**MINUTES OF**
**SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST**
**FINANCE COMMITTEE MEETING**
**HELD ON MARCH 5, 2015**

PRESENT: Paul Tilly, Chair
Stephen Estopinal, Committee Member

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The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on March 5, 2015, in Meeting Room 201, Orleans Levee District Franklin Administrative Complex, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Tilly called the meeting to order at 9:15 a.m.

**Opening Comments:** None.

**Adoption of Agenda:** The agenda was adopted by the Committee as presented.

**Approval of Minutes:** The Committee approved the minutes of the Finance Committee meeting held on February 5, 2015.

**Public Comments:** None.

**New Business:**

**A. Discussion of renewal of SLFPA-E Public Officials/Employers Public Liability Insurance coverage.**

Ed Murphy with Arthur Gallagher Risk Management Services advised that the current carrier offered to renew Public Officials/Employers Public Liability Insurance coverage at the same premium as last year. Arthur Gallagher shopped the market and quotes were solicited from two carriers specializing in the coverage. One carrier could not provide the desired limits at a comparable price and the second carrier was only willing to quote $1 million of coverage.

The Committee recommended that the renewal of the insurance coverage be forwarded to the Board for approval.

**B. Discussion of renewal of Orleans Levee District Property Hazard/Wind/Fire Insurance coverage.**

Carol Kiefer, Orleans Levee District (O.L.D.) Safety-Risk Manager, advised that the premium for Property Insurance Coverage decreased about $26,000 even though the coverage value was increased approximately $800,000. Tim Avenyo with Eagan Insurance Agency explained that the insurance basically covers the Franklin Avenue Facility Warehouse and Administrative Buildings. The terms and conditions of the coverage remain the same. Eight other markets were approached; however, many of the markets that expressed an interest could not provide the coverage limits that are being provided by AmRisc. The decrease in premium is due to market conditions.

The Committee recommended that the renewal of the insurance coverage be forwarded to the Board for approval.

**C. Discussion of costs associated with raising certain levees prior to armoring in the East Jefferson Levee District and the funding options for said work.**

Fran Campbell, East Jefferson Levee District (EJLD) Executive Director, advised that an estimate of $17 million was received to lift the lakefront levee prior to armoring. She explained that she evaluated the EJLD's cash position and attempted to determine how the EJLD would pay back the money if the $17 million was spent on the levee. She stated that the EJLD does not at this time collect much more in ad valorem taxes than its expenditures. A reassessment of property values is due next year. She pointed out that there was only a two percent increase in property values at the last reassessment and that the EJLD's expenses are increasing at a faster pace. She recommended that the EJLD allow the U.S. Army Corps of Engineers (USACE) to armor the levee, and if a critical point is reached, the EJLD can place Hesco Baskets on the levee as it did prior to Hurricane Katrina. The placement of Hesco baskets on the levee must be analyzed by the USACE. The levee now has a wider crown and thicker profile. She added that there was a big bump up in ad valorem taxes between 2006 and 2009 due to post Katrina construction.

Ms. Campbell explained that the EJLD has a Levee Improvement Fund and a General Fund. The total projected fund balance at the end of Fiscal Year (FY) 2015 is $35 million. The EJLD is committed to spending $22 million on the safehouse and combined facilities in FY 2016; therefore, the projected fund balance at the end of FY 2016 is approximately $15 million. She pointed out that a minimum fund balance of $5 million must be maintained and that the remaining $10 million will be used up fairly quickly with the increased cost for maintaining the rock shoreline and new flood protection system features. She reiterated that the EJLD does not have the $17 million and that she projected if the EJLD borrowed the money it would be tight to pay it back.

Ms. Campbell further explained that the projection is that in two years some of the levees will begin to be low (two of the five reaches of the lakefront levee). She commented that there will come a time when the USACE will have money again to build levees and that she was hopeful that the Federal government will appropriate money again for levee lifts. She stated that she would like to try to hold out and rely on the Hesco baskets, like the EJLD did in the past, if the levee becomes critically low.

