

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON AUGUST 17, 2017**

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on August 17, 2017, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 10:00 a.m.

Opening Comments: None.

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

Approval of Minutes: The Committee approved the minutes of the meeting held on July 20, 2017.

Public Comments:

Roy Arrigo commented that in anticipation of the potential passage of House Bill No. 438 by the Legislature, the Board adopted a resolution providing the methodology that would be used for the allocation of funding for the perimeter flood defense system. However, since the bill did not pass, he assumed that the proposed methodology is moot. He stated that the spending of one levee district's money in another levee district, especially for a drainage project (e.g., payment to Tetra Tech for the non-federal levee system certification) does not fit within the law, but has been done in the past by the Board. He asked that the Finance Committee correct this situation and pursue the repayment of past loans to the appropriate parish.

Derek Boese, Chief Administrative Officer, advised that he and Nyka Scott, Executive Counsel, discussed a loan between the Orleans Levee District (O.L.D.) and the Lake Borgne Basin Levee District (LBBLD) that was approved some years ago by the Coastal Protection and Restoration Authority (CPRA). He added that this issue is being reviewed and that there was no misuse of funds.

Mr. Luettich commented that he was on the Board at the time of the loan and that the loan is fully documented in the records to provide accountability. He stated that it is appropriate to ask on a periodic basis the status of the repayment of the loan. He added that he did not know how quickly the debt could be eliminated; however, it is in the record and there is no reason for the loan to fall through the cracks. The Authority is currently in the process of establishing a more rigorous financial operation.

Regional Finance Director's Report:

Kelli Chandler, Regional Finance Director, highlighted the following items in her report:

- The regionalization process has been progressing; however, it has been somewhat delayed due to the financial audit. The auditors are wrapping up the field work that took place over the past six weeks, allowing one month for writing the report. The Authority does not anticipate any findings from the flood protection side of the organization. The audit process has been difficult due to on-going concurrent projects, the turnover of Authority staff, and the resignation of several key members of the audit firm's team resulting in a loss of historical knowledge.
- Ms. Chandler advised that she has completely taken over the tracking of contract costs, which has taken more time than anticipated. She met with Engineering staff to develop processes for routing invoices and tracking costs. As of this month the Committee will receive a report on the status of all contracts, in addition to the previously provided monthly reports on the status of the ID-IQ contracts and task orders.
- Staff is starting to focus on the inter-organizational billing between the Authority and levee districts to ensure good processes and controls.
- A report on grant activities was provided along with the written report by the Regional Finance Director.

New Business:

A. Presentation by SLFPA-E Police Superintendent Kerry Najolia.

Police Superintendent Kerry Najolia, who was hired by the Authority on March 1st of this year, provided a brief synopsis of his background. Supt. Najolia attended the Jefferson Parish Sheriff's Office (JPSO) Police Academy in 1980, worked six years in the patrol division and investigations, and in 1986 moved to the training division. He attended training sessions throughout the U.S. and outside of the U.S. and advanced to Director of Training and SWAT Commander for the JPSO.

Supt. Najolia stressed the importance of the financial decision makers of an organization in the success and safety of its police officers. He explained that as the JPSO Training Director and SWAT Commander, he had to insist in certain situations that the organization lean towards the most expensive of the safety gear and cited several incidents in which officers' lives were potentially saved because the finance officials took heed of his recommendation and purchased the appropriate safety gear.

Supt. Najolia provided information concerning police staffing: the East Jefferson Levee District (EJLD) has 25 full time police officers, the O.L.D. has 30 full time police officers, and approximately 46 reserve officers supplement and augment police services. All officers (full time and reserve) are certified by the State of Louisiana. The department is developing a plan and attempting to lay the groundwork to provide the same safety equipment afforded to full time officers to the reserve officers. The reserve division increased from 20 officers in March, 2017, to 46 at the present time. A great amount of

effort has been expended to reach out to professional law enforcement officers in the area who are personally known by Supt. Najolia to request that they consider joining the reserve division.

Supt. Najolia explained that the department is moving to a more proactive position where law enforcement personnel are being empowered to go out and provide safety to the community. He pointed out that the more proactive the approach taken by the organization, the more opportunity exists for significant issues to occur with the officers. He noted that since he has been employed by the Authority, the department's officers have provided prompt and professional police protection, particularly in the areas surrounding the Authority's structures and levee systems, and have saved lives. The levee district police officers, in keeping with the Authority's mission statement and their role as public servants, are able to reach out to the community on a daily basis and to assist the levee district Police Departments' law enforcement partners in times of emergency situations.

