

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON NOVEMBER 17, 2016**

PRESENT: Mark L. Morgan, Chair
Quentin D. Dastugue, Committee Member
Richard A. Luettich, Jr., Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on November 17, 2016, in the Orleans Levee District Franklin Avenue Administrative Complex - Meeting Room #201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 9:30 a.m.

Opening Comments: None.

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

Public Comments: None.

New Business:

A. Introduction of Finance Committee, SLFPA-E staff and responsibilities.

Mr. Morgan, Chairman of the Finance Committee, introduced himself and advised that he formerly served on the SLFPA-West Board for five years and CPRA Board for five years, primarily in technical and operations capacities. He introduced Mr. Dastugue, a newly appointed Committee member, and Mr. Luettich, who was appointed to continue his membership on the Committee.

Kelli Chandler, SLFPA-E Regional Finance Director, introduced herself and expressed her excitement with being part of the team. Ms. Chandler was employed by the SLFPA-E about four weeks ago. Mr. Morgan asked to whom does Ms. Chandler report? Mr. Luettich responded that Ms. Chandler would report to the President and the Board. He added that the Regional Finance Director is a new position and that any misunderstanding regarding reporting would be clarified.

The financial staff was introduced: Peggy Sembera, Lake Borgne Basin Levee District (LBBLD) Office Manager, Charles "Buddy" Doize, LBBLD Accountant, Maria Chedid, Orleans Levee District (O.L.D.) Comptroller, Tuyet Nguyen, O.L.D. Manager 1, and Shannon West, East Jefferson Levee District (EJLD) Administrative Program Specialist A. Mr. Morgan noted that he met with members of the staff about two weeks ago and discussed budgetary procedures and other financial matters.

B. Presentation of Finance goals and discussion of priorities.

Ms. Chandler distributed the SLFPA-E Finance Goals and Objectives (copy appended to minutes) and briefly highlighted some of the goals and objectives. She asked for input from Board and Committee members on the goals and objectives and anticipated that the goals and objectives would evolve over time. Mr. Dastugue requested that a timeframe be provided for the various goals.

C. Review of audit plan and assignment leadership responsibilities.

Mr. Morgan advised that an internal audit plan has been developed. He further advised that the SLFPA-E Internal Auditor would report to the Board and that he anticipated the development of reporting requirements. Ms. Chandler clarified that the internal audit plan is separate from the annual financial audit. She added that she and the Internal Auditor plan to meet next week with representatives of the firm that performed the financial audit (external auditor) to discuss next year's audit and areas that would require focus. Mr. Luettich pointed out that best practices for an organization such as the Authority (the SLFPA-E and the levee districts under its jurisdiction) is to have an internal auditor as well as an external auditor. Nyka Scott, SLFPA-E Executive Counsel, added that in the late 1990s the Legislature recommended that the O.L.D. have an internal auditor.

Mr. Dastugue inquired about the internal audit function. Ms. Chandler responded that the internal audit function will primarily be operationally focused. Robert Turner, SLFPA-E Regional Director, added that it is geared towards review of internal controls and determining whether staff is properly carrying out the policies of the Board. Mr. Morgan commented that the internal auditor will also review certain matters such as insurance coverages. Mr. Luettich noted that the responsibilities of the Internal Auditor would be laid out and would evolve. Mr. Turner pointed out that he and Ms. Chandler would not be directly involved in determining the responsibilities of the Internal Auditor because there must be a separation between the normal everyday functions and the internal audit function. Therefore, he and Ms. Chandler cannot supervise the Internal Auditor. The Internal Auditor will report directly to the Board.

D. Discussion of budgeting process, reporting requirements, and Finance Committee involvement.

Mr. Morgan explained that the budgeting process is one of the major functions of the Board. The Fiscal Year (FY) Budget must be approved by the Board in March and submitted to the Legislature by April 1 of each year. A draft of the budget would be provided in February. He commented that recommendations on improving the budget process were discussed during his meeting with staff. He asked that he and the other members of the Finance Committee be advised when staff or budget meetings are scheduled so that they may have the opportunity to attend, if possible, and become involved in the process.

The role of the Committee in the budget process was discussed. Mr. Luettich commented that his understanding is that the Board would receive the budgets, have a

high level discussion and take action. The Board would depend on the Finance Committee to more deeply review the budgets and would look to the Committee for a recommendation. Mr. Turner explained that historically the staff prepares four separate draft budgets (SLFPA-E, LBBLD, EJLD and O.L.D.) in February, after having about six months history to draw upon, and submits the drafts to the Board at its February meeting in order to begin the review process. The Finance Committee meets between the February and March Board meetings to review the draft budgets in detail and recommend changes. The budgets with the Finance Committee's recommended changes would be presented to the Board at its March meeting for a high level discussion. The final budgets with any changes made by the Board must be submitted to the State by April 1. Ms. Chandler added that the Finance Committee also has a role in monitoring actual performance against the proposed budgets through the review of quarterly updates.

Mr. Dastugue asked the total across-the-board operating cost. Mr. Turner estimated that the total operating cost for the SLFPA-E and levee districts is under \$30 million.

Mr. Morgan commented that he advised the levee districts' staffs to utilize their current financial software to develop the budgets in order to simplify the process. Changes in format can be developed at a later time. Mr. Turner advised that the financial software currently being used by the LBBLD and EJLD is Peachtree and that the SLFPA-E and O.L.D. use MIP. An attempt is being made to move all of the entities to the same software platform by the end of the fiscal year, if possible, depending upon connectivity and other potential IT issues. Over the past three years, changes have been implemented so that all of the entities report using the same chart of accounts.

