

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

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

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The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on March 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 10:00 a.m.

**Opening Comments:** Mr. Morgan anticipated that a majority of the meeting would consist of the discussion of the FY 2019 Budgets, which are to be approved at today's Board meeting.

**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 February 15 and Informational Meeting held on February 26, 2018.

**Public Comments:** None.

**Regional Finance Director's Report:**

Kelli Chandler, Regional Finance Director, provided an update on the following items:

- The initial draft of the FPA's Record Retention Policy was completed. It is now ready to be sent to the State.
- Standardized packets are being developed for new Finance Department employees. Classes are being developed for the Finance staff on the accounting system and flood defense system.
- The Compensation Study Analysis has been completed.
- Several discussions took place with the Legislative Auditor's Office and Non-Flood Protection Asset Management Authority (NFA) staff regarding future financial audits. There does not appear to be an issue with separating the FPA and NFA audits; however, a question exists about whether the audit reports can be separated due to the intertwining of assets between the Orleans Levee District and the NFA. The Legislative Auditor's Office is preparing the Requests for Proposals for the next financial audit of the two entities.
- The FY 2019 Budgets for the FPA and levee districts have been completed.

- Two new Finance Department employees were introduced. Kimberly Preston, Accountant 3, is a US Army veteran with classroom experience as well as experience in private industry. Brandon McNabb, Assistance Regional Finance Director, is a US Air Force veteran who served in Iraq. Mr. McNabb also has experience with the U.S. Army Corps of Engineers and the Department of Energy.
- Purchasing plans to establish the East Jefferson and Lake Borgne Basin Levee Districts in the purchasing modules so that purchase orders can be issued from the Franklin Facility.
- The consolidated, updated Purchasing Policy was completed. An item has been placed on the Board agenda to approve the Policy.
- The setup of the new time clocks has been completed. The transfer of the data to the mainframe should be completed in about four days, after which the registration of employees will begin. The registration process will start with the Lake Borgne Basin Levee District and then rolled out to the remainder of the FPA.

**New Business:**

**A. Discussion of proposed FY 2019 Budgets.**

Ms. Chandler reviewed highlights of the changes made to the FY 2019 budgets after the February 26<sup>th</sup> Finance Committee Informational Meeting was held. The changes are based on feedback from the Informational Meeting:

**Flood Protection Authority FY 2019 Budget:**

The cost of the HR Consultant has been included in the budget (\$389,000 for FY 2019). The HR Consultant cost was budgeted over FY 2018 and FY 2019. Two positions have been added: Development Program Manager and Public Information Director. An IT position that was missing was also included. Two positions were removed: an HR Analyst and a WAE Position. The estimate for the outside public relations consultant was removed due to the addition of the Public Information Director position. The O.L.D. FY 2018 Budget included \$30,000 for a new vehicle for the Chief Engineer; however, the \$30,000 has been re-budgeted in the FPA FY 2019 Budget in the event the vehicle is not purchased in FY 2018.

The IT schedule of expenditures has been included in the FPA's FY 2019 Budget. The budget includes \$120,000 for outside consulting services, \$15,000 for IT training, \$70,000 for software maintenance, \$30,000 for recycling of computers and laptops, and the cost of some EJLD Safehouse IT related items since the facility will serve as a backup location for the FPA in lieu of the current Baton Rouge backup location.

The cost of the proposed renovations to the O.L.D. Franklin Facility was left in the O.L.D. budget since the renovations are an improvement to an O.L.D. owned facility. Mr. Luettich suggested that for the purpose of transparency the FPA pay rent or a usage fee to the O.L.D. for occupying office space in the Franklin Facility.

