

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

PRESENT: Mark L. Morgan, Chair
Herbert I. Miller, Committee Member
Quentin Dastugue, Committee Member
Richard A. Luettich, Jr., Committee Member (via teleconference)

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on November 26, 2018, at the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, LA. Mr. Morgan called the meeting to order at 1:00 p.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 September 20, 2018.

Public Comments: None.

Regional Finance Director's Report:

Kelli Chandler, Regional Finance Director, reviewed the highlights of the Regional Finance Director's Report:

- Fiscal Year (FY) 2018 Financial Audit – The audit report is completed. The FPA received a clean, unqualified audit opinion. The Hurricane and Storm Damage Risk Reduction System (HSDRRS) value has been recorded.
- Payroll and Benefits – The consolidation is finalized and payroll is beginning to normalize. Ms. Chandler and a member of the Fazande Consulting group worked for the past four to six weeks with ADP to negotiate an immediate \$15,000 credit (equals about three months of fees) and an on-going annual reduction of 25% or \$15,000 each year for services due to the issues experienced by the FPA. The benefits portion of ADP has been implemented and will be ready to go live on December 1st. Changes from open enrollment will be uploaded into the system. Several payrolls will be run with staff ensuring that benefits are correctly calculated. Tax corrections are being implemented due to ADP's error. Staff is working on finalizing the weekly fees between ADP and the FPA's various providers (e.g., LASERS).
- Financial Software – Finance personnel have undertaken more intensive training on the current accounting system software. Consultants have provided group training sessions on almost every aspect of the system in order to maximize usage.

- Purchasing – Finance staff met with employees in the field to discuss processes and procedures for purchasing, including automating reordering of rolling stock. Work flows are being set up within the Microid system. New credit cards were implemented. Users are being trained on reconciling purchases and uploading receipts in Smart Data. The six current credit card users are the Purchasing Manager, Purchasing Agent, Legal, Board Administrator and two East Jefferson Levee District (EJLD) staff members. Cards are kept under lock and can be logged out by other staff members for purchases. Receipts for purchases must be provided when the card is logged back in.

New Business:

A. Report on Human Resource services provided by Fazande Consulting.

Shannon Fazande presented a report on the Human Resource (HR) services provided under the contract between the FPA and Fazande Consulting. Following are highlights of the presentation:

- The purpose of the presentation is to provide an overview to senior leadership regarding improvements to Employee Services (ES) and to recommend the next steps for going forward.
- Accomplishments by the Fazande group:
 - Recruiting, onboarding and off-boarding programs, and orientation program.
 - Operational support in areas of performance evaluations, culture change initiative and training.
 - Staffed ES Department with new HR Director and HR Analyst. Second HR Analyst hired resigned after two weeks (incumbent will be replaced with new hire by HR Director).
 - Implemented new open enrollment process. Held information and enrollment sessions and created documentation for all employees. Data entry is on-going. Fazande Consulting will continue working to ensure the systems and feeds are working properly.
 - Regionalization of Maintenance Department, including working with Civil Service, to bring continuity and consistency across levee districts. Meeting will be held with the Regional Finance Director to review impacts on cost allocations and budget in order to appropriately staff the Maintenance Department. The Fazande group is currently in the process of establishing relationships with external organizations to build a recruiting strategy for positions such as laborer and mobile equipment operator.
 - Enterprise content management (e.g., payroll corrections and automating HR functions related to benefits and new hires).
 - Value Adds – Building recruiting process for Reserve Police Officers (includes training staff) and payroll system improvements.

- Recommended next steps to consider (for implementation by new HR Director):
 - Facilitate strategic planning sessions to set goals for business units and measurements for achieving the goals identified.
 - Develop a clearly defined Performance Management System to include job-relevant metrics, goals, standards for job performance, accomplishments and areas of improvement.
 - Conduct consistent, periodic employee engagement initiatives for feedback and participation, including facilitation of Culture Team working groups, employee focus groups, and surveys.
 - Increase ES visibility within teams of the various business units by having ES representatives perform site visits, spend time working at other locations, and attend/encourage weekly business-unit team meetings.
 - Establish inter- and intra-departmental synergies to improve productivity, communication, and operational efficiency.
 - Consolidate all functions of HR currently housed in other units into the Employee Services division and establish, document, and assign points-of-contact (i.e. workers compensation, FMLA, org chart, benefits, etc.)
 - Continue employee relations outreach across all business units to establish rapport with employees.

Mr. Morgan asked had all of the goals included in the contract's scope of services been met. Ms. Fazande replied that Fazande Consulting accomplished 100% of the work that it set out to do and that there are no open or lingering items under the contract scope. A final report will be provided by Fazande Consulting to the CAO.

