

**MINUTES OF  
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST  
FINANCE COMMITTEE MEETING  
HELD ON NOVEMBER 16, 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 November 16, 2017, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 10:30 a.m.

**Opening Comments:** Mr. Morgan thanked Kelli Chandler, Regional Finance Director, for putting together the agenda for this month's meeting while he and Derek Boese, Chief Administrative Officer (CAO), were out of the country visiting the Authority's flood protection peers.

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

**Approval of Minutes:** The Committee approved the minutes of the Finance Committee meeting held on October 19, 2017.

**Public Comments:** None.

**Regional Finance Director's Report:**

Ms. Chandler provided the following updates relative to the Finance Department:

- Ms. Chandler and Peggy Sembera have assumed supervision of the activities of the Human Resources (HR) Department while the position of HR Director is vacant. Ms. Chandler will provide supervision over projects and Ms. Sembera will supervise the day-to-day activities. The HR Director position is being advertised by Civil Service. Ms. Chandler anticipated that resumes would be received within the next three weeks and that an individual should be hired by the end of January.
- Authority staff is utilizing Benefits Connect software in order to gather all employee benefit related data into one database. The open enrollment period for insurance coverages ended yesterday. The information will be gathered and fed to the various providers.
- Meetings are taking place with Non-Flood Protection Asset Management Authority (NFPAMA) staff to develop a better process for interagency billing and to research the historical balance of money due the Orleans Levee District.

- The Finance staff is attempting to define Operation and Maintenance (O&M) costs and determine the exact numbers.
- The coding for payroll consolidation has been completed. The process included 33 tabs of coding and the design of a new department code structure and a number scheme. The move from three to six digits in the department code structure impacted other parts of the General Ledger structure, as well as other areas such as purchasing. The target date for payroll consolidation is January 1<sup>st</sup>. Tests are currently being run to correct any potential issues.
- The Finance staff is providing assistance and data for the Compensation Study.

Ms. Chandler introduced William Joseph, Accounting Manager I, who joined the Authority's Finance staff two weeks ago.

### **New Business:**

#### **A. Discussion of FY 2017-2018 Finance Audit.**

A draft of the FY 2017-2018 Financial Audit report was provided to Committee members. Ms. Chandler explained that the Legislative Auditor and the Office of Statewide Reporting and Accounting (OSRAP) have taken the position that the Hurricane and Storm Damage Risk Reduction System (HSDRRS) assets must be recorded, even though the Coastal Protection and Restoration Authority (CPRA) has not accepted any of the projects that were completed by the U.S. Army Corps of Engineers (USACE) and has not turned over the projects to the levee districts. She advised that she has had multiple discussions with CPRA staff and tried to have discussions with USACE staff to obtain the numbers, but was unsuccessful. Ms. Chandler stated that she disagreed with the State's position; however, the final decision would be made by the auditor. Everything else in the audit has been completed.

Ms. Chandler provided the following highlights of the draft audit report:

- Total assets - \$420 million (includes \$140 million in investments and \$254 million Capital Assets)
- Total Liabilities - \$79.4 million (includes \$52 million net pension liability and an \$18 million payable note that was paid after the end of the year)
- Total Revenues - \$58 million (\$52 million collected in taxes and \$6 million collected for charges in services)
- Flood Protection Expenditures - \$42 million [approx. 60% Orleans Levee District (O.L.D - \$25 million); approx. 30% East Jefferson Levee District (EJLD - \$12.5 million), and approx. 8% Lake Borgne Basin Levee District (LBBLD - \$3.5 million)]

Ms. Chandler pointed out that the audit opinion in the report is a draft and has not yet been finalized.

Mr. Luettich asked could the Authority be directed to record the HSDRRS assets even though it does not agree. Ms. Chandler responded that if the auditor determines that the assets must be recorded and she cannot obtain a number, the auditor will issue a qualified opinion, which states that everything looks good except they cannot verify the number relative to the HSDRRS assets because it is not known. Mr. Luettich asked about the consequences of a qualified opinion for the Authority. Ms. Chandler explained that a qualified opinion could potentially impact the Authority's credit rating. She pointed out that the State and other levee districts received a qualified opinion for last year.

Ms. Chandler advised that the second issue relative to recording the HSDRRS assets is the recording of the corresponding liabilities. She stated that her position is that there is no legal document that requires the levee districts to pay the HSDRRS cost share.

