

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MARCH 5, 2009**

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

ABSENT: Sara Lee St. Vincent, Committee Member

The Finance Committee met on March 5, 2009, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Mr. Losonsky called the meeting to order at 11:05 a.m.

Opening Comments: Mr. Losonsky advised that the Committee would be discussing the proposed FY 2010 Budgets, which must be approved at the Board's next meeting.

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The minutes of the February 12, 2009 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Review of proposed FY 2010 Budgets for the SLFPA-E, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District.

Southeast Louisiana Flood Protection Authority-East (SLFPA-E):

Robert Turner, SLFPA-E Regional Director, distributed the proposed FY 2010 Budget for SLFPA-E (copy appended to minutes). He reviewed revenue totals and expenses listed on the summary. Estimates revenues included reimbursements from the levee districts based on two years of prior experience and the formula used last year; i.e., 1/2 Orleans Levee District (O.L.D.), 5/16 East Jefferson Levee District (EJLD) and 3/16 Lake Borgne Basin Levee District (LBBLD).

The Committee discussed the purchase of a vehicle, which was included in the budget. Mr. Turner advised that he was currently using a LBBLD vehicle and reimbursing the LBBLD for maintenance, fuel and insurance.

Mr. Turner advised that the total estimated expenditures (\$654,500) exceed the total estimated revenues (\$625,500) by \$29,000. The projected FY 2009 fund balance of \$180,000 would be drawn down by \$29,000, leaving a projected fund balance at the end of FY 2010 of \$151,000. A fund balance is needed for cash flow.

Mr. Jackson discussed SLFPA-E staffing needs and the need to make a Legislative push for additional funding. Mr. Doody discussed the needed ability to allocate costs to the levee districts.

Mr. Doody offered a motion, which was seconded by Mr. Jackson and unanimously adopted, to recommend the SLFPA-E FY 2010 Budget to the Board for approval.

East Jefferson Levee District (EJLD):

Lindsay Calub distributed the proposed FY 2010 Budget for the EJLD (copy appended to minutes). In his review he explained the effect of FEMA monies on the revised vs. proposed figures. He noted that maintenance expenses increase from \$2.5 million in FY 2009 to \$4.5 million for FY 2010 due to the following anticipated expenses: \$1.2 million for tree removal (482 trees), \$500,000 for maintenance facility repair and \$250,000 for police facility repair. He advised that funding will be taken from the prior year's fund balance to offset the projected FY 2010 deficit. He noted that the EJLD transfers 30 percent of its ad valorem tax revenues to its Levee Improvement Fund. Levee Improvement Fund expenditures of approximately \$11 million are projected for FY 2010 and includes \$6.1 million towards the EJLD's local cost share of hurricane protection projects. Mr. Doody pointed out that the State has committed to pay the local cost share for the levee districts. Mr. Calub reviewed the Fund Balances for the General and Levee Improvement Funds and the budget details.

The Committee discussed EJLD safe house issues.

Mr. Losonsky noted that a copy of the budget package should be provided to all Board members before the Board meeting.

Mr. Doody offered a motion, which was seconded by Mr. Jackson and unanimously adopted, to recommend the EJLD FY 2010 Budget to the Board for approval.

Lake Borgne Basin Levee District (LBBLD):

Charles Doize distributed the proposed FY 2010 Budget for the LBBLD (copy appended to minutes). He reviewed the general budget assumptions. The LBBLD anticipates a net increase in revenues over last year of approximately \$250,000. This net increase is a result of an estimated \$400,000 increase in ad valorem taxes, less decreases in FEMA grants and interest income. Reimbursements to SFLPA-E, as well as reimbursement for the loan of an EJLD employee, are included in Administrative Expenses. Professional Services have increased partly due to the inclusion of right-of-way and survey consultant fees. Levee Maintenance has been increased by 15 percent

in order to hire three additional employees and to provide a 4 percent cost of living increase. An increase of \$270,000 has been budgeted for Pump Station expenses in order to hire nine additional employees to staff the pump stations coming on line and to bring operations to the pre-Katrina level, and a 4 percent cost of living increase.

Mr. Doize explained that \$500,000 had been left in the Capital Projects Fund, which according to the bond covenants must be spent on pump station capital improvements. The Committee discussed the LBBLD proposal to use this funding for a staged remote virtual operation for Pump Station 2.

Mr. Jackson suggested the investigation of a separate millage for the maintenance and operation of the St. Bernard Parish pump stations and drainage canals. Mr. Turner pointed out that the LBBLD must try to obtain renewal of a millage that will expire in 2010. Mr. Doize commented that the LBBLD had paid off its last bond issue in February, which resulted in a decrease in ad valorem taxes of about 1-1/2 mills for this year. The LBBLD currently has no debt.

