

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON OCTOBER 19, 2023**

PRESENT: William A. Settoon, Jr., Chair
Roy M. Arrigo, Committee Member
K. Randall Noel, Committee Member
Deborah M. Settoon, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on October 19, 2023, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, La. Mr. Settoon called the meeting to order at 10:30 a.m.

Opening Comments: Mr. Settoon welcomed everyone to the meeting. He commented that he had been out of town and had missed several things that had recently taken place.

Adoption of Agenda: The Committee adopted the agenda.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on September 21, 2023. Mr. Noel abstained from the vote.

Public Comments: None.

Regional Finance Director's Report:

Denise Williams, Regional Finance Director, provided the following report:

- The Finance Department is currently fully staffed. Two new accountants were hired and start work on October 30.
- The LAMP (Louisiana Asset Management Pool) interest rate was holding at 5.36 percent and the FPA's balance in the LAMP account was \$99.5 million.
- The bi-annual auction of surplus items will be held on November 14. The list of items to be auctioned was included in the backup for the Board meeting. The last auction held in 2021 generated total revenues of approximately \$825,000.

Mr. Noel asked to be provided the interest rate earnings for the Orleans Levee District.

Ms. Settoon inquired about the source of the funds in the LAMP account. Ms. Williams replied that the source was primarily tax revenues.

New Business:

A. Presentation of results of Fiscal Year 2023 Financial Audit by audit firm Ericksen Krentel.

Josh Faubert, CPA, CITP, Manager, Accounting and Audit Services Section, Ericksen Krentel, provided the results of the Fiscal Year (FY) 2023 Financial Audit.

Audit Scope and Conclusion:

The FPA is subject to the following:

- Governmental Auditing Standards
- Louisiana Governmental Auditing Guide
- Uniform Guidance (applies when over \$750,000 of federal funds are received).
- Typical audit standards

The FPA and Lakefront Management Authority (LMA) financials are combined in the audited June 30, 2023, financial statements. The audit expressed an unmodified opinion on the financial statements dated October 4, 2023. It also expressed a fairly stated “in relation to” opinion on the following schedules:

- Schedule of expenditures of federal awards and notes
- Schedules of Commissioner’s Per Diem and Compensation, Benefits, and other Payments to Agency Head
- Annual Fiscal Report to the Office of the Governor (AFR)

No assurance was expressed, but certain procedures were applied: (1) Management’s Discussion and Analysis and (2) Required supplementary information and schedules.

The FPA received an unmodified (clean) opinion stating that the financial statements are fairly stated in accordance with generally accepted accounting principles.

Statements of Net Position –Assets and Deferred Outflows:

The financials were addressed on a high level with FPA and LMA financials combined. Approximate dollar amounts are shown herein.

Assets totaled \$6.95 billion and are made up of the following:

- Capital assets \$6.7 billion (97 percent of the assets and deferred outflows). The Hurricane and Storm Damage Risk Reduction System (HSDRRS) accounts for \$5.6 billion of the capital assets.
- Cash and investments - \$181 million
- Accounts receivable - \$7 million
- Other - \$3 million

- Pension and OPEB (Other Post-employment Benefits/health insurance) - \$15 million
- Lease receivables - \$31 million (\$30 million LMA for long term leases)

Statements of Net Position – Liabilities, Deferred Inflows and Net Position:

- Investments in capital assets - \$6.7 billion
- Restricted net position - \$500,000
- Unrestricted net position - \$124 million
- Accounts payables and accruals - \$19 million
- Subscription liabilities - \$461,000 (a new standard related to IT arrangements)
- Other - \$954,000
- Lease deferred inflows - \$30 million
- Net pension and OPEB - \$63 million (actuarially determined)

Statements of Changes in Net Position:

The total net loss was \$134 million. The HSDRRS is being depreciated over a 40-year life. Depreciation of the HSDRRS for FY 2023 was \$145 million (included in Flood Protection total of \$217 million). Depreciation in total was \$181 million. The depreciation of the HSDRRS will produce net losses over the life of the system.

Sources of funds include: grants - \$6.6 million; charges for services (primarily LMA leases) - \$8.4 million; and investment income - \$4.1 million.

Changes in Fund Balances - FPA, Orleans Levee District (O.L.D.), East Jefferson Levee District (EJLD) and Lake Borgne Basin Levee District (LBBLD):

A view of activities excluding police details and long term items indicates a net income of \$28 million.

Communications with Those Charged with Governance:

Auditor Responsibilities:

- The financial statements are the responsibility of management of the Authority. The auditor's responsibility is to form and express an opinion based on the audit and to plan and perform the audit to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement.
- The audit includes consideration of internal control, but does not provide an opinion on its effectiveness.
- To inform those charged with governance of any material illegal acts discovered: None were noted.

Significant Audit Matters:

- GASB 96 is a new accounting policy adopted for Subscription Based Information Technology Arrangements.
- There were no transactions lacking authoritative guidance or consensus or significant transactions recognized in the financial statements in a different period than when the transaction occurred.
- Sensitive estimates affecting the financial statements were: depreciation expense, pension and OPEB liability, lease receivables, and the amount due for Pre-Katrina U.S. Army Corps of Engineers (USACE) projects (\$13 million accrual).
- Financial statement disclosures were neutral, consistent and clear.
- No difficulties were encountered while performing the audit.
- Uncorrected misstatements were not material either individually or in the aggregate to the financial statements taken as a whole.
- There were no disagreements with management.
- The auditor requested certain representations from management which were provided in the form of a Management Representation Letter.
- There were no management consultations with other independent accountants.
- There were no other audit findings or issues.

