

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE INFORMATIONAL MEETING
HELD ON FEBRUARY 26, 2018**

PRESENT: Mark L. Morgan, Chair
Richard A. Luettich, Jr., Committee Member (participated by telephone)

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) did not have a quorum on February 26, 2018; therefore, an Informational Meeting was held in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, Louisiana. The meeting commenced at 1:35 p.m.

Public Comments: None.

New Business:

A. Review and discussion of proposed FY 2019 Budget for the Flood Protection Authority, East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District.

Mr. Morgan noted three primary budget areas for discussion: 1) Major Projects, 2) Information Technology (IT), and 3) Lake Borgne Basin Levee District issues. Kelli Chandler, Regional Finance Director, presented the draft budgets for FY 2019 and reviewed the highlights of each budget.

Orleans Levee District (O.L.D.) Proposed FY 2019 Budget:

The O.L.D. previously escrowed \$2 million of Special Levee Improvement Project (SLIP) funding per year for long term maintenance costs. The SLIP escrow was increased to \$5 million this year. Major SLIP Budget projects are (approximate amounts stated) Outfall Canal Erosion Mitigation (\$3 million), Seawall Rehabilitation (\$8 million), O.L.D. Police Complex Construction (\$1 million), NASA Levee Repair (\$800,000) and Citrus Lakefront Levee Drainage Repairs (\$500,000).

Gerry Gillen, Operations Director, advised that Outfall Canal Erosion Mitigation had been budgeted for the past four years. The U.S. Army Corps of Engineers (USACE) had not yet approved the proposed mitigation method. Therefore, the construction cost was brought forward in the budget each year.

Stevan Spencer, Regional Chief Engineer, inquired about the payment to the USACE for the levee lifts for LPV 109 and LPV 111. O.L.D. submitted \$6 million to the USACE and must submit an additional \$3 million for LPV 109.

Ms. Chandler noted that the Franklin Avenue Facility Renovations must be included in the major projects budget. Mr. Luettich suggested splitting the renovation cost (50/50%) between the O.L.D. and the BP Settlement Fund Account. Later in the meeting when the FPA's Budget was discussed it was pointed out that the proposed renovation of the Franklin Avenue Facility is basically to incorporate a majority of the Flood Protection Authority staff (overhead) and should be moved to the Flood Protection Authority's budget.

Two million dollars is budgeted in FY 2019 under Miscellaneous Revenue for the Sewerage and Water Board's payment towards PCCP costs.

The budget includes escrows of \$932,000 for PCCP long term maintenance, \$5 million for general long term maintenance, and \$2 million for post-employment benefits.

The complex structure budget was allocated between the O.L.D. (60%) and LBBLD (40%) based on the work day allocation received from Mr. Gillen.

Proposed O.L.D. FY 2019 Budget increases/decreases:

- Personnel Services increased by 23% (\$2.3 million) primarily due to the 4% merit increase to be implemented in July and the related tax and retirement expenses, and vacancies (21 levee crew, 3 floodgate crew, 5 facility maintenance and 8 PCCP). The number of vacancies may be adjusted based on expectations and needs.
- Travel and Training increased \$41,000 (\$15,000 related to PCCP and \$19,600 related to increases in training costs for police officers).
- Contractual Services decreased \$260,000 primarily due to the reduction in insurance premiums and a decrease in software maintenance costs, which were moved from the O.L.D. to the Authority level. Sector gate, levee maintenance and voice and data services contractual costs increased.
- Materials and Supplies increased \$789,000 (\$328,000 related to 20% recycling of fuel for the PCCP, \$125,000 for PCCP parts and supplies, \$37,000 for police supplies (e.g., Tasers), and small increases for mechanics and complex structures.
- Equipment purchases increased \$1.5 million (\$680,000 for equipment needed for the PCCP, \$196,000 for nine police vehicles and six motorcycles, \$60,000 for a new server at the Franklin Facility, \$285,000 for heavy construction equipment, and \$230,000 for tractors and grass cutters. It was noted that the server will be moved to the Authority's budget since it will serve all of the levee districts.

East Jefferson Levee District (EJLD) Proposed FY 2019 Budget:

Major EJLD projects include (approximate amounts stated) EJLD Safe House and Consolidated Facility (\$6 million), Foreshore Protection Repairs (\$2.6 million), 17th Street Outfall Canal Erosion Mitigation (\$450,000), Levee Lifts and Armoring (\$900,000) and West Return Wall Rip Rap (\$350,000). EJLD will escrow \$2 million for long term

maintenance costs. Derek Boese, Chief Administrative Officer, advised that the Levee Lifts and Armoring is close to completion and should be closed out in FY 2018. EJLD historically set aside \$2 million each year. The Authority's current practice is to escrow between 10 and 20 percent of the budget for long term maintenance costs.

