MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JANUARY 10, 2008

PRESENT: George Losonsky, Chairman
Timothy Doody, Committee Member
Thomas L. Jackson, Committee Member

ABSENT: Sara Lee St. Vincent, Committee Member

The Finance Committee met on January 10, 2008, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, LA. Chairman Losonsky called the meeting to order at 2:00 p.m.

The Committee adopted an amended agenda, with the removal of Item No. B.7 -- "Distribute SLFPA-E year-to-date financial report".

Public Comments: Mr. Losonsky called for public comments and there were none.

OLD BUSINESS:

1. Request for Proposals (RFP) for actuarial study:

The GASB requirement for levee districts to do an actuarial study in order to place a liability on the books to recognize future employee/retiree benefits was explained, as these benefits could impact bonding and obligate future taxpayers. An actuary (a CPA is not necessary) is required to do the calculations for the 7/1/07 – 6/30/08 Fiscal Year. Calculations would be incrementally adjusted each following year. A decision will be needed by June 30th.

Mr. Jim Bollinger, Orleans Levee District (O.L.D.) Comptroller advised a brief RFP has been drafted. Mr. Robert Turner, SLFAPE Regional Director, advised he would take care of getting an RFP out by the end of the month.

2. Discussion of Special Entry Rates (SER's) for the levee districts (Mr. Robert Boland, LA Dept. of Civil Service Attorney-General Counsel).

Mr. Robert Boland, General Counsel for the Department of Civil Service, advised he has served 25 years in the Department of Civil Service, and provided a brief background on the Civil Service system, which was established in the Louisiana Constitution with a State Civil Service Commission of seven members and the Department of Civil Service which serves as an administrative arm of the Civil Service Commission. The Civil Service Commission has the authority to pass rules that have the affect of law insofar as they relate to the administrative regulation of the State classified service.

Mr. Boland explained the roll of the SLFPAE Board as the Appointing Authority (i.e., the entity with the authority to pay, hire, fire and direct the activities of employees), and the roll of Special Entry Rates (SER's), which are a tool used by employers who experience recruitment problems (i.e., inability to attract numbers and/or quality applicants) or experience retention problems in particular jobs in certain areas or locals of the State. A SER can be requested to pay identified jobs at a higher level within the pay range in a particular area or local. Civil Service will approve a rate, in theory and practice, at the level above which these problems should not be experienced. Civil Service rules provide that when an appointing authority obtains a SER, all the employees in those jobs in that area or local move up into that SER. Prior to January 1, 2007, the East Jefferson Levee District (EJLD) received a SER for identified jobs, applied that rate and moved employees up. Effective January 1, 2007, the SLFPA-E Board became the appointing authority. Some of the employees working within the boundaries of the Lake Borgne Basin Levee District (LBBLD) and Orleans Levee District (O.L.D.) were in the jobs affected by the SER and were paid below the SER. He advised it appeared the rules require that all employees within the boundaries of the LBBLD and O.L.D. in those jobs affected by the SER, but are below the SER, must be moved up to the SER, the reason being there is only one appointing authority. If the Board treats O.L.D. or LBBLD employees differently than EJLD employees, there must be some merit based reason for doing so. He cited the example of one of the larger State agencies, the Department of Health and Hospitals, which has different SER's for the same job in different parts of the State because the recruitment and retention problems are different in different parts of the State. Should the Board have to defend a judicial attack brought by an employee, it would be incumbent upon the Board to show that the recruitment and retention problems are different in that area than in the area with the SER.

Mr. Doody commented on the issues of the (SLFPAE) Board inheriting the SER requested by the EJLD—a decision which was made before the SLFPAE Board was seated and without being able to provide input—and now being told it would have to apply this decision to all levee districts, and the subsequent probable problems this would cause; e.g., budget problems and retention problems with other employees in similar jobs but not included in the SER. He pointed out the Legislation that created SLFPAE provides that the finances of each of the levee districts and SLFPAE are to be separate and are not to affect each other. In this situation, what the EJLD is paying its employees would detrimentally affect the LBBLD.

There was a discussion of financial consequences of across the board implementation of the SER, particularly with regards to the LBBLD, along with the consequences of taking no action.

Mr. Boland urged implementation of the SER. He also pointed out that when the Board, as the statutory appointing authority, delegated appointing authority to the individual levee districts, it could not delegate away its responsibility under the rules or the law.