Supt. Najolia pledged to modernize the Police Departments. He stated that in the time that he spent in JPSO he saw the advantages of technology and safety, and how the two worked together. If an officer is confident in his equipment, he is more prone to place himself in dangerous situations. He commented on the importance of technology, such as surveillance cameras and laptops or tablets that provide officers with immediate access to the Authority's critical structure and infrastructure.

Supt. Najolia explained that he would be recommending certain equipment, unfortunately with big price tags, that will provide safety not only for the police officers, but also for the taxpayers and the citizens being served. The equipment will allow officers to do a more thorough and professional job. He added that the equipment which is being ordered has been tested and used operationally, and that he is comfortable with the equipment.

Supt. Najolia advised that another major concern is wages. Levee district police officers are dramatically underpaid. The levee districts have dedicated police officers, who are doing a good job; however, these officers with their training and experience could go to other agencies within the area and earn an additional \$10,000 to \$12,000 a year. The Authority is attempting to set standards from a hiring and retention perspective on par with other agencies. In addition, levee district police officers are being offered some extremely good training (e.g., a virtual police training academy).

B. Discussion of adoption and certification of millage rates for the Orleans Levee District for the year 2018.

The Committee will recommend that the Board adopt and certify the same rates that were adopted and certified for 2017 for the O.L.D. for calendar year 2018.

C. Update on the payoff of the Go Zone Bond.

Ms. Chandler advised that the information packet provided to Committee members included a schedule of the investments that were liquidated in order for the O.L.D. to

fully repay the debt due on the GoZone Bonds. The portion of the payment from the General Fund came from cash reserves and short term investments. The portion from the SLIP Fund came from the liquidation of longer term investments; however, the estimated loss in interest on the investments was much less than initially anticipated. The early repayment of the debt saved the O.L.D. \$4.3 million in interest.

Ms. Scott further advised that the full payment of the debt eliminated the need to retain outside counsel previously approved by the Board for refinancing the debt.

D. Update on the year-end audit.

Ms. Chandler informed the Committee that due to the recent turnover of employees, the finance staff has had to work especially hard on the audit and on-going projects. She commended the finance staff for doing an excellent job and stated that she has a great team that stepped up to the plate and did what was needed to get the work done. The field work for the audit is wrapping up and work will begin on the report. The audit report must be provided to the State.

Mr. Morgan requested that Ms. Chandler develop a scope of work for inclusion in the Request for Proposals for next year's financial audit. Ms. Chandler noted that the Request for Proposals would be issued by Legislative Auditor's Office, which also controls the selection.

E. Discussion of Finance org chart, open positions & update on the space study.

Ms. Chandler discussed the six open positions on the Finance Department org chart. IT Liaison Officer is a new position that will drive the Finance Department's technology, communicate the Finance Department's needs to the IT Department, and be a key in the selection of an accounting package. Gaynell Rome, Administrative Coordinator 4, is retiring from the Authority on August 18. Cynthia Grace, Accountant 3, is transferring to the Non-Flood Protection Asset Management Authority. The positions of Accounting Manager 2 and Administrative Coordinator 3 are open. An Accountant 1 has just been hired and will begin work soon.

Mr. Luettich pointed out the need for an Assistant Regional Finance Director. Ms. Chandler suggested that the IT Liaison Officer could serve a large part in that role and take on some of the major projects. Mr. Luettich encouraged the development of a job description for the position so that other positions do not have to take on some of the responsibilities of an Assistant Regional Finance Director in addition to the responsibilities of their positions.

Mr. Boese reported that the space study is 95 percent complete. The implementation of the study will require significant renovation of the Franklin Administration Building in order to house the Finance, HR, Legal and Administrative staffs in a way that will allow more interaction. The area on the first floor of the warehouse building beneath the Board Room will be dramatically overhauled to house the Engineering and Operations staffs. The Operations and Survey personnel currently being housed in three trailers will be relocated to the renovated offices. A document storage area is included in the

plan and will be tied into retention processes. A recommendation will be made to the Board to retain RCL Architecture, LLC to develop plans and specifications in accordance with the space study and to address structural and HVAC issues. The plans and specifications will also set the conditions for potential future expansion.

Mr. Luettich questioned leaving in place a locker room in the middle of the space designated for the Engineering Department. He requested that the incremental cost of functionally reconfiguring the space in order to meet future needs be considered.

