MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JANUARY 19, 2017

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 January 19, 2017, in the Second Floor Council Chambers, Joseph Yenni Building, 1221 Elmwood Park Boulevard, Kenner, Louisiana. Mr. Morgan called the meeting to order at 10:15 a.m.

Opening Comments: Mr. Morgan commented on the potential move of the Authority's offices to the Orleans Levee District (O.L.D.) Franklin Avenue Facility.

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

Approval of Minutes: The minutes of the December 15, 2016 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Budget status and review.

Kelli Chandler, SLFPA-E Regional Finance Director, advised that preparation of the fiscal year (FY) 2018 budget is in progress and that meetings with the levee district managers will commence next week. A draft of the budgets will be provided prior to a special Finance Committee meeting that will be scheduled about the end of February. Finalized budgets must be adopted by the Board in March and the budgets must be submitted to the State by April 1st. A fluctuation analysis will be provided next month for the Authority and levee districts. The analysis will compare year-to-date actual figures versus budget figures as of December 31st.

B. Discussion and recommendations relative to Uniform Benefits package across the Authority.

Robert Turner, SLFPA-E Regional Director, explained that as of this calendar year the Authority and three levee districts will all be enrolled in the Office of Group Benefits (OGB) program. A spreadsheet was provided with the recommended benefits package that was developed as a result of a meeting with Mr. Turner, John Lewis (SLFPA-E HR Director), Ms. Chandler and the levee district Executive Directors. Adjustments are made over a four year period so that at the fourth year an equilibrium is reached relative to employer/employee cost share for healthcare coverage (80% employer/20% employee). Adjustments were also made relative to dental, vision and life insurance coverages. Mr. Lewis pointed out the goal at the end of the four year period: 50/50 premium cost share for dental coverage; 100% of the premium for vision coverage for employees will be paid by the employer due to the safety factor with 50/50 premium cost share for family members; and the premium for the first $5,000 of life insurance coverage will be paid by the employer with the premium for coverage above $5,000 cost shared 75% employer/25% employee. The life insurance coverage limit is $50,000 and is based on several factors. The standard OGB package includes six healthcare plans and a flexible spending option. Fees imposed on options, such as a flexible spending plan, will be borne by the employee.

Mr. Dastugue asked that he be provided with the percentage of the current budget allocated to the benefits package and the percentage in four years. Ms. Chandler advised that the future impact to the budget would be difficult to calculate until employees select the particular OGB plan they desire. She anticipated that there would be an overall positive net impact for years one through three. She offered to calculate the impact and provide the results. Mr. Luettich stressed the importance of providing information to the employees regarding the various cost shares. Mr. Lewis noted that East Jefferson Levee District (EJLD) employees were provided information regarding costs for the upcoming year so that they can make informed decisions since they are currently in the OGB open enrollment period.

Nyka Scott, SLFPA-E Executive Counsel, advised that no vote was necessary for this item. It was noted that the costs would be included in the Authority and levee districts budgets.

C. <u>Discussion of Internal Audit activities.</u>

Louis Capo, SLFPA-E Internal Auditor, introduced himself and provided information on his twenty year background with the Orleans Levee District (O.L.D.). Mr. Capo was employed in 1996 by the O.L.D. as the Internal Auditor after the O.L.D. received several years of findings by the Legislative Auditor's Office and being called before the Legislative Audit Advisory Council. One of the findings was that the O.L.D. would not fund and fill an Internal Auditor position. He was tasked during 1998-1999 to the Y2K financial management implementation. Mr. Capo served as Director of the Non-Flood Protection Assets from 1996 until 2014. In 2014 he transferred back to the O.LD. Flood Protection Division.

Mr. Capo discussed some of proposed Internal Audit activities. The Non-Flood Protection Asset Division received a material finding last FY relative to revenue collections. Non-Flood Protection activities and financials roll into the Authority's FY financial audit since the assets are owned by the O.L.D. The auditor recommended that the SLFPA-E Internal Auditor perform a quarterly review of the Non-Flood Protection Assets Division controls. Mr. Capo explained that a corruption in the software used to batch process the approximately 700 South Shore Harbor and Orleans Marina tenants caused the collection process to fall several hundred thousand dollars in arrears. Wilma Heaton, Chair of the Non-Flood Protection Asset Management Authority (NFPAMA) Board, was contacted. Ms. Heaton recently hired a Finance Director to put the appropriate controls in place. In addition, some of the IT infrastructure has been reinstalled and work to resolve the software problem is continuing so that batch processing can be done for the two marinas. Mr. Capo felt confident that with the remedies taken by Ms. Heaton the finding can be corrected prior to end of the fiscal year.