There was a discussion concerning the treatment of the different levee districts as separate locals under the appointing authority. Mr. Boland felt the Board could defend itself if it could show retention issues are different. The subject of employee retention at each of the levee districts was discussed. Mr. Boland pointed out that applicant flow data and turnover rate are factors that determine the necessity of an SER. He advised the Department of Civil Service did not care about talking about retroactivity; however, he felt bringing employees up to the SER will ultimately help build a professional work force.

The Authority's and the levee districts' post Katrina struggles were discussed, along with post Katrina economic conditions and demographics of the three parishes (Orleans, St. Bernard and Jefferson Parish). Mr. Boland offered to work with the O.L.D. and LBBLD Human Resource personnel on applicant flow data and retention rates and to review that data for these separate and independent levee districts.

Mr. Steven Spencer, O.L.D. Executive Director, commented he has been requesting an SER for certain jobs for over a year because of retention problems due to the competition.

Mr. Boland indicated that would be made known when the O.L.D. applicant flow data and retention rates are reviewed and would make it impossible to defend a judicial attack should a distinction be drawn. However, should one levee district's data show that district does not have any recruitment and retention issues, there would be justification for not applying the SER at that district and the Board could defend itself. He reiterated the SLFPAE Board is the statutory appointing authority who will ultimately decide whether to pay or not to pay certain groups of employees (that is, pay one district and not another); however, there must be meritorious, rationally related reasons.

Mr. Losonsky requested that Mr. Boland return at the next Finance Committee meeting, and Mr. Boland agreed, if the study of the data has been completed by that time.

Mr. Spencer pointed out the O.L.D. has at least 12 different jobs that are not included in the current SER, but have job descriptions that include similar duties.

Mr. Losonsky requested the executive directors calculate the actual numbers, taking into account job descriptions and definitions, for the next Finance Committee meeting.

3. Update on process of hiring an auditor for Orleans Levee District for FY 2008.

Mr. Doody reported the Legislative Auditor's office has a pool from which an auditor can be assigned; however, a firm has not yet been recommended. When a firm is recommended, the Board can either approve or disapprove that recommendation.

Mr. Losonsky advised this item would be placed on the next Committee agenda.

NEW BUSINESS:

1. FY 2008 O.L.D. Budget Revisions. (and) 2. FY 2009 O.L.D. Preliminary Budget.

Mr. Bollinger addressed agenda items 1 and 2 by handing out written materials that present (a) his recommendation for a budget revision in the current year (FY 2008), and (b) a proposed budget for the O.L.D. for the upcoming fiscal year (July 1, 2008-June 30, 2009).

Mr. Bollinger explained that the preliminary budget was being presented to the Committee so that the members could begin their review, develop questions and recommend any changes prior to the February, 2009, Finance Committee and Board meetings. He noted that consistent with the last five years or longer, the O.L.D. budget is due to the Legislative Oversight Committee on the budget by March 1st, 30 days earlier than the legally defined due date of April 1st.

Revisions to current year budget (FY 2008):
Referring to the recommendation for changing the current budget, Mr. Bollinger noted that the most significant factors bearing on the O.L.D. in the near term relate to higher expected collections of ad valorem taxes, but an even greater loss in mineral revenue. He explained that the O.L.D.'s legal counsel has recommended that the District assume mineral revenues heretofore being received will be interrupted for a significant period of time by litigation and the withholding of payments by lessees. Therefore, mineral revenue estimates for the current year have been reduced by $3.4 million. The $2.2 million in higher expected tax revenue will help, but is not sufficient to overcome the loss in mineral revenue. The Authority will need to approve the use of prior year, accumulated surplus, or a transfer from the SLIP fund to the General Fund to assist with the costs of levee maintenance, which would eliminate or reduce the General Fund's expected deficit.

Other changes recommended include an increased estimate for earnings from investment of $800,000, increases for operating costs of $100,000 to provide for inflation, $500,000 for equipment cost and $700,000 for additional personnel, all of which was recognized as needed in the recent deliberations on property tax millage rates for 2008.

An increase in required transfers to non-flood of $440,000 and a $250,000 provision for transfers to the Algiers levee District were also noted as necessary.

The Committee concurred that a resolution for adjustment of the FY 2008 budget should be presented at a more timely point, perhaps at the February Board meeting.