The budgets for the EJLD and O.L.D. Police Departments were briefly discussed. The departments are approximately 30% of the EJLD and 9% of the O.L.D. total budgets. A separate ADP account is being set up for police details. An administrative fee will be charged for handling costs to offset the police detail expenses. It was noted that Police and reserve officer patrols along the Mississippi River levee are being increased due to high river stages.

Discussions are ongoing with Jefferson Parish regarding the PCCP. PCCP budgeted expenses will be split between the O.L.D. and EJLD. The allocation for the EJLD for PCCP expenses will be based on the percentage that is calculated of Jefferson Parish's pumping into the Sewerage and Water Board's Pump Station No. 6 and the smaller Jefferson Parish pump stations that pump into the 17th Street Canal.

Proposed EJLD FY 2019 Budget increases/decreases:

- Personnel Services increased \$610,000 due the budgeting of vacancies (8 levee crew and 7 police), the 4% merit increase, and the increase in retiree healthcare costs. EJLD was required to provide health insurance coverage for retirees when it joined OGB last year.
- Travel and Training increased \$23,000 (\$21,000 for Police). The Police training budget will be reviewed to ensure consistency and no duplications exist.
- Professional Services increased \$56,900 due to estimated legal fees per the Executive Counsel and for network equipment for the EJLD Safe House. The network equipment will be reviewed to determine whether it should be moved to the Authority level.
- Contractual services increased \$147,000 (\$62,000 for insurance premiums and \$30,000 for software maintenance for Police).
- Materials and Supplies increased \$166,000 (\$71,300 related to replacement of Police radios since the manufacturer no longer supports the current radios, and \$42,000 for fill materials for levee maintenance). The current Police radios can be cannibalized for parts to repair radios for other departments while additional purchases are phased.

Proposed Lake Borgne Basin Levee District (LBBLD) FY 2019 Budget:

No funding was budgeted in the LBBLD FY 2019 Budget for major pump station projects due to insufficient revenues. Major projects include (approximate amounts stated) MRL Slope Pavement Repairs (\$50,000), Florida Avenue Regrading (\$45,000), and on-going Floodgate Repairs and Painting (\$68,000). Should future savings be realized (e.g., fuel savings), first consideration will be given to pump station projects.

Ryan Foster, Engineer, explained that the deferred maintenance of the pump stations should not cause a pump station or engine to be out of service; however, long term results may occur, such as increased costs. Should a pump station engine break or the pump station go out of service, it is treated as emergency repair on a case by case basis. Mr. Boese pointed out that the only available funding for emergency repairs is from the LBBLD's reserve. Mr. Luettich asked whether some pump stations are more important than others. Mr. Foster explained that no official priority listing of pump stations exists; however, breakdowns at certain stations are more urgent because of the area that it services. Also, some pump stations have backup stations that can take up the slack and some pump stations do not have backups.

Ms. Chandler broke down the \$1.3 million pump station budget: salaries and related expenses (e.g. health insurance and retirement) (approximately \$700,000), fuel costs (\$200,000), on-going maintenance (\$100,000), engineering consultants (approx. \$25,000) and Workers Comp. She noted that fuel costs fluctuate from year to year. The budget does not include any vacancies or costs for unanticipated emergencies.

Mr. Foster advised that St. Bernard Parish has several on-going grant projects that include replacement engines at two pump stations and construction of safe rooms at two pump stations. Discussions are on-going with St. Bernard Parish Government (SBPG) relative to additional grant funding that may be available. A list of LBBLD projects with associated costs for pump station projects (e.g., trash rakes and pump maintenance) was provided to SBPG for consideration should money become available.

Mr. Boese advised that about \$250,000 of very conservative major pump station projects had to be zeroed out of the LBBLD's FY 2019 Budget. A capital projects budget from about a year ago listed major pump station projects ranging from \$15,000 to \$1 million; however, these large dollar items had to be deferred. Mr. Luettich suggested that this information be shared with St. Bernard Parish Government and that they be informed about what the LBBLD can and cannot do in this regard, thus allowing SBPG to participate in these efforts.

Proposed LBBLD FY 2019 Budget increases/decreases:

- Personnel Services increased about \$92,000 (6%) basically due to the 4% merit increase. The levee maintenance crew requested that five additional positions be filled (three equipment operators, one heavy equipment operator and one mechanic). A decision was made not to fund the mechanic or heavy equipment operator since support can be supplied as needed by EJLD or O.L.D. staff, and to include one equipment operator position in the budget.
- Travel and Training increased by \$800 for levee crew training.
- Professional Services have decreased over the past couple of years due to decreases in engineering and consultants expenses (about \$80,000 for pump station repairs and \$16,000 for floodgate painting).
- Contractual Services increased \$246,000. The increase includes \$129,000 for LBBLD's portion of the Surge Barrier cost, \$60,000 for equipment maintenance

and \$47,000 for the estimated increase in insurance costs. This is the first year that the LBBLD will be paying its portion of the Surge Barrier costs.