Mr. Capo advised that another potential Internal Audit activity, which was recommended by the financial auditor, is a review of payroll related liabilities and controls for the Authority and levee districts. This activity could result in a reduction in the financial auditor's workload.

Committee members inquired about the NFPAMA's rental arrearages and quarterly financial reports to the Finance Committee. Ms. Chandler noted that although the NFPAMA's new Finance Director will not begin work until January 31st, she has been coming to the NFPAMA's office on Fridays to acclimate. Ms. Chandler was advised when she and the NFPAMA Finance Director met that new policies and procedures will be implemented. The two staff members will be working closely together to develop enhancements to the policies and procedures and implement additional controls.

Mr. Capo advised that approximately $7 million is owed by the NFPAMA to the O.L.D.; however, $3.9 million of the debt is due to the payoff of South Shore Harbor bonds.

Mr. Hassinger explained that last year the NFPAMA was asked to send a representative to the Board on a quarterly basis. One of the points in the Authority's Strategic Plan is to exercise more oversight over the Non-Flood Protection Assets in order to ensure that the assets are profitable and provide funding for flood protection. The NFPAMA Executive Director appeared before the Board last year and provided a report, and left shortly thereafter. The NFPAMA hired another Executive Director who remained only a very short period of time. Mr. Hassinger advised that he requested that after the new Finance Director begins work that reports be provided to the Finance Committee or the Board as early as March and continue on a regular basis. He explained that Wilma Heaton, SLFPA-E Director of Governmental Affairs, fills the Authority's seat on the NFPAMA Board. In August, 2016, Ms. Heaton was elected Chair of the NFPAMA Board and many efforts have taken place since that time to get things done.

Ms. Heaton explained that she has been on the NFPAMA Board since its inception in 2010. She is the only member of the 17 member Board with institutional knowledge and understanding about how the organization works, and was only placed into leadership on September 1, 2016. In August, 2016, as a member of the NFPAMA Finance Committee she asked the Executive Director for an aging analysis, which she had been requesting for three months, and for a status of the financial audit. She stated that the Executive Director advised her that everything was great; however, after the meeting she found out that there was an audit finding that the Committee did not know about. The Executive Director submitted his resignation that afternoon. She assured everyone that efforts are being taken to resolve all of the problems. She noted that receivables were $700,000 in arrears in September, 2016, when she took over as Chair. Receivables are currently $200,000 in arrears. The NFPAMA created the Civil Service position of Finance Director and recently filled the position. She reiterated that the NFPAMA is making strides.

Mr. Dastugue inquired about remedies for tenants who fail to pay their rent. Ms. Heaton responded that she is instituting best practices policies and procedures to address the audit finding on the internal controls. Eighty percent of the NFPAMA's operating budget funding is self-generated. The policies and procedures will ensure that tenants receive proper notification. The new Finance Director instructed that all leases be migrated into the system, including the 700 boat slip leases, and efforts are underway to complete this process.

D. <u>Comprehensive review of Cash Account Structure and review of procedures.</u>

Ms. Chandler provided Committee members with charts showing the current cash accounts, cash flow, type of bank analysis performed, and authorized signatories for each of the accounts. Pro-forma statements for the SLFPA-E, LBBLD and O.L.D. were also provided. EJLD currently utilizes the services of First NBC Bank. She recommended that all of the accounts be placed on blended analysis for consistency. The accounts can then be linked on line and transfers between the entities can take place. She described potential controls that can be put into place for on line transfers. She recommended that payroll accounts be changed to zero based accounts in order to automatically fund payroll, and that the EJLD checking accounts be moved to Capital One Bank so that the Authority and levee districts are utilizing the same bank and can be linked. The EJLD's CDs at First NBC would remain in place until they mature over the next several years. Ms. Chandler advised that she will be investigating utilizing ACH payments versus processing checks, the automation of vendor payments and streamlining of processes.

Ms. Chandler pointed out that LAMP (Louisiana Asset Management Pool) accounts are very liquid, short term investment vehicles and discussed longer term investment strategies (probably no longer than three years) in order to receive a greater return. A ten-year plan was put into place for Capital Projects in order to structure investments. She advised that an investment policy will be developed and brought to the Board.

Ms. Chandler reviewed the check signatories for the Authority and levee districts. A recommendation was made that Stevan Spencer, SLFPA-E Regional Chief Engineer, be added as a signatory for the Authority's accounts in order to allow staff to process checks timely. The number of signatories for each agency was reviewed. Derek Boese, EJLD Executive Director, noted that the HR Analyst had been included as a signatory during the transition between Executive Directors. The Committee concluded that the EJLD HR Analyst was no longer needed as a signatory. Ms. Chandler was not included as a signatory in order to ensure separation of duties in the event that she temporarily takes on the duties of another Finance employee.

