

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON FEBRUARY 18, 2016**

PRESENT: Jefferson M. Angers, Chair
Lambert J. Hassinger, Jr., President

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on February 18, 2016, in the Orleans Levee District Franklin Avenue Administrative Complex - Meeting Room #201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Angers called the meeting to order at 8:45 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 October 15, 2015.

Public Comments: None.

New Business:

- A. Discussion of streamlining accounting functions districtwide/Chart of Accounts. and**
- C. Discussion of FY 2017 Budget and Grant opportunities.**

Mr. Angers explained that since Agenda Items A and C tie into each other, he would take both items together. He stated that he has been a big advocate of ensuring that the Authority and levee districts operate under one Chart of Accounts and pointed out the difficulties in attempting to review budgets or develop a consolidated financial statement when different Charts of Accounts are used. He asked that Mr. Turner provide the status of this effort and address the FY 2017 proposed budgets.

Robert Turner, SLFPA-E Regional Director, explained that Authority and levee district staffs began meeting in early October to discuss the development of a standardized Chart of Accounts. A Chart of Accounts has been developed that is similar across the Authority and three levee districts. The Orleans Levee District (O.L.D.) has a very complicated system in place tracing multiple departments, which should be reviewed at some point in time. The Authority, Lake Borgne Basin Levee District (LBBLD) and East Jefferson Levee District (EJLD) have much simpler accounting systems and utilize off the shelf software. The O.L.D. utilizes a proprietary-type software with codes developed specifically for the O.L.D. Staff attempted to ensure a common Chart of Accounts for each department (e.g, Administrative and Executive, Levee Maintenance, Police and Special Projects). The LBBLD has an additional department for Pumps. He advised that a first draft of the proposed FY 2017 budgets is being presented to the Committee today and that changes will be made to the budgets prior to the next Finance

Committee meeting when the budgets will be discussed in detail. Mr. Angers interjected that he was pleased with the progress that has been made thus far.

Mr. Turner further explained that the new Chart of Accounts will take effect on July 1, 2016 (FY 2017 Budget). He cautioned that some of the historical perspective on costs may be lost when comparing prior year budgets to the FY 2017 Budget. Mr. Angers encouraged staff to ensure that changes in the schedules are properly footnoted so that the Board and the public understand the categorization of expenses in prior years and the history is available and not lost. Mr. Turner advised that staff has discussed several ideas for accomplishing the transition. He noted that the Authority, LBBLD and EJLD only have one fund. The O.L.D. has two funds (General Fund and SLIP Fund).

Mr. Turner advised that the FY 2017 budget is presented in two different formats. The first format is a combined statement, which is used in the year-end Audit Report and is based on Division of Administration requirements. The second format provides a breakdown by department with supporting documentation and is used for management purposes.

Mr. Angers asked for an update on the position of SLFPA-E Chief Financial Officer. Nyka Scott, SLFPA-E Executive Counsel, reported that the Louisiana Department of Civil Service advised that it needs to do a little more revision to the job description. The job description is anticipated to be completed within one to two weeks. The revised job description will be provided to the Regional Director for review.

Mr. Turner briefly reviewed the highlights of the proposed FY 2017 budgets:

- SLFPA-E – Authority expenses, with the exception of Grants, are charged back to the levee districts (O.L.D., LBBLD and EJLD); therefore, there is no change to the SLFPA-E fund balance. Revenues and expenses are currently estimated at \$1.9 million. Revenues and expenses have increased slightly due to the addition of several positions at the Authority level (Finance Director, Operations Director and Human Resources Director). Mr. Angers pointed out the need for an Information Technology Director at the Authority level.
- EJLD – Revenues basically remain the same as last year's revenues. The significant increase in expenditures is mainly due to the inclusion of the Safehouse and Consolidates Facilities, levee lifts and work along the 17th Street Canal. The equipment budget has increased due to the need to purchase new equipment to replace aging equipment with high maintenance costs. The EJLD Fund Balance at the end of FY 2017 will be reduced by approximately \$13 million primarily due to the capital improvement projects.

Mr. Hassinger pointed out that outside counsel should not be retained by the levee districts unless approved by the SLFPA-E Executive Counsel or the Board.

- LBBLD – Total Personnel Services are budgeted at \$2.3 million based on the reduced staff currently in place. LBBLD employees received no merit increase last year (FY 2016) and the proposed FY 2017 Budget does not include funding for merit increases for employees. The SLFPA-E has been pursuing a grant (approximately \$3 million) that would pay a significant portion of the cost to construct the Violet Canal Realignment Project; however, the project will not be

included in the budget until such time as fidelity is received on the disposition of the grant. The budget will be amended when the grant is received. LBBLD costs were trimmed in order to achieve a balanced budget at the end of the fiscal year and there is no further draw down of cash reserves, which are currently at a critical level. Mr. Angers requested that the LBBLD follow the format used by the Authority and other levee districts relative to showing the FY 2015 Actual Budget, FY 2016 Current Budget and proposed FY 2017 Budget.