Derek Boese, Chief Administrative Officer (CAO), commented that the purpose of the contract was to bring the FPA to the point where consultants would no longer be needed and HR services would be provided in-house. He introduced the new HR Director, Sandy West, who has been on the FPA staff for the past two weeks.

Ms. West explained that she was previously employed by Tulane University for 26 years with a career in HR. She began her career at Tulane working in the Benefits Division (about 10 years) and worked her way to Director. Ms. West worked in the area of HR Strategic Planning (including payroll, finance, employee relations and employment) during the last ten years of her career at Tulane. She commented that with her experience in strategic planning she would be able to continue and build on the programs and processes implemented by Fazande Consulting, as well as address the next steps that were recommended.

B. Discussion of renewal of insurance coverages.

Matt Byrd with Arthur J. Gallagher Risk Management Services, Inc., explained that many of the subject coverages were part of the consolidation process and required a change in expiration date. He provided the following recommendations for renewal of insurance coverages on January 1, 2019:

FLOOD PROTECTION AUTHORITY:

Public Officials Liability – The expiring premium of \$57,776 is for a short term policy (3/16/18 - 1/1/19). The renewal premium is \$67,613 (4.3% increase) for a 12 month term. No significant changes occurred in terms of coverage or exclusions. About two years ago a provision was added for defense outside of the coverage limit (\$10 million for defense plus \$10 million coverage limit). The application for coverage reflected an 18.5% increase in exposure related to the increase in overall expenditures by the FPA and levee districts. Cyber Liability coverage was offered and can be discussed for potential action. The FPA experienced claims expenses defending unsuccessful allegations. The policy primarily covers allegations against the Board and decisions made by the Board.

Workers Compensation (WC) – Coverage is thru LWCC. All levee district employees were moved under the Authority, leaving the EJLD and Orleans Levee District (O.L.D.) to cover their police departments. Therefore, a majority of the payroll was included in the FPA policy last year. The estimated expiring premium is \$266,735. The estimated renewal premium is \$274,903. WC rates are filed with the Department of Insurance and a formula is used to determine the premium. The increase in premium is due to filed rate changes in codes 0251 Irrigation and 9102 Park NOC. Varying exposures at each of the levee districts for the same code was an issue in the past. Current rates will be reviewed as part of the 2018 WC premium audit to ensure positions are classified correctly and consistently across the Authority. Movement of employees to annual pay, as requested by the FPA, will be finalized for 2019.

Pollution Liability – The expiring premium is \$43,266 for a short term policy (3/10/18 – 1/1/19). The renewal premium is \$53,289 for a 12 month term. The increase in premium is due to the addition of the Permanent Canal Closures and Pumps (PCCP) and the 1-year term. The policy primarily covers underground storage tanks and tanks at the FPA's facilities, including cleanup and remediation of spills.

Auto Physical Damage – Mr. Byrd advised that Auto Physical Damage is the only item that may remain in limbo today. Two additional options are anticipated. The main item to note is that the total value of the automobiles increased from \$3,239,293 to \$4,418,106. The FPA had a short term policy from 7/1/18 to 1/1/19 with an expiring premium of \$30,461. The renewal premium is \$74,061 for a 12 month period; however, the valuation of the autos increased. He suggested that the FPA can continue to look at this issue and determine whether it wishes to scrub off additional vehicles. The FPA scrubbed off a number of vehicles over the past year and a half for which physical damage coverage was not practical due to the value of vehicles since the deductible is \$1,000. The FPA is attempting to purchase coverage for vehicles with higher valuations. In addition, the Board can determine an acceptable level of risk tolerance. Mr. Miller pointed out that the valuation indicates a 33% increase and asked the reason for the increase. Mr. Byrd explained that the FPA continues to purchase more vehicles every year. Another

reason is that the FPA is continuing to bring more of the districts together and changing vehicles from one schedule to another. The schedule can be reviewed for correctness and to determine whether vehicles should be removed. He asked that the item remain open since additional options are anticipated. Mr. Boese asked was auto coverage trending up regionally and nationally. Mr. Byrd replied that Auto is by far the worst line of insurance in the marketplace. However, the Physical Damage only component is not trending up the same as the liability side; therefore, it is not the answer to the increase as much as it is the schedule. He offered to send Mr. Miller the schedule to review the year over year changes. Ms. Chandler agreed that the vehicle schedule need to be reviewed and scrubbed. Mr. Miller noted that the premium has gone up on an annualized basis about 25% and there is a 33% increase in value; therefore, the premium is reasonable proportionally. He asked about the types of vehicles (e.g., tractors) included in the schedule. Mr. Byrd responded that equipment is included elsewhere. He suggested that staff review and compare last year's and next year's lists. A decision will not be made on putting the policy in force until it is correct. Mr. Morgan asked did the list include trailers and rental vehicles. Mr. Byrd responded that the list can include trailers since it is the correct policy for physical damage for trailers; however, he did not know at that time how many trailers may be on the list. The FPA does have hired auto physical damage coverage and sets a limit (e.g., \$50,000 for a hired vehicle) since it is not a scheduled auto.