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

The total deficit for FY 2019 for the LBBLD was about \$1.8 million prior to the escrow of funding for long term maintenance costs. A number of capital improvement projects totaling approximately \$270,000 were originally budgeted; however, the projects were removed from the budget due to a lack of funding. LBBLD's deficit is partially due to the repayment of a loan made by the Orleans Levee District to the LBBLD for non-federal levee certification work. A policy was established whereby the levee districts would escrow between 10 and 20 percent of their revenues for long term major maintenance costs. The escrow for the LBBLD was brought up to 10 percent. The budgeted costs for the pump stations total \$1.3 million. The actual expense for operating the pump stations in FY 2017 was \$1.7 million, and \$1.1 million was budgeted in FY 2018 for pump station costs. The pump station expenses are primarily for salaries and basic costs. The budgeted pump station expenses for FY 2019 do not include any emergency repairs or capital projects. The only capital projects budgeted for the LBBLD for FY 2019 are for slope pavement and floodgate repairs with a budget of \$171,000. The FY 2019 equipment budget is bare bones. The budgeting of one piece of equipment (\$64,000 Skid Steer Bobcat) is still being evaluated. The FPA is looking for ways to bring additional efficiencies to the LBBLD because of its budgetary situation. For example, a full time mechanic is not being hired for the LBBLD. O.L.D. and EJLD mechanics will provide support to the LBBLD in lieu of outsourcing the repair work.

Mr. Luettich pointed out that based on current requirements the LBBLD will be insolvent in about one and a half years. In addition, one of the LBBLD's millage taxes expires in 2020, which, if not reapproved by a referendum, will exacerbate the problem. He asked what would happen if the LBBLD reaches the budget limit for pump station operations. Derek Boese, Chief Administrative Officer (CAO), advised that to-date, pump station operations have continued for public safety purposes. He pointed out that this is a significant decision that must be thoroughly thought through. The primary expense for the pump stations is salaries. If operations were stopped or interrupted, the FPA would need to consider the reassignment of the pump station personnel. The LBBLD went through a layoff avoidance measure in the past several years and downsized staff through the Civil Service process. He noted that Board guidance would be needed on such a decision. Ms. Chandler clarified that about \$700,000 of the \$1.3 million budgeted for the pump stations is for personnel costs. Mr. Luettich pointed out that situations could potentially occur whereby personnel would not be affected; however, unbudgeted repairs would possibly not be made.

The Committee discussed putting in place a methodology to keep the Board apprised of the LBBLD's financial situation. Nyka Scott, Executive Counsel, asked whether the Committee wished to consider a policy in connection with this issue. Mr. Dastugue responded yes, a policy that would authorize staff to do certain things and require staff to come to the Board or Finance Committee Chair regarding certain spending matters. Mr. Luettich pointed out that it should be made clear that whatever money is spent is with oversight and transparency.

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

The O.L.D. Special Levee Improvement Fund (SLIP) Budget includes \$8.2 million for the Seawall Erosion Control Project, \$2.2 million for Outfall Canal Erosion Mitigation, \$1.5 for 17<sup>th</sup> Street Canal Erosion Control, \$1.1 million for the construction of the Police Complex, \$3 million for the IHNC Surge Barrier Visitor's Center, and \$2.5 million for the Franklin Facility Renovation Project. A resource loaded schedule will be developed and implemented for projects in order to manage the staff's workload.

Mr. Morgan noted that the O.L.D. Police Department represents approximately 15 percent of the O.L.D. Budget and the EJLD Police Department represents about 35 percent of the EJLD Budget. LBBLD currently has no police officers. Kerry Najolia, FPA Police Superintendent, advised that the Revised Statutes provide that the officers have arrest power within the taxing district.

The Permanent Canal Closure and Pumps (PCCP) budget totals \$4,011,100. The budget includes revenues of \$2 million from the New Orleans Sewerage and Water Board's (S&WB) and \$298,000 from the EJLD for Jefferson Parish's share of pumping into the 17<sup>th</sup> Street Canal. The budget includes an escrow of funds in the amount of \$932,500 for PCCP long term maintenance costs.

Better schedules are being developed for the major maintenance escrow funding. Mr. Luettich suggested including a separate column in the Budgets to show escrow funding activities.

Budget amendments for the FY 2018 budgets for all of the entities will probably be considered in April. The amendments will include adjustments for the Permanent Canal and Closure Pumps and adjustments to the allocation of the Authority's expenses due to payroll consolidation and changes in the budgeting of overhead.

Committee members agreed to recommend that the Board approve the FY 2019 Budgets.

