

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON AUGUST 16, 2018**

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on August 16, 2018, at the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, LA. Mr. Morgan called the meeting to order at 10:50 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 July 19, 2018.

Public Comments: None.

Regional Finance Director's Report:

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

- Finance is currently focusing on the Purchasing process. Staff is reviewing all aspects of the process from time of requisition to time of invoice payment and seeking ways to standard and automate procedures. The automation of procedures will involve various system capabilities that are not currently being utilized. Meetings will be held with field crews to gain information about their current procedures and find ways to centralize and regionalize the process.
- Ms. Chandler recognized Chandra Chaffin, Grants Administrator, who has been working diligently to provide documentation to FEMA for various project closeouts and audits. Ms. Chaffin was required to develop and provide a Grants Administration Manual as part of the documentation. FEMA was so impressed with the result that they asked to publish the Manual on their website as an example.
- The investment portfolio has been transferred to Edward Jones. A meeting will be held with a representative of the firm to review cash flow. A recommendation will be provided next month for additional purchases.

- The Fiscal Year 2018 Financial Audit is on-going. Last year the levee districts were on three separate financial systems. Staff is working to balance operations because two individuals with access to the financial systems used last year are currently working in Employee Services.

There are two major on-going audit issues concerning values for the Hurricane and Storm Damage Risk Reduction System (HSDRRS) and Permanent Canal Closures and Pumps (PCCP):

- 1) The first question came up during the FY 2017 Financial Audit concerning the value of the HSDRRS and the associated liability (local cost share for the HSDRRS). A determination must also be made as to who is responsible for the liability [Coastal Protection and Restoration Authority (CPRA) or the levee districts]. Meetings were recently held with representatives of the CPRA, levee districts and Legislative Auditor's Office to discuss this issue. CPRA is looking at the work-in-kind (WIK) credits, which reduce the liability. A number of WIK credit packages were submitted by the CPRA to the U.S. Army Corps of Engineers (USACE); however, only three approvals have been received. The liability must be recorded; however, the amount of the liability must be provided by the USACE or CPRA. CPRA has contracted the Legislative Auditor's Office for a three year period to determine the value of the WIK credits. On-going discussions are taking place with the FPA's auditor regarding this issue and a determination must be made as to whether the FPA will receive a qualified opinion as a result of this unknown value.
 - 2) The second question concerns the value of the PCCP. The FPA received a value that was estimated by its Insurance Agent of Record. The USACE has also estimated a number. The FPA's position is that the PCCP should be valued at the replacement cost (the value estimated by the Agent of Record). The auditor seems agreeable with the FPA's position.
- Finance is continuing its efforts to maximize MIP financial software capabilities and utilize additional software features. Additional training is anticipated.

New Business:

A. Discussion of certification of millage rates for the Orleans Levee District for the year 2019.

Ms. Chandler advised that the Board will be requested to recertify last year's millage rates for the Orleans Levee District (O.L.D.) for calendar year 2019.

B. Discussion of the proposed designation of authority to transfer surplus or used equipment between the FPA, East Jefferson Levee District, Lake Borgne Basin Levee District or Orleans Levee District in furtherance of the purpose of managing, operating and maintaining the regional flood defense system.

Derek Boese, Chief Administrative Officer (CAO), explained that short term movements of equipment between levee districts are tracked along with the costs. The requested designation of authority would allow the FPA to transfer equipment that is no longer needed by a levee district because it has been replaced by newer equipment to another levee district where it may be needed.

The Committee was in favor of recommending that the Board approve the requested designation of authority concerning the transfer of surplus or used equipment.

C. Discussion of budget for Lake Borgne Basin Levee District litigation expenses.

Mr. Morgan commented that St. Bernard Parish Government has instituted five suits against the Lake Borgne Basin Levee District (LBBLD). Ms. Chandler advised that the legal expenses in connection with the litigation will be tracked as a LBBLD expense. She noted that the LBBLD's budget includes the repayment of a loan (approximately \$1.3 million) to the O.L.D.; however, the cash has not yet been transferred. She explained that two Grant projects are currently on-going in the LBBLD for work at the Violet Canal and Pump Station Nos. 6 and 7 repairs. Due to the time lag between the payment of expenses for the projects and the reimbursement of the expended funds, the transfer of cash to the O.L.D. was placed on hold until after the projects are completed in order to avoid a cash crunch for the LBBLD. Staff will also review the accumulation of legal expenses prior to implementing the transfer of cash.

