continuing until the Public Comment item on the published agenda was reached, at which point comments received would be read into the record. Public comment submittals were to include the commenter's name and who they represent.

Mr. Dastugue called the meeting to order at 9:30 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted by the Committee.

Approval of Minutes: The minutes of the March 19, 2020, Finance Committee meeting were approved.

Public Comments: No public comments were submitted.

Regional Director's Report:

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

- Staff is continuing the cleanup of the storeroom. New shelving was put in place and items re-shelved.
- Over 60 vendors have signed up for ACH payments; the number signing up continues to grow.
- The first draft of the Long-Term Operations and Maintenance (O&M) Costs was completed and will be reviewed in conjunction with the FPA's level of reserves.

- The process for online vendor invoice submittal is being refined. A portion of the coding automation has been completed.
- The project to automate travel expense reimbursements has been started.
- Staff has been working remotely during the COVID-19 public health emergency.
- Bids are being requested for grass cutting services.
- Staff is preparing for the upcoming annual financial audit.

New Business:

A. Review of third quarter budget to actuals

Ms. Chandler reviewed the third quarter (thru March 31st) budget to actuals:

FPA combined budget:

- Expenditures are slightly under budget. Approximately \$29 million has been spent compared to a budget of \$31 million.
- Revenues are over budget. The East Jefferson Levee District and Lake Borgne Basin Levee District received a greater amount of ad valorem tax revenues than anticipated. In St. Bernard Parish taxes were received from refineries that are no longer exempt from paying ad valorem taxes and additional taxes were found to be owed as the result of an audit.

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

- Expenditures are \$1.7 million under budget, excluding Capital Projects, primarily due to unfilled positions in Maintenance.
- Contractual Services is under budget due to the delay in bidding grass cutting services.
- Complex Structures expenditures are in-line with the budget.
- Permanent Canal Closures and Pumps (PCCP) is slightly under budget (\$400,000) due to uncertainties when budgeting professional support services.
- Personnel Services is slightly over budget due to unplanned increases in salaries for several positions.
- Fuel is under budget; however, an order will be made prior to the fiscal year's end.
- O.L.D. Police is over budget.
- The O.L.D. is projected to end the fiscal year (FY) with a breakeven budget or with a net surplus (possibly \$500,000 to \$1 million), excluding Capital Projects. Tax revenues and state revenue sharing monies have been delayed.
- Capital Projects are significantly under budget (\$16.5 million). The \$7 million payment to the U.S. Army Corps of Engineers (USACE) for the levee lift portion of the ARM-09 contract was budgeted in FY 2020; however, the payment occurred in June, 2019. The Seawall Erosion Control Reach 3A Project (\$2.8 million) and

Outfall Canal Erosion Control Project have just started; therefore, the expenses will occur in the next FY. Several small Franklin Facility projects will be accomplished in the fourth quarter.

East Jefferson Levee District (EJLD):

- EJLD is \$3 million under budget. EJLD Revenues are \$800,000 over budget since ad valorem tax revenues have been greater than anticipated.
- Maintenance is \$900,000 under budget mainly due to unfilled positions in Personnel Services and Contractual Services being under budget for grass cutting services since staff was able to perform this work in-house. The purchase of fill materials and radios will take place in the fourth quarter.
- EJLD Police is over budget about \$50,000 because of higher than expected insurance premiums, software maintenance costs and miscellaneous Contractual Services costs related to the move to the new facility.
- EJLD is projected to have a \$4.7 million end of the year surplus, not including Capital Projects.
- Capital Projects are under budget partly because the Outfall Canal Erosion Control Project (17th Street Canal) is just starting, and the Lakefront Protected Side Drainage and Sheetpile Renovation Projects have not yet commenced.