- Material and Supplies increased \$8,200 for fuel costs and \$18,000 for levee maintenance supplies.
- The Equipment Budget was reviewed. Mr. Boese advised that staff is reviewing the purchase of a replacement Skid Steer (\$61,711.03) to determine whether it can be deferred by the LBBLD managing its other Skid Steers differently.

Ms. Chandler advised that with the minor changes (one additional position and possible adjustment due to Skid Steer purchase), the LBBLD is approximately \$600,000 short of anticipated revenue collections. She noted that the O.L.D. paid LBBLD's costs totaling \$2,374,000 for the Certification of the 40 Arpent Levee. The repayment of this loan was discussed with the Authority's President and a determination was made to budget a payment of \$400,000 for the current fiscal year (FY 2018), and \$400,000 in the next fiscal Year (FY 2019). This would result in about a \$1 million decrease in the LBBLD's net fund balance. The accounting fund balance is shown on the draft budget. LBBLD has about \$6 million cash in the bank; therefore, about \$5 million would remain. Mr. Luetlich pointed out that the LBBLD's books should reflect its financial state. Ms. Chandler commented on the conflicts resulting from attempting to sustain a balanced budget with the need to deal with the reality that LBBLD does not have enough income to cover its necessary costs. Mr. Luetlich stated that this is not a sustainable situation and that a legislative and intergovernmental solution is required. Guidance was received from the Committee to budget \$400,000 in FY 2018 towards the LBBLD's debt, and to divide the remaining balance of \$1.8 million for repayment over the next two years (\$900,000 in FY 2019 and \$900,000 in FY 2010).

Ms. Chandler noted that \$300,000 (a little less than 10% of the budget) was escrowed for the LBBLD for long term maintenance. Mr. Luetlich recommended that the escrow be 10 percent of the LBBLD's budget.

Proposed Flood Protection Authority FY 2019 Budget:

Proposed FPA FY 2019 Budget increases/decreases:

- Personnel Services increased due to salaries and related expenses being moved to the FPA's budget for the departments considered as overhead (i.e., Legal, Internal Audit, Governmental Relations, HR, IT, Finance, Engineering and Administrative staffs). This expense will be allocated to the levee districts based on ad valorem taxes. A line item will be included in the levee districts' books under administrative costs for FPA salary overhead. Mr. Boese pointed out that the allocation is based on the historically used standard authorized by Board resolution (approximately 10% LBBLD, 30% EJLD and 60% O.L.D.).
- Travel and Training increased due to the costs for staff previously budgeted at the levee district level being moved to the Authority level.

- Professional Services increased about \$195,000, which includes \$120,000 related to IT projects and \$50,000 for culture change initiative expenses. The draft budget includes \$50,000 for Fazande Consulting and must be increased based on the proposed contract cost.
- The IT schedule includes support and staff augmentation, \$50,000 for the configuration of hardware at the EJLD Consolidated Facility (the facility will serve as backup for the Franklin Facility location, therefore, serving all levee districts), and \$125,000 for the purchase of 50 computers as part of the computer recycling program. Based on recent information, 25 computers will be purchased at this time and the remaining 25 computers will be budgeted for FY' 2019 at a cost of \$32,500. Software costs of \$70,000 is budgeted under Contractual Services. The majority of the software costs relates to including all staff in Office 365. O.L.D. and EJLD Police Department software is budgeted under the perspective levee districts.

Mr. Luetlich suggested that a standalone schedule be developed on the breakdown of the Authority's costs between levee districts. The impact to the budgets resulting from regionalization and consolidation of the Authority and levee districts was briefly discussed. Ms. Chandler pointed out that the LBBLD and EJLD being smaller levee districts did not have IT, HR, Governmental Affairs, Internal Audit, Engineering and Legal Departments, but had staff that served in multiple capacities; therefore, the additional resources afforded these levee districts could potentially increase costs. Mr. Luetlich commented on the efficiencies and increased quality of service that are now provided Authority-wide. Ms. Chandler noted that after the Authority has been fully established economy of scales should be experienced. The Authority is currently putting in place a number of enhancements and automated processes, including enhanced accounting systems, automated timekeeping, electronic message boards and standardized HR practices. She advised that she would calculate the net impact.

Ms. Chandler advised that the budgets will be finalized and provided to Board members a week before the Board meeting.

There were no further discussions; therefore, the meeting was adjourned at 3:05 p.m.