A safe house for the LBBLD was discussed. No funding was budgeted for a safe house in the proposed budget presented to the Committee. Mr. Doody noted that storm proofing of pump stations was provided for in the 4th Supplemental. Funding for storm proofing pump stations was provided to Orleans and Jefferson Parishes, but not St. Bernard Parish. The Committee concurred that a line item of \$50,000 should be included in the budget for the safe house feasibility study. The \$50,000 would be taken from the \$150,000 budgeted for the drainage feasibility study. It was noted that the drainage feasibility study is a Federal cost share study. If the U.S. Army Corps of Engineers receives funding to complete the study, the LBBLD would have to come up with its matching share.

Mr. Doize advised that the LBBLD is forecasting a shortfall of \$1.1 million, which will be offset out of the fund balance of \$5 million that was accumulated through prior years' savings.

Mr. Doody offered a motion, which was seconded by Mr. Jackson and unanimously adopted, to recommend the LBBLD FY 2010 Budget to the Board, subject to the inclusion of a line item for a safe house feasibility study as discussed by the Committee.

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

Stevan Spencer, O.L.D. Executive Director, distributed the proposed FY 2010 General Fund and Special Levee Improvement (SLIP) Fund Budgets for the O.L.D. (copy appended to minutes). He explained that there is a significant decrease in revenues due to a reduction in Bohemia Spillway revenues. These revenues are currently under dispute and are being placed into the registry of the court. The Committee requested that a foot note be included concerning the revenues in dispute.

Mr. Spencer pointed out that \$850,000 was included in the proposed budget for post retirement benefits as per GASB 45. He added that a consultant could be retained to review this matter and that this amount could possibly be reduced. He noted that the budget includes to some degree the special entry rates and requested that the special entry rates be introduced in order bring the O.L.D. in line with the EJLD on the issue of pay. The Flood Division is paying 50 percent of the costs of the O.L.D. Police. Final numbers are not yet known on settlements. Approximately \$500,000 is included under Operations for the purchase of new equipment.

Mr. Spencer stated that the proposed FY 2010 Budget has a \$964,600 deficit, mainly due to the funding of \$850,000 for post retirement benefits.

Mr. Turner explained that post retirement benefit numbers were provided by the State for SLFAPE and the LBBLD, which participate in Group Benefits. The State's actuary took a very conservative approach and came up with some fairly large numbers. The consultant that performed the actuarial study for the O.L.D. and EJLD came up with more reasonable numbers. It was noted that the EJLD and LBBLD did not include this potential liability in their FY 2010 budgets. Jim Bollinger, O.L.D. Comptroller, explained that an \$850,000 liability was set up last year and another \$850,000 liability will be set up this year. The question is when should the funding of this liability start and how much of it should be funded. Mr. Doody commented that there should be across the board consistency and that GASB accounting and related liabilities should be recognized in the budgets. The Committee discussed budgeting on a cash basis as opposed to full accrual basis and the need for further study of these issues. Mr. Bollinger advised that funding for this potential liability was included in the proposed FY 2010 Budget in order to initiate discussion of this issue and that the Authority may wish to take a more studied approach. Mr. Losonsky stated that the funding for post retirement benefits (GASB 45) should be taken out of the O.L.D.'s FY 2010 Budget. After further study of the issues, the post retirement benefit funding (GASB 45) may possibly be included in next year's budget.

Mr. Spencer reviewed the SLIP Fund Budget and the projects proposed for FY 2010. He noted that funding has been included for electrical and drainage relocations required for the construction of LPV 101 in the event the Non-Flood Division cannot pay for these relocations. Funding was not included for the possible acquisition of a 200 ft. strip along the levee adjacent to refuge area in New Orleans East or for the operation and maintenance of the IHNC structures.

Mr. Losonsky requested that additional backup be provided for the Board.

A motion was offered by Mr. Doody, which was seconded by Mr. Jackson and unanimously adopted, to recommend the O.L.D. FY 2010 Budget to the Board, with the changes discussed by the Committee (i.e., footnote on disputed revenues and deletion of GASB 45 post retirement benefits).

B. General discussion of Strategic Plan and Organizational Scan performed by SSA Consultants.

Mr. Losonsky stated his personal impression was that last month's presentation to the Board was a little light and that he would prefer to have more concrete recommendations on a general level. Mr. Doody noted that a final written report would be provided by SSA Consultants. Mr. Losonsky recommended that the Board review the scope of work for the project.

C. Discussion of responses to Request for Proposals for Orleans Levee District Financial Management Software.

Mr. Doody offered a motion to recommend to the Board the purchase of MIP software, along with any necessary actions to assure training, data conversion and anything else that may be needed for the software implementation. The MIP software provides remote access and networking capabilities and was recommended by the Board's auditor.

Mr. Turner concurred with the recommendation and advised that the O.L.D. is in the process of revising its chart of accounts. He advised that O.L.D. personnel have begun using Peachtree for doing the Authority's work and that the architecture of the MIP software is similar. The acquisition of the MIP software will result in a significant savings in maintenance over the coming years.

The motion to recommend purchase of MIP software was seconded by Mr. Jackson and unanimously approved by the Committee.

There was no further business, therefore, the meeting was adjourned at 1:18 p.m.