Lake Borgne Basin Levee District (LBBLD):

- LBBLD is \$400,000 under budget. LBBLD Revenues are over budget.
- Maintenance is \$450,000 under budget, partially due to open positions in Personnel Services and an allocation from the O.L.D. to the LBBLD under Contractual Services for Maintenance. Excluding the cost allocation, Contractual Services is under budget \$144,000 basically due to grass cutting services not yet being bid.
- Pump Stations are slightly under budget (\$100,000) due to unfilled positions in Personnel Services. The hiring of personnel was delayed due to the anticipated turnover of the pump stations; however, the positions are now filled.
- Professional Services is slightly over budget because of costs related to the cleanup of a diesel spill in the wetlands.
- LBBLD is projected to end the FY with a \$3.6 million surplus, excluding Capital Projects.
- Capital Projects are slightly over budget since most of the projects involve FEMA reimbursements. The accrual of FEMA revenue is not allowed by the auditor unless payment is ensured within 60 days.

Mr. Dastugue inquired about the work at the Soap Factory. Chris Humphreys, Director of Engineering, explained that the Soap Factory was formerly part of the levee alignment and had to be demolished and a new levee constructed in order for the non-federal levee to be accredited by FEMA. The levee is currently provisionally accredited.

Mr. Dastugue asked did the FPA cut the grass on any lands that are not part of a levee. Derek Boese, Chief Administrative Officer, advised that Bayou St. John is the primary area not directly related to flood protection where the grass is maintained by the O.L.D. The maintenance, which had been performed in-house, will be contracted. Mr. Dastugue requested that he be informed about the cost when the work is contracted.

Flood Protection Authority:

- The FPA is slightly under budget (\$300,000) due to savings in Personnel Services as a result of unfilled positions in various departments.

Ms. Chandler summarized the projected end of the fiscal year surpluses, not including Capital Projects: O.L.D. - \$500,000 to \$1 million, EJLD - \$4.7 million, and LBBLD \$3.58 million. She advised that she will contact the assessors to obtain better information on potential forthcoming tax revenues in order to better refine the projections.

B. Discussion of future financial impact of COVID-19.

This discussion of this item took place during the discussion of Item C.

C. Discussion of Long-Term Operations and Maintenance Costs and Required Reserves.

Ms. Chandler advised that the first draft of the Long-Term Operations and Maintenance (O&M) Costs was provided for discussion. Multiple discussions are anticipated on the proposed methodologies and various scenarios (e.g., conservative, medium and more aggressive estimates) will be developed after a methodology is approved. Certain elements, such as the Permanent Canal Closures and Pumps (PCCP), will have a wider cost range due to unknowns. Reserves will be established in the future.

Ms. Chandler reviewed the first draft costs developed for the O.L.D. and explained the methodologies used. Cost estimates for the three levee districts were similarly developed. The major cost categories are Administration, Inspections, Levee Operations, Floodwalls and Floodgates, Complex Structures, PCCP and Lakefront (non-storm related).

O.L.D. Administration consisted of the following subcategories:

- FPA Administrative costs – An allocation of FY 2019 actual expenses.
- Engineering – An allocation of FY 2019 actual expenses.
- Police - 100% of amount expended last year for the O.L.D. Police Department.
- Administrative Operations – An allocation of FY 2019 expenses for the regional Maintenance Director and Maintenance Administration.
- Facilities – Includes on-going maintenance costs based on FY 2019 actual costs and utilities.
- Facilities Major Repairs – Estimated at \$3 million every 25 years for major renovations, repairs and roof replacements.

- Storm Operation Expenses – Includes anticipated overtime for a storm and an allocation of the Engineering labor expenses for the Emergency Operations Center. Estimates were based on historical experience with assumptions that a minor storm lasting about three days will occur every five years and a major storm lasting about five days will occur every fifteen years
- Storm Operations - Fuel – Estimated cost for fuel for the Franklin Avenue and Elysian Fields Avenue facilities.
- 2057 Elevation Upgrades – The USACE estimated a cost of \$2 billion for system-wide elevation upgrades starting in 2057. St. Charles Parish (about 5.9% of the system) was included in the USACE's estimate. The local cost share is 15% or a total of \$300 million. The FPA's cost share (approximately 94% of the system) is \$282,300,000. The amortized annual payment is \$16,172,000 (using an interest rate of 4%). The O.L.D.'s allocation of the amortized annual payment is used.