ORLEANS LEVEE DISTRICT:

Workers Compensation (Police Officers) – The expiring premium is \$55,912. The renewal premium is \$53,289.

Reserve Officer AD&D – The expiring premium is \$1,386 for a short term policy (2/15/18 – 1/1/19). The renewal premium is \$1,580 for a 12 month term. The renewal exposure is the same as the expiring exposure (20). There is no net change in the cost per individual.

EAST JEFFERSON LEVEE DISTRICT:

Workers Compensation (Police Officers) – The expiring premium is \$72,129 and the renewal premium is \$72,045.

Reserve Officer AD&D – The expiring premium is \$1,264 and the renewal premium is \$1,896. The expiring exposure is 16 and the renewal exposure is 24. There is no change in the cost per individual.

LAKE BORGNE BASIN LEVEE DISTRICT (LBBLD):

Workers Compensation – The expiring premium is \$4,336 and the renewal premium is \$4,045. The policy was shifted to an "if any" policy. There is no active payroll running thru the policy. The policy was left in place and remains active in order to receive trailing dividends returned by LWCC and in the event an employee alleges a past on the job injury. Eventually, the policy will be phased out.

Mr. Byrd reviewed the timeline for upcoming insurance activities.

December 2018	Bind Renewals
January 2019	Workers Comp Audit Prep w/ finance director, Perimeter Property Valuation for coverage
February 2019	Workers Comp Audit; PCCP Valuation, Non Flood -flood policy ownership transition w/NFIP
March 2019	Non Flood, flood policy transition to OLD with FPA/NFPAMA, Finalize PCCP valuations
April 2019	PCCP Renewal, LBBLD vessels, Hull P&I
May 2019	NFPAMA Property transition
June 2019	All transitions finalized, transition to ongoing servicing
July 2019	Ongoing Servicing
August 2019	Ongoing Servicing
September 2019	Ongoing Servicing
October 2019	Renewal Preparation
November 2019	Renewal Marketing & Proposals
December 2019	Renewal Marketing & Proposals
January 2020	All Policies Renew

Mr. Dastugue inquired about self-insurance. Mr. Byrd responded that the FPA continues stepping its deductibles and retention higher, which is a component of self-insurance. He recommended further discussion of the FPA's risk tolerance.

Mr. Byrd advised that remaining policies that do not have a January 1st renewal date are the flood insurance policies and the LBBLD Vessel and Hull P&I Policy.

Mr. Morgan noted the two action items: 1) review by staff of the schedule of vehicles and values to be insured under Auto Physical Damage, and 2) review of job codes as part of the WC 2018 premium audit to ensure positions are classified correctly and consistently across the Authority. He suggested that a not to exceed figure for Auto Physical Damage coverage be included in the resolution presented for Board approval.

C. Discussion of Property and Casualty Insurance coverage. and
D. Discussion of the evaluation of the Hurricane and Storm Damage Risk Reduction System relative to insurance coverage needs.

The Committee discussed Property and Casualty Insurance coverage relative to HSDRRS needs. The FPA secured \$129 million of coverage with a \$500,000 deductible for the PCCP. Mr. Byrd pointed out that much of the discussion regarding the PCCP coverage dealt with the difference between the costs incurred for the U.S. Army Corps of Engineers (USACE) multi-year contract to construct the PCCP and determining replacement costs. He noted that there is an extremely low likelihood of one occurrence destroying all three PCCP facilities.

The recent valuation provided by the USACE for the HSDRRS components for purposes of the FY 2018 Financial Audit totaled approximately \$4.3 billion and included all costs incurred by the Corps. Staff will go thru a process similar to the one used for the PCCP in order to arrive at reasonable replacement costs for the system components for insurance purposes. The priority will be placed on the complex structures, particularly the mechanical and electrical components, due to the higher risk.