### **B. Human Resources (HR) Update**

Mr. Boese explained that the consulting contract with Fazande Consulting (Fazande) will be executed by tomorrow. Civil Service denied for a second time the request to upgrade the HR Director A position to HR Director B. Five team members from Fazande will arrive on Monday to provide HR support. He stressed that the FPA has HR issues and needs external help to stabilize and triage HR because it is impacting the rest of the organization in multiple ways.

Mr. Luettich asked about the functional relationship between the external consultant and the Authority in terms of oversight, supervision and reporting, and whether that responsibility fell on the CAO. Mr. Boese responded that it falls on the CAO because

there is currently no HR Director. Shannon Fazande will be the acting HR Director with the support of Ms. Chandler and Peggy Sembera. Ms. Fazande, as the acting HR Director, will report directly to the CAO. Ms. Chandler advised that she would provide the CAO with feedback as the organization moves through the processes, especially with the implementation of the ADP Work Force Now Project, which interfaces with payroll.

Mr. Luettich noted that Fazande will be doing two things simultaneously: 1) running the current HR operations, and 2) creating an HR operation that is well designed, effective and efficient, which can be staffed with FPA employees. He asked whether assistance is needed from Board members with HR experience regarding the supervisory aspect of the project. Mr. Boese advised that currently the HR Director reports directly to the CAO on the organizational chart. He commented that in about a month he would have a better understanding of the supervision that will be required. He pointed out that with the regionalization, additional consideration may be given to the organizational chart.

**C. Discussion of updated Purchasing Policy.**

Mr. Boese explained that the FPA has never had an Authority-wide comprehensive Purchasing Policy since its inception. Ms. Chandler mentioned some of the highlights of the Policy: authorization by the CAO for expenditures up to \$100,000 without Board approval and by Directors up to \$10,000; expenditures over \$30,000 must be bid; and authorization regarding contract contingencies. She advised that a discussion took place with the Legislative Auditor and that they provided their blessing on Section N regarding food and drink. Staff is reviewing credit card and P-card programs. Capital One, the FPA's current bank, has a small business program, but not a government program. Staff is reviewing banks with government programs that may be more beneficial for the FPA. The credit-card and P-card programs are being developed with input from the Engineering, Operations and Maintenance Departments and the Internal Auditor. The programs implemented will include control measures and will be consistent across the FPA.

**D. Discussion of proposed adoption of certain portions (used equipment/sole source contracting) of the Louisiana Procurement Code and granting the Chief Administrative Officer certain authority regarding approving change orders.**

**E. Discussion of proposed amendment of Resolution No. 02-19-09-09 and No 12-21-17-06 regarding the purchase of budgeted equipment.**

Items D and E were considered as part of Item C.

**F. Discussion of proposed assignment of Mineral Lease Nos. 21700 and 21701 from Nouveau Depart, LLC to Patriot Production, LLC.**

and

**G. Discussion of proposed resolution to request and authorize the State Mineral Board to lease lands owned by levee districts within the jurisdiction of the Flood Protection Authority for the development and production of minerals.**

Ms. Scott, explained that Item F is for approval of an assignment of an oil, gas and mineral lease from one company to another, and that Item G is for approval to authorize the State Mineral Board to lease certain areas located in the Bohemia Spillway that are being nominated by an oil and gas company for oil, gas and mineral leases. The lands are owned by the Orleans Levee District. The Orleans Levee District received approximately \$435,000 in revenues last year from the Bohemia Spillway lands that it owns in Plaquemines Parish.

Mr. Morgan commented that he would be in favor of the actions since they could potentially increase the Orleans Levee District's revenues.

Ms. Scott stated that the State gave the Orleans Levee District several pieces of property when it wanted the Bohemia Spillway built. Mr. Dastugue asked if the Orleans Levee District could assign the lease revenue to another entity, such as the Lake Borgne Basin Levee District. Ms. Scott responded that she did not know because legislatively it was given to the Orleans Levee District. Mr. Dastugue commented that the revenue would provide an income stream for the Lake Borgne Basin Levee District to include in its budget.

There was no further discussion; therefore, the meeting was adjourned at 10:55 a.m.