Mr. Dastugue inquired about the Lakefront Management Authority (formerly the Non-Flood Protection Asset Management Authority) in relationship to the O.L.D.'s budget. Ms. Chandler explained that the Lakefront Management Authority receives a portion of the SLIP tax revenues (as provided in the SLIP tax renewal proposition).

Ms. Chandler advised that the approved FY 2021 Budgets were submitted to the State prior to April 1. Mr. Dastugue asked about a potential delay of capital purchases. Ms. Chandler explained that a delay was discussed; however, since the financial impact of COVID-19 depends on the recovery, the impacts cannot yet be determined. Factory shutdowns could delay delivery of certain equipment budgeted for purchase in FY 2021.

Ms. Chandler returned to the review of the O.L.D. long-term O&M cost categories:

- Inspections and Surveys – The survey, inspection and recertification of the Hurricane and Storm Damage Risk Reduction System is estimated at \$3 million every 10 years. Estimates are included for annual complex structure surveys based on actual expenses and for subsidence surveys every three years based on historical costs.
- Levee Operations and Repairs – Estimated costs are based on FY 2019 actual expenses and include in-house costs, contractual costs of levee repairs, and lifts of the Lakefront Levee (every 10 years), East Levee (every 7 years) and Back Levees (every 12 years) with the estimate based on the ARM-09 armoring-levee lift project.
- Floodwalls and Floodgates – Estimated costs include in-house work, contracted work based on FY 2019 actual expenses, and blasting and painting floodgates every 30 years (207 gates or 106,593 sq. ft. at a cost of \$50 per sq. ft.).
- Complex Structures – Estimates are based on actual FY 2019 expenses for in-house maintenance. A 15-year cycle is used for the periodic maintenance of the Complex Structure gates (8 gates at \$125 per sq. ft.). Complex Structure facilities (e.g., control rooms) repairs/upgrades are estimated at \$150,000 every 25 years.
- PCCP Operations – Actual FY 2019 expenses are used to estimate the annual operating costs. An estimate of \$10 million is included based upon a 15-year cycle

for major repairs (e.g., motor overhauls); however, this is an unknown area since no historic information exists.

- Non-Storm – Includes the proposed Lakefront Airport Floodwall currently estimated at \$150 million with a 50-year payback of \$3 million per year. FY 2017 – 2019 costs were averaged to calculate the estimate for repaving (asphalt) Lakeshore Drive every 25 years. Costs are included for the on-going Seawall Erosion Control Project. An average of the past three years' costs is used for the annual repair estimate.

Ms. Chandler explained that certain factors were not included that should be considered strategically, such as, potential repairs to the seawall steps, establishment of a six-month working capital reserve, an emergency reserve and self-insurance reserves. The annual costs are compounded using a 0.5% escalation. She requested input from the Committee on the methodologies and estimates used. Estimates that staff are least confident about will be highlighted and will include a cost range.

Mr. Miller asked about projected revenues. Ms. Chandler explained that the ad valorem tax revenues were reviewed and could potentially be impacted by uncollected property taxes. Interest income is expected to decrease, but not significantly. The O.L.D. receives some mineral royalties. State Revenue Sharing is also a source of revenue

D. Discussion of Permanent Canal Closures and Pumps Property Insurance.

Rusty Kennedy, Assistant CAO, advised that the PCCP Property Insurance was due for renewal on May 4th. Starr Tech provided a premium quote of \$302,040 with a Limit of Insurance of \$129,620,000 and a 3% deductible on unnamed storms. The renewal of coverage was approved by the President. Ratification of the President's action has been placed on the Board's agenda. Staff will continue reviewing the valuation of the PCCP and risks as additional experience is gained.

The Committee will recommend that the Board ratify the renewal of the PCCP Property Insurance coverage.

There was no further discussion; therefore, the meeting was adjourned at 10:35 a.m.