E. Discussion of budget to actuals for first quarter of Fiscal Year 2019.

Ms. Chandler reviewed the budget to actuals for first quarter of FY 2019 for the FPA and levee districts, most of which are basically tracking or will track budget expectations in the remaining quarters. Levee district revenues are generally collected between January and March; therefore, revenues for the first couple of quarters will be under budget. Following are highlights of the review:

Flood Protection Authority: The FPA is slightly under budget. A majority of the savings in Contractual Services relate to insurance premiums. Finance staff will have an internal discussion on accurately capturing insurance costs on each of the levee districts' books. Materials and Supplies are over budget due to the purchase of \$30,000 of laptops for the recycling program and \$18,000 of computer software. Onetime costs for software maintenance for Office 365 and Laserfiche were included in Contractual Services.

Orleans Levee District: Personnel Services are slightly under budget due to open Maintenance positions resulting from turnover and difficulty in hiring qualified personnel. Contractual Services are over budget due to the cost of insurance for the PCCP, which was procured for an 18 month period. Machinery and Equipment is under budget due to the timing of purchases. The overall O.L.D. General Fund Budget is slightly under budget (27.37% for the year). The Special Levee Improvement (SLIP) Fund Budget is under budget due to timing of projects and expenses that were budgeted, but have not yet been incurred (Seawall Erosion Phase IV Project - \$3 million, IHNC Surge Barrier Visitor's Center - \$3 million, Franklin Loft Building Demolition - \$2.5 million and 17th Street Canal Erosion Repair Project - \$1.5 million).

East Jefferson Levee District: Professional Services are slightly over budget due to the recording of a payment to ECM for the Safehouse and Consolidated Facility in the wrong account, which will be reclassified, and savings in Legal fees. Contractual Services are under budget due to the recording of WC and insurance premiums after January 1st. Materials and Supplies are under budget due to fuel savings. Machinery and Equipment are under budget because some of the budgeted items have not yet been purchased.

Lake Borgne Basin Levee District: The LBBLD is over budget in total; however, a major portion of the amount is related to costs for pump station repairs that will be reimbursed through a Federal grant. The LBBLD experienced savings in Personnel Services due to the retirement of several staff members. Two of the positions have been filled since the first quarter and three additional positions will be filled. Savings in Professional Services relate to less than expected engineering and consulting expenses. Savings in Contractual Services relate to the LBBLD share of the lower than expected complex structures maintenance cost. Savings in Equipment Maintenance are due to the LBBLD's ability to use equipment from other levee districts, rather than repairing older equipment. Excluding the Federal grant

related expenses, overall the LBBLD is generally under budget primarily due to Personnel and Insurance savings.

Mr. Boese pointed out an issue relative to the on-going Pump Station 6 and 7 Hangars and Pump Repairs Project and reimbursement by FEMA. The total cost of the project was approximately \$1.3 million. The FEMA project worksheet was initially approved for reimbursement; however, when the worksheet was revised, FEMA ruled that the discharge pipework component (approx. \$250,000) is ineligible for reimbursement. FEMA approved the hangar work. Staff will appeal FEMA's ruling. Should the appeal be unsuccessful, the \$250,000 must be taken from LBBLD reserves.

Ms. Chandler advised that next quarter Finance will have separate budget to actuals for Capital Projects versus General Fund for all districts. Finance will also be more proactive in submitting budget to actual figures to managers in sufficient time to receive feedback on discrepancies and going forward will provide budget to actuals in department format for all districts.

F. Discussion of adoption of the FY 2018 Financial Audit Report as submitted.

Ms. Chandler advised that a clean, unqualified audit opinion was received. The FPA's opening net position was restated in the audit report in order to record the value of the HSDRRS. Since an exact date could not be used for the receipt of all of the HSDRRS assets, the recordation of the value was considered a prior period adjustment and as construction in progress. The HSDRRS was valued at \$4,430,340,424. The breakdown of the HSDRRS valuation by district is as follows: O.L.D. - \$2.9 billion, LBBLD - \$1.153 billion and EJLD - \$342 million. The end of the year net assets were valued at \$5.6 billion. The total revenue for FY 2018 was \$814 million, which includes the donation of the PCCP (\$748 million). Excluding the PCCP donation, revenues were approximately \$66 million. The increase in revenues was mainly for the O.L.D.

The Committee voted unanimously to recommend that the Board accept the FY 2018 Financial Audit Report.

G. Discussion of proposed revisions to the FY 2018 FPA General Fund Budget.

Ms. Chandler explained that Board approval of the final revised FPA FY 2018 Budget is required due to the shift in payroll costs. Payroll costs were originally budgeted under the former organizational structure (three levee districts). The payroll was subsequently consolidated; therefore, the FPA is over budget in Personnel Services due to the consolidation. Revisions are not required to the levee district budgets since the impact did not cause the districts to be over budget.

