

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

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member

The Finance Committee met on March 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 8:45 a.m.

Opening Comments: None

Adoption of Agenda: The agenda was amended to add an item to discuss the renewal of the SLFPA-E's Public Officials Liability Insurance coverage. The amended agenda was adopted.

Approval of Minutes: The minutes of the February 4, 2010 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of SLFPA-E Public Officials Liability Insurance Coverage.

Hardie Edgecombe with Arthur J. Gallagher Risk Management Services explained that at its last meeting the Board adopted Resolution No. 02-18-10-02, which approved the renewal of Public Officials Liability Insurance Coverage with A.I.G. This insurance is due for renewal on March 16th and covers the SLFPA-E and the LBBLD, EJLD and O.L.D. When the attempt was made to bind the coverage, A.I.G. advised that the terms were changed and that AIG would only provide a limit of \$5 million and would reinsure the other \$5 million of coverage as an additional layer with Lexington. ACE, the current General Liability Insurance Coverage carrier, was then approached. ACE will match all coverages, the retro date and the premium previously approved by the Board. He recommended binding the Public Officials Liability Insurance Coverage with ACE.

The Committee recommended that the Board rescind Resolution No. 02-18-20-02 and approve the renewal of Public Officials Liability Insurance Coverage with ACE.

B. Review of Fiscal Year 2011 Budgets for the SLFPA-E, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District

Robert Turner, SLFPA-E Regional Director, advised that the budgets were presented in a format based on the financial statements and were uniform in appearance. A

significant change affecting all of the budgets is the increase (from 18.6% to 22%) in the employers' contribution to LASERS (Louisiana State Retirement System).

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

Mr. Turner reviewed the highlights of the SLFPA-E Fiscal Year (FY) 2011 budget. The following points were noted:

- The budget must be amended at a later date to account for the two potential Community Disaster Block Grants in the amounts of \$500,000 and \$900,000.
- Revenues – Cost sharing allocations from affiliates - Includes reimbursements from the levee districts for per diems, travel expenses for Board members and Public Officials Liability Insurance Coverage.
- Expenditures –
 - Personnel Services – Takes into account charge backs for allocation of SLFPA-E employee salaries for services provided to the levee districts.
 - Cost sharing allocations to affiliates – Includes charge backs by the O.L.D. for salaries and benefits of personnel working for the SLFPA-E, but on the O.L.D.'s payroll.
 - Materials and supplies have decreased due to changes in office operations.
 - Machinery and equipment – Includes \$30,000 for a vehicle. Mr. Turner commented that he is currently driving a LBBLD pickup truck and that the SLFPA-E reimburses the LBBLD or the O.L.D., as appropriate, for insurance, fuel and vehicle maintenance.
- Excess expenditures over revenues are \$53,900. The anticipated fund balance at the beginning of the year is \$300,000. The projected end of the year fund balance is \$246,100. It was pointed out that the June 30, 2010 numbers are used as a comparison and are projected budget numbers.
- Expenses that were not booked prior to the preparation of the FY 2011 budget may affect the anticipated beginning of the year fund balance.

Lake Borgne Basin Levee District (LBBLD):

Charles Doize, LBBLD accountant, reviewed the highlights of the LBBLD FY 2011 Budget. The following points were noted.

- Revenues – An increase in ad valorem tax revenues of \$250,000 is projected. Monies from FEMA will decrease.
- Expenditures –
 - Personnel services (\$125,000 increase) – Includes nine new employees primarily to provide pump station operations at the pre-Katrina level.
 - Materials and supplies (\$38,000 increase) – Includes alarm systems for pump stations and a camera system.
 - Cost share allocation to affiliates (\$55,000 increase) – Includes monies reimbursed to the EJLD and SLFPA-E for employee services.
 - Machinery and equipment – Includes:
 - \$250,000 for the replacement of aged trucks and tractors.
 - \$1 million to replace one engine and one gear drive at Pump Station No.1.