Mr. Estopinal pointed out that if a lift is required, the EJLD would have to remove the armoring, do the lift and replace the armoring at its cost. Mr. Tilly asked Robert Turner, SLFPA-E Regional Director, whether the Coastal Protection and Restoration Authority (CPRA) was approached for funding for the levee lift. Mr. Turner explained that the

CPRA was approached; however, it did not have any sources of funding for levee lifts. The levee lifts are strictly up to the Authority and the CPRA indicated that it would support the Authority's decision. Mr. Tilly commented that if the EJLD was to spend the $17 million to raise the levee, the USACE has not acknowledged that this expenditure would count towards the 35 percent local cost share. Mr. Turner responded that Mr. Tilly was correct. The USACE's attorneys are advising that there is no way for the Federal government to participate in future levee lifts. Language was added in the Water Resource Development Act (WRDA); however, the analysis indicates that the language will not work for the EJLD because of the Cost-Benefit (BC) ratio requirement. The way the BC ratios have been calculated, particularly for the levees with armoring, a levee would have to be very low before enough consequences are shown to offset the cost of the lift. Mr. Tilly inquired about the USACE's plan for future lakefront levee lifts in Jefferson Parish. Mr. Turner responded that the lift schedule indicates that lifts would be required for the following reaches: 2017 West Return Wall to the Duncan Canal, 2019 Duncan Canal to Elmwood, 2020 Elmwood to Suburban, and 2017 west of Bonnabel to the 17th Street Canal. The USACE does not have a schedule for performing levee lifts since it does not have the authority. Mr. Tilly commented that the USACE does not have the money; therefore, just because it is needed does not mean that it will be done. Mr. Turner replied, that's correct.

Mr. Estopinal stated that the choices are to pay the money now with the chance of having problems with the ad valorem tax and repaying the debt in a scheduled manner, or not doing the lift now and waiting until the lift must be done, which can be more expensive, and it would still have to be for paid by the EJLD, or rolling the dice and maybe getting the USACE to pay for the lift. Ms. Campbell stated that at the point that the levees need a lift, the EJLD should go back to the Jefferson Parish taxpayers and try to get an ad valorem tax increase and leave the decision to the taxpayers. She recommended that the EJLD try to stretch out the levees as long as possible. It will be more expensive, but whatever it is at that point, the EJLD will need to go to the taxpayers and tell them that the levees need to be lifted.

Mr. Tilly asked about the design height of the lakefront levee. Ms. Campbell advised that the design height is 15.5-ft. Mr. Turner explained that the design heights for the levees vary across the system. The highest levees are on the eastern end of the system because the surge rises quickly on the eastern side. The main mechanics for surge in the lake is tilt, which is wind driven. In addition, a wave berm was constructed in East Jefferson as part of the project that allows the levee to be lower and reduces run-up on the levee system.

Mr. Turner suggested that an option could be to do a portion of the levee lift work. An analysis could be done in order to do the most vulnerable reaches first.

Mr. Tilly asked about the USACE's armoring schedule. Mr. Turner explained that the USACE has been willing to work with the SLFPA-E. The SLFPA-E has provided a list of projects for the USACE to begin the armoring work. The SLFPA-E must provide a response to the USACE soon. If the levees are not going to be raised, then they must be armored quickly because the lower the levee, the more prone it will be to overtopping and the armoring becomes more vital. The USACE wants to reduce risks; therefore, it wants to armor the lowest levees first. In addition, there is some concern that the armoring money may not stay there forever since there are many competing interests for funding. The SLFPA-E has worked with the USACE for a long time trying to find out if there was a way to delay placement of the armoring until after the lifts are done. The SLFPA-E has reached the end of the line and the USACE needs a decision.

Mr. Tilly asked whether anyone has projected how much the levees are anticipated to drop below design elevation in 2017. Mr. Turner explained that typically the lift schedule is set up to theoretically place the next lift when the levee reaches the 100-year elevation calculated by the USACE, which changes over time due to sea level rise. Although the required height when the levee was raised in about 2011 was perhaps 15-ft., as time goes on the required height will increase due to sea level rise. The Committee briefly discussed the impact of levee consolidation and subsidence. Mr. Estopinal pointed out that the schedule does not take into account the changes in storm surge height because of regional subsidence outside of the levee system.

Mr. Tilly recommended that a presentation be provided to the Board on this issue. Mr. Estopinal offered a motion that the Board be made aware of this issue and given the opportunity to make a decision, and that the staff put together a presentation outlining the different alternatives. Ms. Campbell requested that the USACE be asked whether Hesco baskets could be used as an option. Mr. Estopinal commented that he expected that the USACE's opinion of the alternatives would be made a part of the report. Mr. Tilly seconded the motion and the motion was adopted.