H. Discussion of schedule for preparation of FY 2020 Budgets.

A calendar was provided to the Committee that listed in-house preliminary meetings in December for the development of the FY 2020 Budgets. Follow up meetings will be scheduled in January. The preliminary budgets are anticipated to be ready in February

for discussion by the Committee. Final FY 2020 Budgets must be approved by the Board in March.

I. Discussion of a proposed Cooperative Endeavor Agreement (CEA) between the FPA, on behalf of the O.L.D., and the Constable for the City of New Orleans, for occupying 1,160 square feet of space in the O.L.D. Police Station located at 6799 Elysian Fields Avenue.

Wilma Heaton, Director of Governmental Affairs, advised that Constable Lambert Boissiere, Jr., was present to answer any questions. She explained that when the Board approved construction of the new police complex on Elysian Fields Avenue, staff recognized that the inclusion of a suite for the Constable's office would not only represent good policy, but would also result in synergies between the two law enforcement entities. The Constable has agreed to pay the market rate of \$16.00 per square foot (\$1,546.67 per month), excluding utilities, less a credit of \$600/per month for courier services to be provided by his office. The courier service will relieve O.L.D. Police Officers from this responsibility (e.g., trips to NOPD for reports).

Ms. Heaton noted that the O.L.D. Police staff is in the process of moving into the new facility and that the ribbon cutting ceremony for the complex will be held on December 13th. The O.L.D. Police Complex Project was completed on time and on budget.

Constable Boissiere advised that the Constable's Office has been a tenant in the Lakefront Airport Terminal for the past several years after losing its facility in New Orleans East due to Hurricane Katrina. He stated that his office was happy to be continuing service to the New Orleans East community at the new location and that the Constable's Office is able to pay its fair share of the rent.

The Committee had no objection to the proposed CEA with the Constable's Office.

J. Discussion of the proposed updated CEA between the City of New Orleans by and through the New Orleans Aviation Board and the Jefferson Parish Sheriff's Office, St. Charles Parish Sheriff's Office and the FPA for security services for the Louis Armstrong New Orleans International Airport.

Mr. Boese explained that the proposed CEA for security services for the Louis Armstrong New Orleans International Airport is updated annually. The EJLD Police Department has participated in this detail for a number of years. The Jefferson Parish Sheriff's Office is the lead agency and coordinates the detail. There have been no substantive changes to the CEA.

Mr. Miller abstained from the discussion and action on the proposed CEA. He stated that he did not have any conflict; however, he is a volunteer at the Airport and serves as a Customer Services Representative.

The Committee had no objection to the proposed CEA for security services.

K. Discussion of the proposed transfer of the Berwick property from the EJLD to Jefferson Parish for the development of affordable housing.

Mr. Boese explained that he has been working on the property transfer for over three years. The EJLD became the owner of the vacant property referred to as the Berwick property, which is located between Airline and Jefferson Highways and east of Causeway Boulevard. The property is not needed for flood protection purposes. The property is a remnant from a Sheriff's sale of seized property. The EJLD has been maintaining the property for a number of years. The property is a drain on the levee district in terms of cost for maintenance and time since the property is not located near any part of the flood protection system. The EJLD has been afforded the opportunity to transfer the property to Jefferson Parish, which has a large master plan for the area.

Michelle White, Assistant Attorney General, advised that she has been working with the Jefferson Parish Attorney on the transfer. The savings in terms of money, as well as manpower, particularly given that the property is not located within the flood protection system, makes sense and comports with the FPA's purpose and mission. The vacant property will be used by Jefferson Parish for a beneficial purpose as part of a development for affordable housing.

The Committee had no objection to the transfer of the Berwick property.

L. Discussion of a proposed CEA with the Louisiana State Police (LSP) for the O.L.D. Police Department to participate in the LSP's Local Agency Compensated Enforcement (LACE) Detail.

Mr. Boese advised that the LA State Police currently does a traffic detail in Orleans Parish to augment New Orleans Police Department forces and requested that the O.L.D. Police Department (OLDPD) participate in the detail. The detail will be reimbursed through the City of New Orleans. The focus for the OLDPD will be traffic enforcement on the Interstate and surface streets in the Third and Seventh Districts (basically the lakefront area). He recommended that the OLDPD's participation in the LACE Detail be approved.

The Committee had no objection to the proposed CEA relative to the LACE Detail.

M. Discussion of the proposed sale of surplus equipment by an auction.

Mr. Boese requested that the item be deferred to the January meeting. The FPA has not yet received all of the appraised values of the items to be auctioned.

There was no further business; therefore, the meeting was adjourned at 2:35 p.m.