

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON FEBRUARY 15, 2018**

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on February 15, 2018, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 10:10 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 Finance Committee meeting held on December 21, 2017.

Public Comments: None.

Regional Finance Director's Report:

Kelli Chandler, Regional Finance Director, provided highlights of her report:

- The Finance Department is working on automating the invoicing process. Vendors will be contacted and advised to submit invoices electronically. Invoices will also be scanned and routed electronically.
- The data gathering has been completed for the compensation study. The results were received yesterday and are being reviewed.
- The Legislative Auditor's Office was contacted regarding the performance of the next financial audit (fiscal year ending June 30, 2018). The Legislative Auditor's Office will decide whether it will conduct the audit or outsource the audit. If the audit is outsourced, the Legislative Auditor's Office will handle the entire process. Preliminary discussions were held with Non-Flood Protection Asset Management Authority staff regarding the separation of its audit from the Flood Protection Authority's audit. Ms. Chandler and Mr. Noel, Non-Flood Protection Asset Management Authority Executive Director, will contact the Legislative Auditor's Office regarding the potential implementation of the separation.
- Staff did an outstanding job preparing the FY 2019 Budget.
- An incumbent for the position of Deputy Regional Finance Director has preliminarily been hired.

- An analysis was done of the roles and responsibilities within the Department, especially in light of how various jobs are changing, and a plan is being formulated on regionalizing and centralizing processes. Many of the limitations being experienced are system limitations. The system limitations are becoming an increasing issue as the regionalization takes place, particularly in terms of processes and responsibilities. After discussions with staff, a determination was made to add the East Jefferson Levee District (EJLD) and Lake Borgne Basin Levee District (LBBLD) onto the system that is currently utilized by the Orleans Levee District (O.L.D.). This will accomplish two things: 1) place everyone on one system, which will make the transition easier when a new financial software package is selected, and 2) allow the regionalization of functions. For example, Purchasing is setting up the ability to make purchases (issue Purchase Orders) for all levee districts from the Franklin Facility. The goal for accomplishing this effort is July 1st.
- Purchasing is reviewing vendor lists from the three levee districts, determining whether cost savings are available by combining contacts, and attempting to reduce the number of vendors used. A standard vendor list will be developed.
- The first consolidated payroll was run. Finance is now working on time clocks. The time clocks have been received. One of the clocks has been installed at the LBBLD. ADP must load information into the clocks regarding approval authorizations, pay classes and job titles, as well as multiple additional data that is required. After the data is loaded into the clocks, employees can be registered along with their thumb prints. LBBLD employees will be registered soon. A test run will be done to ensure the clock is feeding properly into the payroll. Clocks will then be installed at the EJDL and O.L.D. and timekeeping will be standardized.
- A meeting was held with Police staff due to the Department's various unique policies regarding payroll (e.g., uniform allowances, premium pay for night shifts, car allowances, leave accrual and calculation of overtime). The processes were standardized. The standardized processes were communicated to personnel and the standardizations were implemented on February 1st.

New Business:

A. Discussion of FY 2018 Budget to actual results.

Ms. Chandler reviewed the budget to actual results for the second quarter of the fiscal year (July 1 – December 31).

- **Flood Protection Authority Budget** - Overall under budget about 10 percent primarily due to Personal Services running under budget (the four percent increase for employees budgeted for implementation in October was not approved and vacancies in budgeted positions). Contractual Services are over budget primarily due to the unbudgeted public relations advertising expense. Professional Services is over budget primarily due to engineering and consulting expenses for review of

Federal projects by Atkins, the HSDRRS gate closure tracking system by Evans-Graves and expenses for employee focus groups.

- **Orleans Levee District (O.L.D.) General Fund Budget** – Overall under budget. Personal Services are under budget due to the four percent employee pay increase and vacancies. Professional Services are under budget. Contractual Services are over budget due to the annual payment of insurance premiums.
- **O.L.D. Special Levee Improvement Project (SLIP) Budget** - Significantly under budget due to timing of projects and delays due to weather. Anticipated to be closer to budget by year's end.
- **East Jefferson Levee District (EJLD) Budget** – Overall under budget. Contractual Services are under budget due to construction of Safe House and Consolidated Facilities being in its early stages. Professional Services and Equipment Purchases are under budget.
- **Lake Borgne Basin Levee District (LBBLD) Budget** – Overall under budget by 12 percent. Equipment purchases are in progress. Personal Services are under budget due to vacancies and the four percent employee pay increase.

Ms. Chandler anticipated that after the Authority takes over the responsibilities of the Permanent Closures and Canal Pumps (PCCP) and experience is gained with the impact of the consolidated payroll and the recording of expenses resulting from regionalization, an amended budget will probably be needed for the necessary adjustments.