F. Discussion of the adoption of a resolution to authorize a transfer of funding from the BP Settlement Fund to the SLFPA-E's Capital One Operating Account for cash flow and emergency reserve purposes.

Ms. Chandler explained that as the regionalization process progresses, staff must look at and address payment of expenses and cash flow. Currently, the Authority is paying the cost of the combined expenses (e.g., the premium for consolidated insurance coverages) and is receiving reimbursement from the levee districts. Therefore, the Authority is beginning to experience cash flow issues. After considering the Authority's average expenses, including the combined payroll and a small reserve, she estimated that \$1.7 million would be needed as of this time for cash flow, and asked that the BP money be used to assist with this issue. In addition, in order to achieve efficiencies the Authority is considering billing the levee districts for reimbursement on a quarterly basis instead of a monthly basis.

Mr. Luettich stated that if the transfer allows the Finance staff to do their jobs more efficiently and there is good, solid transparency and tracking, he supports the request. He pointed out that the proposed use of BP money does not appear to be a good long term solution for cash flow issues. He encouraged Ms. Chandler to investigate appropriate solutions in going forward. Ms. Chandler agreed with Mr. Luettich and explained that a meeting will be held next week regarding the management of cash flow. Mr. Morgan noted that a payback plan was not included in the event the funding is needed elsewhere in the future.

G. Discussion of insurance valuation for O.L.D. Franklin Avenue Complex.

Mr. Boese explained that the review of insurance policies and the consolidation of insurance coverages provided an opportunity to consider the Authority's assets, including facilities and vehicles, and put the appropriate amounts of coverage in place. A recommendation was made to do a full valuation of the O.L.D. facility. The Franklin Avenue Complex had been insured for roughly \$42 million (replacement value). An analysis was received with an estimate of \$15.8 million (cash value).

Ms. Scott further explained that the issue before the Committee is whether the coverage for Franklin Avenue Facility should be renewed on January 1st for replacement value or actual cash value. If there is a total loss of the facility, would it be rebuilt as is (requiring replacement coverage) or would it be rebuilt on a smaller scale. Matt Byrd with Arthur Gallagher Risk Management explained that if the facility is destroyed and a smaller facility is rebuilt that meets the Authority's needs at a cost of perhaps \$15 million, the

insurance carrier would only pay the cash value and would not pay the replacement value because the Authority would be bettering itself by \$20 to \$25 million.

Mr. Luettich commented that the Franklin Complex is being renovated in order to meet the Authority's needs and suggested that replacement coverage may be appropriate. However, he requested feedback from staff. Mr. Boese recommended that the issue be further reviewed by staff.

H. Update from Louis Capo, Internal Auditor.

Louis Capo, Internal Auditor, advised that he is currently auditing the O.L.D. and EJLD police detail accounts. He was requested by Mr. Boese and Supt. Najolia to review the accounts in order to proactively bring any issues to the forefront. The O.L.D. has one officer who administers and maintains its detail account, which is a separate bank account off the O.L.D.'s books. Checks are written to the officers from the account and amounts are tracked in order to issue a 1099 form to officers at the end of the year. The O.L.D. issued over one hundred 1099 forms to various officers working details. Other details are worked by O.L.D. officers for which payment is made by the businesses directly to the officers. EJLD officers work the Louis Armstrong International Airport police details. The Airport submits the number of hours that are worked, an invoice is issued by the EJLD, the Airport's payment is deposited into the EJLD General Fund. and payment is made from the General Fund to the officers by direct deposit. The EJLD issues a 1099 form at the end of the year to officers. Other details worked by EJLD officers are paid by businesses directly to the officers. No standards are being applied across the two levee districts.

Mr. Capo explained that currently EJLD officers pay a \$1.50 fee for working a detail at the Airport. EJLD reserve officers pay a fee of \$2 per hour for working the Airport detail. The O.L.D. currently charges a fee of \$1 per detail.

Mr. Capo recommended that the procedures for O.L.D. and EJLD police details be standardized. He explained that he met with the individual who handles details at the JPSO. JPSO utilizes an excellent computerized tracking system (JBM Technologies) for details. The system is funded by charging the officer or the business a \$2 administration fee. Mr. Capo advised that after he completes the field work he would meet with Ms. Chandler, Roman Dody, IT Director, and Supt. Najolia regarding the development of a more transparent procedure.

Mr. Morgan requested that the Workers Compensation liability issue be made a part of the internal audit. Ms. Scott advised that she discussed this issue with Supt. Najolia and that she would draft a waiver.

There was no further business; therefore, the meeting was adjourned at 11:00 a.m.