

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON OCTOBER 15, 2020**

PRESENT: K. Randall Noel, Acting Chair, Committee Member
Lambert J. Hassinger, Jr., Committee Member
Mark L. Morgan, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on October 15, 2020, in the St. Bernard Parish Council Chambers, St. Bernard Parish Government Complex, 8201 West Judge Perez Drive, Chalmette, Louisiana. Mr. Dastugue was unable to attend the meeting; therefore, Mr. Noel chaired and 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 September 17, 2020.

Public Comments: None

Regional Finance Director's Report:

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

- The Fiscal Year (FY) 2020 Financial Audit has been completed. The draft financial statements were received by staff. A few minor adjustments are being made and an updated draft will be received and submitted to the Board for adoption next month. There were no audit findings.
- The updated Purchasing Policy has been completed.
- The reserve analysis has been completed and will be reviewed at today's meeting.
- Additional licensing was obtained for the new reporting software. Training will begin next month for end users so that they will be able update budget to actuals and obtain real time data. Project costs are currently being tracked manually on spreadsheets. Staff is working on writing a report in order to provide to real time data on project costs.
- Work continues on the Purchasing Data Base Redesign. Inventory information and data are being reviewed and updated (e.g., minimum and maximum levels, reorder notifications and units of measurement).

New Business:

A. Discussion of the Updated/Revised Purchasing Policy dated October 15, 2020.

Ms. Chandler advised that the current Purchasing Policy was developed in 2018 after the regionalization of the organization and that modifications and updates were needed. She reviewed the major changes to the Policy:

- Section B was added (Role of the Purchasing Department) to explain the Purchasing Department's function.
- Language was included in Section D (Vendor Selection) to ensure vendors are in good standing on the Federal and State levels relative to licensing.
- The description of the Purchasing Process was expanded (Section E).
- The approval levels located in various sections throughout the 2018 Purchasing Policy were consolidated and placed in one section of the updated Purchasing Policy. The consolidated listing of approval levels will apply to all Purchases (e.g., services, materials and supplies, and rentals). In addition, purchasing requirements are as follows:
 - Purchases up to \$10,000 – no bids or quotes are required.
 - Purchases from \$10,000 - \$30,000 – three quotes are required.
 - Purchases over \$30,000 – require a bid process.
- Section H was added which specifically deals with Public Works Contracts and mirrors the provisions provided in the LA Revised Statutes.
- In Section I (Professional Service Contracts), the provision that required the appointment of a selection committee was changed to state "A selection committee may be appointed", in order to provide flexibility depending on the nature of the services. The composition of the selection committee was changed to no longer require that the members include a Commissioner, the Chief Administrative Officer (CAO), and one other person. The updated Policy allows selection committees to consist of a Commissioner or his/her designee, the CAO or his/her designee and one other person.
- The provision in Section K relative to change orders was revised to provide that change orders greater than \$100,000 or accumulative change orders greater than \$100,000 must be approved by the Board. The 2018 Purchasing Policy provided authority for the CAO to approve contracts under \$100,000; however, change orders over 10 percent of the contract amount were to be approved by the Board. Change orders for a small contract could be over 10 percent of the contract amount; however, the accumulative sum of the initial contract amount and the change order could be significantly less than \$100,000.

Mr. Morgan recommended that credit card receipts be turned in within three days of the actual charge in lieu of ten days after receipt of the statement and that the credit card limit match the person's credit limit. Ms. Chandler explained that the MCC codes are

limited so that certain groups of items are excluded and cannot be inappropriately purchased.

The Committee voted unanimously to recommend that the Board approve the updated Purchasing Policy, subject to the inclusion of the recommendations offered by Mr. Morgan.

B. Discussion of establishing reserve accounts for future Hurricane and Storm Damage Risk Reduction System (HSDRRS) costs.

Ms. Chandler explained that the same methodology was used to estimate the costs for the East Jefferson Levee District (EJLD), Lake Borgne Basin Levee District (LBBLD) and Orleans Levee District (O.L.D.). Schedules were provided pertaining to each levee district. The first schedule provides details relative to how costs estimates were calculated and the assumptions. The second schedule provides the estimated reserves required for specific costs, when the funding would be needed, how often the funds need to be replenished for recurring purposes (e.g., 10-year HSDRRS re-certifications), and the amount to be set aside annually to fund the particular costs. The calculations do not include inflation or discounting of money. The schedule also provides for the set aside that would be needed to fund the first occurrence of a cost (e.g., the three-year period to set aside funding for the HSDRRS 10-year re-certification scheduled for 2024). This information was used as a basis for a third schedule to segregate the levee districts' investments into specific accounts for the specific purposes. Calculations determined the additional reserves to be set aside each year to ensure the required funding is in place when a need occurs. The reserves schedule is expected to be a living document that is continually refined and improved since the costs associated to some projects (e.g., the Permanent Canal Closures and Pumps) have not yet been fully determined and future information and data could result in adjustments to certain specific long term costs.

Ms. Chandler stressed that there are two big takeaways. First, the 2073 (50-year) U.S. Army Corps of Engineers (USACE) plan for elevation is a huge unknown as far as timing, cost share and potential bonding (interest rates and payback). The EJLD, LBBLD and O.L.D. do not have sufficient income to cover the bonding of their potential cost share. The Board must consider this issue and develop a plan. Second, the financial condition of the LBBLD. After expenses, the LBBLD does not have sufficient monies to set aside reserves in the first year for its anticipated long term costs even with the \$3.6 million transfer from the BP Settlement to the LBBLD and the divestiture of the pumping and drainage to St. Bernard Parish Government. The LBBLD's current annual operating costs cover only bare bones maintenance and do not include one-time projects, such as the Violet Canal North Realignment Project. A point will be reached when the LBBLD will not have sufficient cash to pay for any major work that is needed.

Ms. Chandler advised that an item will be placed on next month's Finance Committee Agenda to further discuss the HSDRRS reserves and that she would recommend the

reserve amounts to be established for each line item. Upon approval, the investments will be segregated into accounts for each specific line item and specific purpose.

C. Discussion of the proposed execution of an Intergovernmental Agreement with the Coastal Protection and Restoration Authority Board regarding the Hurricane and Storm Damage Risk Reduction System (HSDRRS) Risk Assessment Accelerated Levee System Evaluation.

Derek Boese, CAO, explained that from a legal document standpoint, the proposed Intergovernmental Agreement (IGA) is similar to previous IGA's with the Coastal Protection and Restoration Authority (CPRA). CPRA entered into an agreement with the USACE for the HSDRRS re-certification. The proposed IGA designates the FPA's cost share (\$359,000) for the USACE and CPRA to execute the work. The funding must be submitted to the CPRA within 15 days because the effort is moving forward fairly rapidly. CPRA is the appropriate entity to manage the effort as the West Bank & Vicinity HSDRRS is included in the re-certification. The total cost share (\$800,000) was allocated between the FPA-East and FPA-West with a small portion of the cost share to be paid by the Pontchartrain Levee District. FPA staff recommended approval of the IGA with CPRA.

The Committee voted unanimously to recommend that the Board approve the proposed IGA with CPRA.

There was no further business; therefore, the meeting was adjourned at 10:25 a.m.