B. Discussion of proposed FY 2019 Budgets.

The draft FY 2019 Budgets were distributed to Committee members for their review. Ms. Chandler explained that a determination was made that the Authority would be overhead component [e.g., Finance, Human Resources (HR), Engineering and Legal] with the corresponding expenses on the Authority's books. Direct expenses, such as field operations and purchasing, will be on the levee districts' books. The Authority will allocate overhead costs based on the Ad Valorem Tax Revenue percentages. The levee districts will have one line item for overhead. The overhead detail will be on the Authority's books. Multiple discussions took place between staff regarding the defining of expenses as overhead or direct costs, and some are still being refined. The consolidation/regionalization also impacts the Authority's cash flows as the expenses paid by the Authority and then allocated to the levee districts increase.

Ms. Chandler advised that discussions are needed amongst staff to fine tune budget expectations relative to timing of SLIP Budget projects, staffing expectations to potentially reduce the number of budgeted vacancies and defining items that should be budgeted under Information Technology (IT) rather than elsewhere in the budget.

A special Finance Committee meeting will be scheduled for the review of the FY 2019 Budgets prior to the March Board meeting.

C. Update by Arthur J. Gallagher on insurance coverages.

Matt Byrd with Arthur J. Gallagher (Gallagher) reported that the Pollution Insurance coverages will be consolidated effective March 20th and will expire on January 1, 2019. Gallagher is actively working on the renewal of the Public Officials Liability Insurance coverage, which will expire on March 16th. Gallagher is also actively beginning the renewal process for all of the major liability lines that expire in July. Staff will be contacted regarding updating applications on exposures. Gallagher is not expecting increases in the overall rates. The goal is to target at a minimum a flat renewal; however, this could be affected based on exposures.

Mr. Morgan advised that a committee has been formed to consider retaining an insurance consultant probably in early summer. He anticipated a bid package being developed by late October in anticipation of coverage renewals on January 1st. He explained that Nyka Scott, Executive Counsel, is developing a list of property owned by the levee districts that may not be covered by insurance. The consultant will be expected to look at the big picture to ensure the Authority is properly insured.

D. Discussion of updated Purchasing Policy.

Ms. Chandler explained that a team was formed that included staff representing the internal audit, finance, administrative, legal, maintenance and finance functions. The comprehensive discussions included credit cards, food and beverage, sole sourcing and purchasing services. The comprehensive policy is still under development. Staff is ensuring that the policy does not conflict with a recently adopted resolution. In addition, staff had initial discussions with the bank regarding a P-card program.

E. Discussion of proposed adoption of certain portions (used equipment/sole source contracting) of the Louisiana Procurement Code.

This item will be included in the proposed Purchasing Policy.

F. Discussion of amendment of Resolution No. 02-19-09-09 regarding the purchase of budgeted equipment.

Item was deferred.

G. Update on Franklin Avenue Facility Renovation Project.

Mr. Morgan commented that he reviewed the budget and preliminary plans for the renovation project. Mr. Boese advised that the total estimated cost of the project is approximately \$4 million. The project estimate includes a generator upgrade estimated at \$800,000 and HVAC work remaining from the lawsuit estimated at \$500,000 to \$700,000. The architect is finalizing the bid package for advertisement of the modular

wall furniture system. Several weeks thereafter, possibly April, the construction of the renovations that will incorporate the modular system will be advertised. Breaking up the two components will provide a better cost. The construction project is anticipated to take five to six months from the notice to proceed. The project includes some expansion into the warehouse and creation of a component for file/map storage.

H. Discussion of Compensation Study.

Ms. Chandler explained that CBIZ Talent & Compensation Solutions' (CBIZ) first analysis compared salaries of similar positions across levee districts. The results indicated that there was not a big difference across the districts. CBIZ was then directed to do a market comparison of salaries using 20 positions across the Authority at various levels and a comparison of the Authority's prior year benefit package. The results showed that for base salary compensation, the positions were approximately 20 percent below the market median; however, the Authority's benefit structure is very robust and above the market median. Therefore, the Authority is at the market median for base salary compensation and benefit package combined. Ms. Chandler advised that she will review the study in more detail utilizing different assumptions to determine whether the results change. In addition, she will provide CBIZ information on the Authority's current and projected future benefit packages for an analysis that will look prospectively instead of historically.

Mr. Boese explained that one of the concerns heard repeatedly in employee surveys related to the perception of a disparity historically between the levee districts. At this time, the data does not support this perception and salaries are close to being the same. Mr. Luettich recommended that thought be given as to how this information can be communicated to employees. Mr. Boese agreed and added that staff must first ensure that it is comfortable with the data and can explain it in a positive manner to everyone.

I. Discussion of the proposed retention of Fazande Consulting to augment and support the Human Resources Department due to the current staffing shortage.