Ms. Chandler noted that the NFPAMA received a finding this year, which was repeated from last year. She pointed out that the NFPAMA is making great progress and the finding is not expected to reoccur next year. Wilma Heaton, Governmental Affairs Director and Chair of the NFPAMA Board, explained that the NFPAMA manages the Orleans Marina and South Shore Harbor. Over \$400,000 was collected of the outstanding \$600,000. She pointed out that by the time the new NFPAMA staff members were put in place to address the issue, the audit year was ending. Although the auditor knew the problem had been solved and was well pleased with the collection of the majority of the outstanding rent, a balance still remained. The NFPAMA also put in place internal controls and processes to address the issue. In addition, the NFPAMA is considering obtaining outside professional collection software to ensure that this issue does not reoccur.

**B. Discussion of recommendation of staff relative to the recording of Hurricane and Storm Damage Risk Reduction System Assets on the financial statements for the Flood Protection Authority.**

Item was discussed in Item A.

**C. Discussion of first quarter budget to actual results.**

Ms. Chandler advised that the Authority and the levee districts are under budget for total expenses. Total expenses for the first quarter were approximately \$11 million. Revenues are under budget since taxes are collected during January through March. Personnel Services are a big driver in the expenses being under budget due to vacancies that the HR Department is working to fill. In addition, a four percent merit increase was budgeted that was not approved by Civil Service. Professional Services are in line with the budget. Contractual Services are under budget for the EJLD mainly due to the timing of construction projects and are expected to be in line with the budget by the end of the fiscal year. Contractual Services for the LBBLD and O.L.D. are over budget due to the payment of annual insurance premiums and are expected to be within

budget by the end of the fiscal year. The Authority is over budget for advertising costs, which were not anticipated or budgeted. Materials and Supplies are under budget. The O.L.D. had savings in parts and supplies, which was offset by greater than expected fuel costs. The LBBLD had greater than expected fuel costs and major oil changes done at the pumping stations. The EJLD is within budget for Materials and Supplies. The Authority is under budget for Materials and Supplies, mainly due to the relocation of many of its employees to the Franklin Avenue Facility. Equipment purchases are within budget for the O.L.D. and under budget for the EJLD, LBBLD and the Authority, mainly due to the timing of purchases.

Ms. Chandler advised that the consolidation of payroll will greatly impact the budgets and budget amendments will be required.

#### **D. Discussion of Purchasing procedures.**

Mr. Boese explained that the State statute that typically applies to service contracts, such as grass cutting, does not apply to the Authority. Therefore, the Authority must determine how it will handle service contracts. Staff recommends that the procedures that apply to Professional Service Contracts and Indefinite Delivery-Indefinite Quantity task orders also apply to service contracts. Therefore, service contracts that are \$50,000 or greater would be approved by the Board. Service contracts below \$50,000 would be approved by the CAO or the Director of Engineering and Operations (DEO). Last year only two service contracts were over \$50,000. The Authority's Emergency Procedures would apply to service contracts needed under an emergency situation.

Mr. Morgan recommended that general guidelines be developed for purchases at all levels. Mr. Boese explained that currently purchases under \$1,500 can be approved at a lower level, such as Maintenance Supervisor. Purchases over \$1,500, but under \$7,500 must be approved at the Director level, and purchases over \$7,500 must be approved by the CAO or DEO. A notification process to Board members was briefly discussed.

Mr. Boese advised that guidance is needed from the Board on contract change orders and modifications. The Board currently approves only the value of a construction contract. Staff recommends that a policy be established to allow approval of a contingency up to 10 percent of the value of the contract, but not to exceed \$1 million, when the Board approves the execution of a contract. He explained the difficulty faced by staff in some situations where a delay caused by bringing a change order to the Board for approval could potentially cause the contractor to file a claim against the Authority. He recommended that a policy be developed whereby the Board would allow change orders up to a certain amount (e.g., \$50,000 or a higher amount for construction) to be approved by the CAO or the DEO and that the Committee Chair or President of the Board approve change orders over \$50,000 that cannot be delayed waiting for Board approval. The Committee recommended that the change orders be ratified by the Board. Gerry Gillen, Operations Director, pointed out that change orders over \$10,000 must be recorded for public transparency. Mr. Dastugue recommended

that change orders under the lower designated amount be approved by the CAO or DEO, subject to notification of the Committee Chair and President.

Mr. Boese advised that he would work with the Regional Finance Director and Executive Counsel on drafting the policies and that the policies would be submitted to the Committee and Board for approval.

**E. Discussion of insurance coverage for Franklin Avenue Complex Facility.**

Mr. Morgan explained that last month the Committee determined that a cash value of \$25 million be used for obtaining insurance quotes for the Franklin Avenue Complex Facility based on the recommendation of the Authority's Agent of Record, Arthur J. Gallagher, and the provisions that would apply should the replacement value be used for the coverage and only a portion of the facility was to be destroyed. Arthur J. Gallagher will provide quotes for the coverage in December.

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