- The budget includes \$100,000 for the local match for a U.S. Army Corps of Engineers' (USACE) drainage feasibility study (Drainage Area 1 Basin) and \$100,000 for a study on post-2011 operations and maintenance (O&M) costs. The post-2011 study will be used to prepare the groundwork for going to the voters. Mr. Doody pointed out that the State has commissioned a study by the Rand Corp. to determine, with the USACE's input, the O&M costs for the completed 2011 projects and the revenue sources and expenditures of each levee district.
- A shortfall of approximately \$2 million is projected for FY 2011, which will be taken from the beginning year fund balance.
- The LBBLD currently has no debt.

East Jefferson Levee District (EJLD):

Lindsay Calub, EJLC accountant, reviewed the highlights of the EJLD FY 2011 Budget. The following points were noted:

- Ad valorem tax revenues are projected to increase to \$8 million.
- Expenditures:
 - Personnel services (\$101,000 increase) - Includes merit raises and filling budgeted positions.
 - Retirement benefits (\$111,000 increase) - Increase in LASERS employers' contribution.
 - Land and Safehouse - \$5.5 million is budgeted in FY 2011 for land, design and plans for a safehouse. \$3.5 million was budgeted in FY 2010 for this item.
- If \$3.5 million is expended for the land/safehouse, a loss (excess expenditures over revenues) of \$1.4 million is projected for FY 2010. The estimated fund balance for FY 2010 is \$19 million.
- A loss of \$3.1 million is projected for FY 2011, if \$5.5 million is expended for the land/safehouse, which would leave \$16 million in the fund balance.

The EJLD is seeking to amend the FY 2010 Budget because the expenditures of \$1,850,000 and \$6.1 million (30-35% local cost share of USACE projects) were budgeted, but not expended.

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

Jim Bollinger, O.L.D. Comptroller, reviewed the highlights of the O.L.D. FY 2011 Budget. The following points were noted:

- The early retirement of debt removed about \$8 million in debt service from the statement of income and expenditures; however, this is only sustainable if the CDL and GoZone notes are forgiven.
- Oil and gas revenues have been increased to \$2 million to account for revenues currently deposited in the registry of the court.
- Expenses for operations and maintenance are estimated based on a three year average in order to recognize volatile factors, such as fuel costs.
- Personal services (increased 15% or \$968,000) – Includes nine new positions and accounts for replacement of staff lost after Katrina and succession planning. An

engineer has been hired; however, the position is considered new from an expense standpoint. Also, includes the increase in the LASERS employers' contribution, merit increases and implementation of the SER.

- Training, registration and travel (approx. \$20,000 increase) – Includes post-implementation training to increase proficiency in using the new financial software system and unforeseen required travel (e.g., levee information system).
- Professional Services (\$100,000 increase) – Includes 5% increase in legal costs and an increase of audit fees to \$65,000 for additional work that may be necessary due to the change in the chart of accounts.
- Operations and maintenance costs are not included for the IHNC Surge Barrier/ navigation gates or the increased footprint of USACE projects under construction.

Mr. Bollinger reported that he met with the Financial Officer for the City of New Orleans relative to the difference in the projected ad valorem tax collections. He discovered that revenues collected by the City in December, but remitted in January are considered a December collection by the City, which affects the method utilized by the O.L.D. in calculating projected tax collections. The collection rate calculated by the City is 92 percent. In addition, there was one-half million dollars in refunds and adjustments and the City has not been fully engaged in the sale of tax properties due to understaffing.

The Committee discussed the issue of the post employment benefits liability. Mr. Doody commented that the Board should see the ultimate unfunded liability.

Mr. Doody recommended that the budgets be consolidated on a single sheet with the supporting documentation provided. Board members will receive a PDF copy of the budget, which includes any necessary adjustments. A brief review of the budgets will be conducted at the Board meeting.

Mr. Doody asked that the levee districts continue working towards consistency; e.g., some districts are using a beginning fund balance based on actual numbers and others are using projected numbers.

There was no further business; therefore, the meeting was adjourned at 10:55.