Relative to internal controls, there were no material weaknesses, significant deficiencies or incidents of non-compliance material to the financial statements. Relative to Uniform Guidance, there were no material weaknesses or significant deficiencies in the internal control over compliance and no instances of noncompliance that could have a direct and material effect on the Authority's major federal programs.

Mr. Faubert thanked FPA staff for providing items timely, which allowed the audit to be kept on track. The FY 2023 audit was the sixth audit of the FPA conducted by Ericksen Krentel. The Legislative Auditor's Office will request bids for next year's audit.

It was noted that the FPA was paying the correct share as required by LASERS (Louisiana State Employees Retirement System) for employees and that these funds are a portion of the total pension liability.

Kelli Chandler, Regional Director, advised that \$11 million was the latest estimate of the amount due the USACE for Pre-Katrina projects. The amount due is still under review and has been delayed due to the Permanent Canal Closures and Pumps (PCCP) pump issues. The initial estimate of \$27 million was reduced to \$11 because additional credits were identified. There was no cost share on the PCCP.

Mr. Faubert explained that subscriptions (\$461,000) primarily consisted of PRONTO payments (includes data hosting and other items to help PRONTO operate) over the

next five years discounted back to present value. There was also a right-of-use asset (Other) related to this matter.

B. Discussion of the proposed updated Memorandum of Understanding between the FPA and the Lakefront Management Authority (formerly the Non-Flood Protection Asset Management Authority) for the Management of the Non-Flood Assets of the Orleans Levee District and recommendation to the Board.

Mr. Settoon advised that he was not involved in the meetings that transpired relative to the Memorandum of Understanding (MOU).

Stanley Cohn, FPA representative on the LMA Board, reported that on-going discussions about the MOU had taken place since last month's meeting. On October 18 a meeting was held with a representative group from both entities. The participants included two FPA Commissioners (President Clay Cosse and Commissioner Roy Arrigo), two LMA Commissioners (Chair Anthony Richard and Commissioner Stanley Cohn), the FPA Regional Director, LMA Executive Director, attorneys for both the FPA and LMA, and the FPA engineer. The participants came to an understanding and found a way to resolve the issues. Additional time was needed for the attorneys to draft the new document and provide it to the Board for review. Mr. Cohn advised that from a LMA standpoint he supported deferral of the MOU for one month.

Mr. Arrigo commented that the October 18 meeting was a good meeting and thanked Mr. Cohn for his participation and Mr. Richard for keeping things on track. Mr. Cosse commended Mr. Cohn for keeping the meeting on track.

Ms. Settoon stated that she and Mr. Arrigo had a task. She advised that after looking at State statutes and the FPA's enabling legislation they found that the FPA cannot give or donate monies to another entity. She stated that the Bohemia revenues were handled separately and could go to the LMA. Mr. Arrigo added that the Bohemia revenue issue was worked out at the meeting and would be included in the new document.

Mr. Arrigo explained that the participants in the October 18 meeting reviewed the 2018 MOU one item at a time. There was give and take on both sides. Both sides were happy with the agreement reached. The Civil Defense Shelter on the New Basin Canal Park will be defined as a non-flood asset.

Mr. Noel inquired about the Bohemia Spillway lawsuits. Kirk Ordoyne, Executive Counsel, explained that in 2015 the escrow account established to pay Bohemia Spillway settlements was closed. Mr. Arrigo pointed out that the term "Bohemia Spillway" is misleading because the spillway was declared to be a non-flood asset and it no longer functions as a spillway. Ms. Settoon pointed out that the legislation declaring the Bohemia Spillway was no longer a spillway was passed in 1984.

Mr. Arrigo offered a motion, which was seconded by Ms. Settoon, and unanimously adopted to recommend to the Board that it defer the MOU for one month.

C. Discussion of the proposed sale of surplus items by the FPA, East Jefferson, Orleans and Lake Borgne Basin Levee Districts by an auction and recommendation to the Board.

Mr. Settoon advised that the list of surplus items to be auctioned was included in the Board members' packets. Ms. Chandler noted that the auction is conducted every two years with the last one taking place in 2021. Mr. Settoon asked were the items obsolete for the FPA's needs. Ms. Chandler replied, yes.

Ms. Chandler explained that staff reviewed the items and minimum prices recommended by the auctioneer. In the opinion of FPA staff, the minimum price for some items appeared to be low. Discussions will be held with the auctioneer about how some of the recommended starting prices were determined and staff will try to have those prices raised. The auction will be held on November 14 in the south corner of the Franklin Facility Warehouse. The auction will be conducted both online and in person. The FPA has traditionally had a good turnout for auctions.

Mr. Settoon asked had the FPA replaced most of the equipment being auctioned. Ms. Chandler replied, yes.

Ms. Settoon asked which items appeared to have low minimum prices. Ms. Chandler advised that one of the items on her list was a water truck with a starting price of \$2,500. Similar trucks were researched on the web and prices were much higher; therefore, staff will ensure the FPA receives the best possible price. The Board would be approving the minimum prices; however, staff will try to raise some of the minimum prices as discussed.

Mr. Noel offered a motion, which was seconded by Mr. Arrigo and unanimously adopted, to recommend to the Board that it approve the sale of surplus items by auction.

There was no further business; therefore, the meeting was adjourned at 11:08 a.m.