**D. Discussion of Fiscal Year 2015-2016 Budgets for the SLFPA-E, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District.**

**SLFPA-E FY 2016 Budget:** Mr. Turner advised that the increases and decreases to the budget are explained in the cover letter provided with the budget. Basically, the money expended by the SLFPA-E is equal to the money taken in from the levee districts for services such as salaries, supplies and professional services. The latest estimate of revenues for FY 2015 and the proposed revenues for FY 2016 are both $1.7 million. He pointed out that there is an anomaly in Professional Services for FY 2016 since the Board chose to run the cost of engineering services ($181,000) for erosion protection for the outfall canals through the SLFPA-E's books. This anomaly offsets the increase in the FY 2016 budget. There is no significant change to the SLFPA-E's fund balance since there is no other source of income other than the charge back of expenditures to the levee districts.

**Lake Borgne Basin Levee District (LBBLD) FY 2016 Budget:** Nick Cali, LBBLD Executive Director, advised that two budgets were prepared—one with and one without the inclusion of the proposed ad valorem millage tax increase that will go before the voters on May 2nd. He focused on the budget without the proposed millage increase that keeps the LBBLD expenditures within its current revenues. He explained that cuts will be needed to close the gap and ensure that a deficit is not run from this point forward. A review was performed to ensure that the LBBLD still meets its mission and to cull down some of the expenses in order to keep the budget within the current revenue stream. The four percent merit increase for employees has not been included in the budget. Personnel lost due to attrition will not be replaced. Currently, the LBBLD staff consists of 30 employees. Two employees are on extended medical leave. Staffing levels will ultimately be brought down to a range of 21-22 employees, depending upon certain factors, which is half the number of staff pre-Katrina to do the same mission with increased infrastructure. Savings for dewatering the complex sector gate structures are not included in the budget. The dewatering of the structures will be required in less than 10 years. The cost to dewater the two sector gate structures is about $1.25 - $1.5 million per structure (about $3 million for both structures). The dewatering of the two structures should occur within about three years of each other. Funding is not included in the budget for major maintenance and capital improvements for the complex structures or pump stations. Deputy and inmate labor has been excluded from the budget. The cost of deputy and inmate labor is about $50,000 per year; however, the LBBLD receives labor valued at about $200,000 per year. The work performed by the inmate labor has not been included in the total staffing.

The Committee discussed the impact of not dewatering the complex sector gate structures, which is a requirement of the USACE's Operations, Maintenance, Repair Replacement and Rehabilitation (OMRRR) Manual. If maintenance is deferred on a facility, it becomes ineligible for Federal assistance should it be damaged during a storm event. In addition, the USACE will report the non-compliance to FEMA and FEMA would in time begin the decertification process.

Mr. Estopinal pointed out that consideration must be given to future sea level rise and subsidence and the impact to the closure gate structures and the associated future costs.

**<u>Orleans Levee District (O.L.D.)</u>:** Gerry Gillen, O.L.D. Executive Director, advised that the Special Levee Improvement Project (SLIP) Budget for FY 2016 is ambitious showing an expenditure of approximately $30 million and includes levee lifts in New Orleans East and the seawall and outfall canal erosion control projects. SLIP fund projects are projected to FY 2018. Additional positions are budgeted for FY 2016 resulting in a slight increase in expenditures for FY 2016 over FY 2015. Currently, grass maintenance is being contracted for several levees that will be turned over soon by the USACE and the O.L.D. is preparing for the turnover of the projects. Grass maintenance on armored levees was briefly discussed. An increase is shown in revenues for FY 2016 of about $1.8 million due to the millage tax that will be collected starting next year for the Non-Flood Protection Asset Management Authority.

**<u>East Jefferson Levee District (EJLD)</u>:** Lindsay Calub, EJLD consultant, advised that the total projected revenues for FY 2016 is $9.9 million. The total projected expenditures for FY 2015 is $30 million primarily due to the $22.6 million budgeted under Professional Services for the construction of the safehouse and consolidated facilities. The expenditure of these funds will also result in a decrease in interest income. Expenditures for Administrative and Executive is projected to increase from $1.4 million to $1.6 million, primarily due to the charge back of expenditures by the SLFPA-E. Modest increases are included for salaries and benefits. The proposed deficit for FY 2016 is $21 million. The fund balance at the beginning of FY 2016 is $35 million and the fund balance at the end of FY 2016 is projected to be approximately $15 million. He pointed out that a minimum fund balance of $5 million is required for cash flow purposes.

Mr. Estopinal offered a motion to forward the proposed FY 2016 Budgets to the Board for review and approval. The motion was adopted by the Committee.

There was no further business; therefore, the meeting was adjourned at 10:15 a.m.