- O.L.D. – Gerry Gillen, O.L.D. Executive Director, reviewed the highlights of the proposed budget. Expenses have increased due to slight increases in Personnel, Materials and Supplies, Contractual Services and Equipment. He pointed out the increase in maintenance costs for some of the older structures. Expenses for FY 2016 are currently lower than anticipated due to difficulties in hiring and retaining personnel. The Special Levee Improvement (SLIP) Fund Budget provides a five-year projection. The SLIP Budget includes \$16 million for levee lifts; however, the U.S. Army Corps of Engineers may participate in one of the projects, thereby reducing this cost. A six to ten year projection will be developed for the SLIP Budget to plan for future anticipated projects and show the effect on the fund balance. Projects will be added to the list as required.

Mr. Angers complimented staff on the preparation of the proposed budgets and commented that there has been a marked improvement over last year's budget.

B. Discussion of financial status of Lake Borgne Basin Levee District and funding options.

Mr. Angers noted that the proposed LBBLD budget for personnel is at a standstill, no merit increases are proposed for LBBLD employees for a second year in a row, and the Violet Canal Levee/Floodwall Realignment is not included in the budget. He opened the discussion relative to a path forward.

Nick Cali, LBBLD Executive Director, pointed out the challenges due to escalating costs of doing business (e.g., LASERS and healthcare costs) and the smaller population base in St. Bernard Parish. The LBBLD is not receiving the revenues needed to do the work that needs to be done. He advised that he met with the Director of Public Works for St. Bernard Parish to discuss the development of a plan to share responsibilities and receive assistance. The assistance would allow LBBLD employees to focus on other responsibilities and ensure the levee district meets all of its obligations.

Mr. Angers commented that his sense is that the SLFPA-E has been distracted and should be able to help more going forward. He pointed out that the SLFPA-E would be interested in turning over drainage and pump stations to St. Bernard Parish in some way at some point. He added that more needs to be done and that the Board would be open to constructive ideas. Mr. Cali commented that the LBBLD received a tremendous amount of support from the Board leading to the election and the subsequent necessary reduction in services and costs. He commended the LBBLD employees who continue to get the job done every day and want the levee district to be successful even though they realize that they will not be receiving a merit increase for a second year in a row.

Mr. Angers addressed the recent data breach at the LBBLD. He commented that consumers at Target received a letter when their information was breached. He wanted to ensure that everyone whose personal information has been compromised receives a letter so that they can carefully monitor their credit and personal activities. He stated that he wanted the Board to begin a discussion about hiring a professional Chief Information Technology Officer. He asked that Mr. Turner and Ms. Scott explain how information technology is supervised for the Authority and three levee districts.

Mr. Turner explained that the SLFPA-E, EJLD and LBBLD do not have IT staff and that each entity has a different consulting contract for its IT work. The O.L.D. has one individual on staff for IT work and has the ability to utilize the SLFPA-E's IT consultant. He stated that the issue of centralized governance over IT services has been discussed and suggested that an IT Director at the SLFPA-E level with authority over the SLFPA-E and levee districts may be needed. He pointed out that there is little interconnectivity between the SLFPA-E and levee districts at this time.

Mr. Angers commented that the ability to have interconnectivity between the SLFPA-E and the levee districts is long past due, and that the breach of personnel information at LBBLD involving SLFPA-E staff and the Commissioners should be of grave concern to everyone. He stated that he wanted to ensure that the Finance Committee brings the discussion of the issues of interconnectivity and a common IT Director for the SLFPA-E and levee districts to the Board. IT is not currently included in the SLFPA-E, EJLD or LBBLD organizational charts. IT is included in the Executive Department of the O.L.D. He asked Ms. Scott about the next step to responsibly handle this issue. Mr. Scott explained that the SLFPA-E would go to the Department of Civil Service to create a job description for a classified position at the Authority-level and post the position. Ms. Scott advised that the letter to individuals affected by the breach has been reviewed by Mr. Turner and will be sent out. She clarified that the Authority is not sure whether data has been breached; however, the files were encrypted and this action is being taken as a precautionary measure. Mr. Angers commented that the fact that a third party encrypted the files at the LBBLD to where Authority and levee district staff could not access the files, but the third party could access the files, is a concern.

Mr. Angers asked the reason SLFPA-E payroll is being processed at the LBBLD. Mr. Turner explained that a decision was made in 2007 when the SLFPA-E was created to utilize ADP for payroll. LBBLD was the only levee district at that time that had an account with ADP and had experience with the service. LBBLD staff inputs information into the ADP system for the SLFPA-E under the SLFPA-E's account. In the past two years, the EJLD and LBBLD began using the services of ADP and have created separate accounts. He noted that the O.L.D. performs the accounting function for the SLFPA-E. Mr. Angers expressed concern about the LBBLD workload and the recent encryption problem. He suggested that efficiencies could be achieved with one ADP account at the Authority level. Mr. Turner pointed out that the SLFPA-E and levee districts have different benefit packages (e.g., the percentage of premium for healthcare coverage paid by the Authority and levee districts are not the same across the board). Mr. Angers stressed that the Authority should take advantage of any available efficiencies (such as common outside vendors) as much as possible.

There were no further discussions; therefore, the meeting was adjourned at 9:35 a.m.