Mr. Boese explained that the Authority's former HR Director resigned in November, 2017. The intention when reorganizing the department was to have three HR Analysts; however, one HR Analyst retired in December, 2017. Measures were implemented in November and December to attempt to mitigate the loss of staff and move the Authority forward while searching for a new Director and additional staff. In January, staff realized that the mitigation effort was not enough. Systematic and deep seated issues exist in HR that cannot be addressed with the current staffing. The Authority is not staying afloat even with the part time consulting services received. Immediate additional help is needed. A resolution will be presented to the Board for approval to retain Fazande Consulting (Fazande). Fazande has been working with the Authority on other components of HR and on staff surveys and knows the organization. Fazande would come in and take over the HR function for an interim period of time while the Authority gets regular staff onboard. The HR Director position cannot be advertised at

this time because the Director A position that was previously used did not bring in good candidates. The Authority must push for a higher level position with Civil Service. Civil Service is requiring that the Authority update every HR related job position as a result of the effort to raise the HR Director A position to HR Director B. The Authority is close to bringing onboard an HR Analyst C.

Mr. Luetlich stated that having seen the Fazande proposal, it is clear that much of the work is to help the Authority set up a structure or organization framework, and policies and procedures; i.e., a way of conducting HR that is systematic, regional, modern and takes advantage of integration of technology, and allows the Authority to handle HR in a current and efficient way that would be hard for the Authority to do by just hiring just one or two additional people to do the day-to-day work while redoing the entire HR strategy. He added that the point is to design and implement a new HR capability for the entire Authority. Therefore, it make sense to hire someone from the outside who knows how to do this to come in and essentially do it for the Authority, train staff and help the Authority hire the people to make the system work. He stated that this is overdue and that it is only because of the dedication of the staff within the Authority that it is not underwater at this point; however, this cannot continue.

Mr. Boese pointed out that the HR issues are having significant ripple effects on other departments, particularly Finance because the departments are closely interlinked.

Mr. Morgan commented that he initially had sticker shock and questioned his suggestion to hire an outside consultant. He explained, however, that the proposal brings in five people. Mr. Luetlich stated that the proposal he read was well organized and systematic; however, he wanted to see a more detailed proposal that ties in man hours with tasks, provides timelines for tracking and deliverables. He recommended going forward with the effort. Mr. Morgan agreed and added that he was thinking of a more systematic type of approach rather than committing \$623,000 today for the consultant to redo everything. Mr. Luetlich commented that the effort must be tackled holistically, although the consultant will not do all of it tomorrow.

Mr. Boese recommended that the Board consider the dollar amount as a not to exceed number, which would allow the negotiation of the contract. Part of the negotiation would be the level of detail with which he and the Committee members would be comfortable, including a more detailed schedule, deliverables associated with the schedule, and a notice to proceed in phases associated with the detailed schedule.

Ms. Chandler pointed out that a big component is the implementation of the HR portion of ADP, which tremendously affects payroll. The HR portion of ADP creates processes and controls, which will have a significant positive impact on the Finance Department and needs to be put in place.

Mr. Morgan stated that based on his and Mr. Luetlich's comments, the Committee will recommend that the Board approve retaining the services of Fazande with a not to exceed amount, and attempt to manage the overall budget. The HR assistance is

needed. He commented that at the last staff meeting he suggested that an outside source be brought on board.

Mr. Luettich stated that Ms. Fazande should provide a one to two hour walk through with staff and perhaps several Board members on how the detailed proposal will work and field questions. Mr. Morgan pointed out that the Authority will probably not have an HR Director on board for about six months. Mr. Boese stated that he hoped it would be closer to three months.

J. Report by Internal Auditor.

Louis Capo, Internal Auditor, explained that President Hassinger requested that he review the Authority's use of credit cards. He reviewed credit card usage between January 1, 2016 and December 31, 2017. He stated that during his audit he did not see any personal use of credit cards by employees. The Flood Protection Authority's credit cards were used to purchase four meals for employees centered around staff meetings that appear to be in conflict with an Attorney General's opinion, which provides that employee meetings should be conducted outside of the lunch break. Historically, prior levee district boards did not include employees when purchasing meals around Board meetings. He recommended that it would be advisable to contact the Legislative Auditor's Office for guidance regarding purchasing lunches for employees on days when the Board and Committee meetings are held.

Ms. Chandler advised that this issue has been discussed by staff during the development of the comprehensive Purchasing Policy. Language will be developed and included in the policy to define when a credit card can appropriately be used for the purchase of meals for employees.

Mr. Luettich commented that much of the report basically relates to the need for written policies across the Authority on credit card usage, as well as commonality of cards and card benefits (e.g., cash back policy) across the Authority. He added that one purpose for having an Internal Auditor is to review the Authority's operations and bring issues to the Authority's attention so that they can be corrected. He added that he was pleased that Mr. Capo did not find anything in his review that was nefarious or any personal use of the credit cards. He appreciated that the things that are grey areas or that have historically been done are now being scrubbed and that the Authority is coming up with a clear consistent policy that meets the letter of the law.

There was no further business; therefore, the meeting was adjourned at 11:10 a.m.