E. Discussion of renewal of Orleans Levee District Law Enforcement Liability Insurance Coverage.

Gerry Gillen, O.L.D. Executive Director, advised that Law Enforcement Liability Insurance covers wrongful acts that arise out of law enforcement activities. There is a $1,700 reduction in the annual premium.

F. Discussion about Authority location/Office.

Mr. Luettich commented that the Authority's offices were moved from the CERM Building on the UNO campus to the Lakefront Airport Terminal less than two years ago, and that he was against the move at that time because the Terminal is located outside of the flood protection system. There was a cost savings involved in the move and mitigating factors (e.g., the offices are located on the second floor, Authority staff would relocate to the O.L.D. safehouse in the event of a storm, and efforts were being made to obtain FEMA funding for flood protection for the airport). He stated that he was in favor of the Authority moving back inside the flood protection system; however, the organization and its needs should be assessed for a permanent location.

Mr. Hassinger explained that when the Authority's offices moved to the Lakefront Airport Terminal, it was anticipated that flood protection for the Airport could be obtained more quickly. He pointed out that the move to the O.L.D. facilities seemed to make a lot of sense. He added that he did not see the need for a complicated needs study and that staff could assist with defining the organization's needs. He commented on the Authority's regionalization efforts and on the recent creation of the HR Director, Finance Director and IT Director positions. The vision when the positions were created was not to add another layer of bureaucracy, but at some point to manage and operate the organization by function as a regional authority. He noted that additional support could be achieved by grouping staff by function and placing those individuals close to the Directors. He suggested that the effort could be put in motion and a report provided to the Board.

Ms. Heaton advised that the Authority has grown from an initial staff of three individuals who operated out of a single office to one that has increased in size and has had to move several times due to that increase and the need for more reliable internet service. UNO experienced extreme cuts and its IT Department was reduced from a staff of 31 to three. The Authority had to rely on UNO's internet service, which was experiencing increasing problems. She explained that she recommended the relocation of the Authority's offices to the Airport Terminal because she was confident that funding for flood protection for the Airport could be obtained within a year. FEMA was granted its sixth delay in arbitration and the trial has again been delayed until March 21, 2017. She pointed out that the Authority's Administration does not at this time have readily available support in all areas of service. She commented on the lack of additional office space in the Airport Terminal for new or future SLFPA-E employees. She explained that the Authority is paying rent at the Airport because the FAA requires that every tenant on Airport property pay rent. However, the annual rent paid to UNO ($60,000) was reduced by moving to the Airport Terminal ($30,000 payment in cash and $30,000 applied towards the NFPAMA's debt to the O.L.D.). The Authority would not be required to pay rent for office space in the O.L.D. facilities.

Ms. Heaton further explained that the buildout of office space in the Airport Terminal for the Authority's staff (i.e., buildout construction, electrical and data lines, communications infrastructure, etc.) and the move was accomplished within several months. She pointed out that the draft layout that was provided gave a guideline on space sizes in the O.L.D. facilities. The SLFPA-E Regional Director and O.L.D. Executive Director can provide guidance on space utilization. A full report could be provided at the February meeting. The cost to relocate Authority's staff to the O.L.D. facilities could be nominal; e.g., purchase of telephones. The only action that would be required by the Board would be approval to change the Authority's domicile. The relocation could be accomplished in about a month with careful planning. Hurricane season begins June 1st; therefore, a decision must be made about whether the Authority remains another year outside of the hurricane protection system. If the Authority's staff relocates to the O.L.D. facilities, when a storm or high water event occurs, staff would already be in place at the EOC. She pointed out that a number of studies have been authorized by past boards, one being a $400,000 space allocation study.

Mr. Luettich commented that the Authority has had a pattern of moving and outgrowing office space; therefore, planning is needed and consideration should be given to becoming a regional Authority, including expansion in some areas of activity and consolidation in other areas. He added that it seemed to be a bad policy to split the Authority and only move part of it.

Mr. Dastugue explained that his company, Property One, works with tenants that wish to relocate. He stressed that he was not asking that his company be hired. He suggested that a block study be done internally to determine needs and that a space planner be hired, at a potential cost of several thousand dollars, to determine how those needs could be incorporated into the available space and to provide options. He stated that if at all possible the Authority's staff should be located within the flood protection system.

Mr. Morgan requested that Mr. Dastugue take the lead on the study and provide the assistance needed by the Authority in order to return with a recommendation.

There was no further business; therefore, the meeting was adjourned at 11:23 a.m.