O.L.D. Preliminary FY 2009 Budget:
Mr. Bollinger distributed nine schedules to the Committee consisting of a preliminary Organizational budget for the O.L.D., and supporting tables showing selected detail on some of the budget line items. Those schedules included details on requests for new equipment, added personnel, and professional services, along with details on insurance coverages, estimating details for ad valorem tax revenue, debt service, and the major expense categories requested by department.

He pointed out the single largest change in the 2009 budget again reflects the disruption in the mineral revenue stream. No mineral revenue is assumed in FY 2009, thereby making it necessary to decide how those losses would be offset. The preliminary budget assumes that the Authority will decide upon rolling its tax millage forward for calendar 2009 to the 12.76 mills assessed in 2007, up from 9.65 assessed in 2008.

Mr. Bollinger pointed out that the line item shown on the aggregated Revenue, Expenditure and Other Sources (Uses) Schedule, labeled “contractual services”, includes $1.2 million in costs of police protection and $971,000 for insurance costs (excluding excess liability coverage). Thus, contractual services, absent those amounts, is $1,521,000.

Details on the requested costs for equipment, professional services and additional employees are shown on separate schedules. Mr. Bollinger noted that salaries and benefits, listed as Personal Services in the budget papers, included the filling of 18 currently vacant positions, and also assumed increased compensation to field yard salaries that approximated 10%.

Other significant estimates included in the FY 2009 budget include:

- Legal fees of $900,000 (compared with $971,000 in FY 2007, $631,000 in FY 2006 and $1,042,000 in FY 2005).
- Equipment purchases of $628,000, much of which is long-delayed replacement of heavy equipment, also provides for the acquisition of new financial management software and hardware platform that promises to have a payback period of only one year.
- $600,000 advanced to the non-flood division for working capital, the last year in which such an advance is planned.
- $982,000 paid to Algiers Levee District (estimated by subtracting Algiers’ portion of debt service from estimated collections for 2009). This methodology, Mr. Bollinger explained is tentative and can only be finalized when agreement is reached about a number of matters with the West Authority.
- $9 million in debt service is provided for, offset by $1.5 million in payments made by the State of Louisiana under the Go Zone borrowings.

After discussion, Mr. Bollinger acknowledged no action was required at this meeting, but that additional examination of the budget would occur at the February meeting. He also agreed to contact the Legislative Committee on the Budget and obtain an updated indication of its expectations about budget deadlines.

The Committee discussed the presentation of preliminary FY 2009 budgets for the EJLD and LBBLD at the next meeting.

3. Discussion of escrow of Algiers Levee District funds for debt service. (O.L.D.)

The committee was not opposed to setting aside moneys equivalent to the contribution of Algiers for debt repayment. No formal Committee or Authority action was needed.

4. Request to reduce O.L.D. financial statement fund designation for Workers Compensation.

Mr. Bollinger explained that Mr. Doody had asked whether it was still necessary to maintain the Fund Designation for Workers Compensation costs, given that it had been some time since the O.L.D. had been self-insured. Mr. Bollinger recommended that this designation not be reduced as the O.L.D. has three individuals who were injured during the time of the self-insurance program for whom there may potentially be additional medical or other costs. The Committee concurred no action was required on this item.

5. Discussion of property insurance for East Jefferson Levee District (EJLD).

Mr. Clint Romig with Arthur Gallagher Risk Management Services explained last year the EJLD had two separate policies for property coverage—one with Chubb for fire coverage and a second with Louisiana Citizens for wind coverage. He estimated a $2,000 savings for renewal of this coverage under the same terms and conditions with Chubb for fire coverage (estimated premium of $7,500), but with wind coverage through Lloyds of London (estimated premium of $9,106 with comparable 5% wind deductible).

The Committee agreed to recommend the Board approve the coverages, as proposed.

6. Discussion of Blanket Accident & Health insurance for EJLD reserve officers.

Mr. Romig advised he did not have a quote on this coverage as it was not due to expire until March. He explained this coverage is unique to the EJLD, which has volunteer reserve police officers. LWCC will not cover volunteer officers under Workers Comp coverage; therefore, this blanket accident policy (24/7 coverage) is in place to protect the reserve officers while on the job.

There was no further business, therefore, the meeting was adjourned at 4:08 p.m.