Mr. Turner explained the reason for the delay in moving to a single software platform. The law requires that the levee districts maintain separate books. After Hurricane Katrina the O.L.D. was using an extremely complicated financial software system because prior to Katrina it also operated and maintained the non-flood protection assets. The SLFPA-E, LBBLD and EJLD used Peachtree because of its simplicity and the fact that it fulfilled each agency's needs. In 2009 or 2010 the O.L.D. and SLFPA-E were moved to the MIP platform with the idea that the other entities would also be moved onto MIP. However, EJLD and LBBLD have not been moved to MIP due to the need to address higher priorities.

Mr. Dastugue inquired about the Information Technology (IT) challenges. Mr. Luettich reported on the implementation of the IT upgrades. Security was addressed as the highest priority since one of the levee districts had a security breach earlier in the year. Firewalls have been put in place. Cylance antivirus software will be put in place. A problem was discovered with the wiring in the SLFPA-E's offices at the Lakefront Airport that may be due to remediation (use of ozone) after a recent fire, which delayed the implementation process. The SLFPA-E is currently outsourcing IT services and is attempting to hire an IT Director. The SLFPA-E's Strategic Plan identified the position of IT Director as a critical member of the staff and a position had to be created. Forty-eight applications were received for the position of IT Director. He anticipated that an individual would be hired to fill the position by the end of the year. The next step is the development of a region-wide area network across the SLFPAE and levee districts.

However, issues with wiring and bandwidth must first be addressed. The bandwidth must be sufficient to accommodate offsite backups. The final step, which may be the most disruptive, is converting all users to a common set of software. He pointed out that the priority during the first ten years of the SLFPA-E's existence has been flood protection. During the past two years the SLFPA-E, as manifested in the Strategic Plan, has focused on the creation of a regional authority. The upgrade plan envisions utilizing Microsoft Outlook 365 as the email system for all of the entities; however, sufficient bandwidth and networking must be in place. The goal was to implement the plan in a one year period coinciding with the end of the upcoming fiscal year.

E. Review current financial statements and recommendations as necessary.

Staff distributed the quarterly financial reports for the first quarter of FY 2017 for the SLFPA-E and levee districts. Mr. Turner reviewed highlights of the reports and advised that staff did not foresee any issues at this point in time other than the LBBLD's financial situation. Mr. Luetlich requested that future reports be provided in advance of the meetings to allow sufficient time for review.

F. Discussion of healthcare coverage for EJLD employees.

Derek Boese, EJLD Executive Director, explained that the EJLD historically procured healthcare coverage from the private sector. The SLFPA-E, LBBLD and O.L.D. participate in the Louisiana Office of Group Benefits (OGB) program for health and life insurance benefits for their employees, retirees and eligible dependents. The O.L.D. transitioned to OGB about four years ago due to its inability to procure coverage from the private sector. In recent years the EJLD requested quotes from OGB three times at the Board's direction. The plan year begins January 1st; therefore, a decision regarding the EJLD's procurement of coverage (private sector versus OGB) must be made in December. If OGB is selected, the EJLD would ensure that no one is left behind. Currently, the EJLD does not provide healthcare benefits for retirees over the age of 64; therefore, there is no current long term financial liability. If OGB is selected, the State advised that the EJLD would have to contact and offer coverage to all living retirees (estimated at 36 at this time). He pointed out that a separate discussion is the differences in the benefits packages offered by the SLFPA-E and the levee districts, including the difference in the percentage of premiums paid by the employer/employee. Mr. Boese estimated that the EJLD's cost may increase as much as 27 percent should OGB be selected; however, the estimate supposes a number of caveats and assumptions. The FY 2016 audit report approximates retiree benefits as follows: EJLD \$1,600 per retiree, LBBLD \$5,100 per retiree and O.L.D. \$8,900 per retiree. He requested guidance from the Committee.

Mr. Luetlich asked for the opportunity to review the available information and discuss the issues. It was pointed out that an informational meeting could be held prior to the next Finance Committee meeting at which time a vote would be taken on a recommendation.

There was no further business; therefore, the meeting was adjourned at 10:30 a.m.

SFLPAE FINANCE

Goals and Objectives

1. Determine the key metrics used by decision makers within the organization (the board members as well as the engineers) and develop budget tools and reports around those metrics
2. Develop a strategic plan for consolidating and streamlining the finance function.
 - Get input and thoughts from board and finance committee to determine needs and visions for finance
 - Meet with each district manager and/or staff to ask how they envision finance can provide support in accomplishing the overall mission of SFLPAE. This will help them buy-in and feel a part of the process.
 - Take over the lead role in streamlining the chart of accounts
 - Develop a timeline, plan, and required IT resources for consolidation of accounting and finance systems
3. Build social capital
 - Have a training day to learn various personality types and how those types can work with each other. This will also help build relationships across the districts
 - Hold regular lunch meetings with all of the district staff to get them talking and identifying as one organization
4. Identify strengths and weaknesses of process and practices within the organization.
 - Personally perform the daily tasks of each position within finance for a set amount of time to completely understand the process, the skill sets required, and to identify areas of potential improvement
5. Streamline cash management function
 - Develop a better understanding of the cash flows and the funding between districts
 - Meet with Capital One to explore establishing a master/sub cash account structure to reduce or eliminate intercompany billing
 - Identify the cash available for investment on an organization wide basis and make recommendations
6. Develop a standardized process and format for district directors to report to SFLPAE new task orders issued and task orders completed