

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON FEBRUARY 4, 2010**

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member

The Finance Committee met on February 4, 2010, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Chairman Stephen Estopinal called the meeting to order at 8:30 a.m.

Opening Comments: None

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The minutes of the November 5, 2009 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of renewal of EJLD Blanket Accident Insurance Coverage.

Hardie Edgecombe with Arthur J. Gallagher Risk Management Services explained that this policy provides East Jefferson Levee District (EJLD) volunteer police officers with \$10,000 of accidental death and \$25,000 of accidental medical insurance coverage. Last year's premium was \$1,200. The premium for the renewal period will be \$1,000 since coverage is being renewed for a term less than one year in order for the expiration date to fall on January 1st.

The Committee agreed to recommend the renewal of the coverage to the Board.

B. Discussion of renewal of SLFPA-E Public Officials Liability Insurance Coverage.

Mr. Edgecombe explained that this insurance covers all of the levee districts and provides for \$10 million of coverage with a \$100,000 deductible. The premium rate quoted by A.I.G. was reduced by six percent; however, the SLFPA-E's exposure increased due to increases in budgets. The expiring premium was \$46,100. The premium quoted by A.I.G. for this year is \$49,895, which is the ceiling. Mr. Edgecombe advised that he would continue to shop the market and anticipated that he would be able to obtain a further reduction in rate from another carrier prior to the Board meeting.

C. Discussion of Actuarial Studies. (O.L.D. and EJLD)

Jim Bollinger, Orleans Levee District (O.L.D.) Comptroller, advised that a request for proposals for actuarial services was advertised in December, 2009 with proposals to be

received on January 5th. Discussions have been held with the three firms (a national firm, a local firm and a firm out of New Jersey) which submitted proposals to ensure that the firms understood the work involved. The lowest bid was quoted by the firm in New Jersey. He discussed the experience and credentials of the firm in New Jersey and advised that communications regarding the work could be handled by telephone. Mr. Bollinger explained that further discussions will take place with the firm in New Jersey to ensure that the parties have a complete understanding before a contract is signed for services for the O.L.D. and EJLD. Actuarial services are provided to the Lake Borgne Basin Levee District (LBBLD) under the Office of Group Benefits Health Insurance Plan. The calculations must be available for inclusion in the annual audit report footnotes.

Robert Turner, SLFPA-E Regional Director, commented that last year the Committee decided not to include the liability for post employment health benefits in the FY 2010 budgets. He asked whether this liability should be included in the FY 2011 budgets, which are currently being prepared. Mr. Doody pointed out that the Board cannot approve a deficit budget; therefore, funding the liability would depend on revenue streams. Mr. Turner added that the numbers provided by the State for the LBBLD are significantly higher because of the way they are calculated than those calculated by private actuaries. Mr. Doody commented that the funding of this liability is not a requirement and that the funding of the additional operations and maintenance costs that will be paid by the levee districts when the 100 year protection projects are completed will be a priority. Mr. Bollinger advised that the effect of not funding the growing liability over the longer term must be considered in connection with the levee district's ability to finance future debt. Mr. Turner recommended that the liability not be included in the preliminary budget numbers. The Committee can discuss this issue further prior to the approval of the budgets.

D. Discussion of FY 2011 Budget issues.

Mr. Turner outlined the proposed approval process for the FY 2011 Budgets:

- The levee districts will prepare preliminary budgets for distribution to Commissioners at the February 18th Board meeting.
- Preliminary budgets will be discussed at the Finance Committee meeting on March 4th or at a special Finance Committee meeting.
- Budgets will be approved by the Board at the March 18th Board Meeting.
- Approved budgets must be submitted to the appropriate State entities by April 1st.

Mr. Doody commented that the levee districts' budgets should have a consistent format and suggested utilizing the format in the audit report.

E. Discussion of Orleans Levee District FY 2010 Budget Amendment.

Mr. Bollinger requested that the Committee allow the O.L.D. to amend the Operating Budgets for the General Fund and Special Levee Improvement (SLIP) Fund at this time. He explained that the O.L.D. Executive Director can reallocate dollars between categories as long as there is no change in the total budget. The Board approved expenditures of approximately \$300,000 for the purchase of heavy equipment (approximately \$250,000) and the financial management system software (\$50,000) in

the FY 2009 budget. The purchase and/or delivery of these items was delayed and occurred in FY 2010. Encumbrances expire at the end of a fiscal year and are not carried over to the next fiscal year. Therefore, the FY 2010 budget must be amended to roll these expenditures forward and allow their financing from the prior year's fund balance.

Mr. Bollinger advised that additional adjustments are needed for other significant changes in the budget. Revenue Sharing has been significantly reduced largely because the State is being required to contribute more money to the Sheriffs' and Assessors' pension plans as a result of litigation that was filed. Reductions have also occurred in the debt service and interest income.

Mr. Bollinger indicated that the ad valorem tax rate of 6.21 mils was used for the FY 2010 General Fund Budget and 5.46 mils for the SLIP Fund Budget; however, the numbers have declined because the collection ratio has been reduced from the original assumption of 90 percent to 85 percent. The Board of Liquidation's experience a year ago was 85 percent. He pointed out that the City retains 4 percent of the tax collections and an estimate must be made of uncollectable taxes. Mr. Doody requested that Mr. Bollinger meet with representatives of the City of New Orleans regarding tax collections prior to the Board meeting.

Mr. Bollinger asked whether the operations and maintenance (O&M) costs in the FY 2011 Budget should be increased to include the sector gates being constructed by the USACE and the larger levee footprints for the projects being constructed. Mr. Doody advised that the projects will not be completed until 2011. He added that the estimated O&M costs will be provided by the USACE and reviewed by the State.

Mr. Doody advised that Mr. Godfrey is looking into issues related to the Community Disaster Loan.

F. Discussion of adoption of a higher asset capitalization threshold.

Mr. Bollinger explained that the Committee previously requested that there be conformity in the accounting practices of the levee districts. He advised that the O.L.D. had been capitalizing items costing \$1,000 or more and that it would like to begin capitalizing items costing \$5,000 or more, which is the current practice of the other levee districts and in accordance with OSRAP recommendations. He pointed out that items costing \$1,000 or more would still be inventoried. Mr. Estopinal advised that action is not required by the Committee for the O.L.D. to initiate this change in practice.

There was no further business; therefore, the meeting was adjourned at 9:17 a.m.