Mr. Luetlich commented that Ms. Chandler's effort to manage the LBBLD's cash flow seems appropriate.

Mr. Cosse inquired about the debt owed by the Non-Flood Protection Asset Management Authority (NFPAMA) to the O.L.D. Ms. Chandler responded that staff has been reviewing this situation. The amount owed by the NFPAMA to the O.L.D. is not significant and is being negotiated as part of the updated Memorandum of Understanding (MOU) between the two entities. Mr. Boese explained that the FPA and NFPAMA staffs have been working to update the current MOU that was put into effect in 2007. One of the last two items that require finalization concern the debt owed by the NFPAMA to the O.L.D. Kelli Chandler and Louis Capo, Internal Auditor, have been reviewing the amount of the debt. Staff is also reviewing the list of O.L.D. properties that are to be managed by the NFPAMA versus the properties to be managed by the O.L.D. for flood protection purposes, which is the second item that must be finalized. The updated MOU is anticipated to be presented to the Board in September for approval. He estimated the amount of the debt is potentially between \$500,000 and \$2 million, depending on the interpretation of some of the items included in the debt.

Mr. Cosse asked the reason it was so important for the LBBLD to repay the \$1 million that is owed to the O.L.D., but not the NFPAMA. Mr. Luettich commented that staff is working to resolve the NFPAMA debt issue potentially in September. Mr. Boese added that credit towards the NFPAMA debt is currently being received for the office space occupied by FPA staff at the Lakefront Airport Terminal.

D. Update on placement of investments with Edward Jones.

Mr. Morgan advised that Ms. Chandler would provide specific recommendations to the Committee next month regarding additional placements with Edward Jones.

E. Update on Employee Services.

Shannon Fazande with Fazande Consulting (Fazande) advised that Fazande is close to accomplishing all of the items included in the contracted scope of work in order to establish an infrastructure for Employee Services (ES). All scope of work items are either completed or near completion. At the completion of the project, Fazande will have documented a process for recruiting, on-boarding and orientation, and off-boarding for separations. The documented processes will be a part of the Employee Services Manual, which will provide guidance for the FPA ES team.

Ms. Fazande provided the following update concerning the accomplishments made over the past six months:

- Identified an internal candidate (Shannon West) to provide Human Resource (HR) services.
- Utilized a process based on the FPA's culture initiative to rebrand HR as ES.
- Establishing and improving response times for communications and synergies with the business units.
- Successfully worked with Civil Service to reallocate the HR Director position from an "A" to a "C". The recruitment process to fill the position will start in the near future. Fazande is working on the job description based on skill sets and responsibilities that will continue moving the organization forward.
- Building the Performance Evaluation System (PES) process.
- Significantly decreased recruiting times for the organization.
- Created and standardized a process for hiring Reserve Officers that mirrors the process for hiring full time Officers.
- Created an official orientation program to acclimate new hires to the organization.
- Reviewed, rebranded, streamlined, updated and regionalized all HR documents.

Ms. Fazande advised that the following items remain:

- Employee engagement initiatives.
- Culture change initiatives.
- Recruitment to fill the HR Director and two HR Analysts positions.
- Developing and implementing plans for using Laserfiche for digitizing HR processes. Fazande had been working on this effort with ADP; however, ADP was found not to be a good fit.
- Building a recruitment strategy for filling positions in the Maintenance Department, which has on-going recruitment needs.
- Open enrollment (starts October 1). Fazande has been working closely with ADP to establish a system for open enrollment to replace the current system.

Mr. Morgan inquired about the status of the Fazande contract budget. Ms. Fazande advised that the contract amount is \$635,000. As of July Fazande has used just under \$500,000 of the contract amount; therefore, about \$137,000 of the contract amount remains for services through August (the approximate six month mark). Mr. Boese commented that staff must look at whether modifications should be made as the contract tapers in order to focus on priorities. He stated that he would provide a recommendation to the Board in September. Ms. Fazande added that she would be looking at needs and resources from the Fazande team concerning the recruitment process. She stated that she was aware of the remaining contract amount and that Fazande can more than likely scale back on some of the resources that are being used.

There was no further business; therefore, the meeting was adjourned at 11:20 a.m.