

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON APRIL 18, 2019**

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 April 18, 2019, at the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, LA. Mr. Morgan called the meeting to order at 10:00 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 meetings held on March 21, 2019.

Public Comments: None.

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

- Senior staff completed four FEMA training classes (base classes). Ms. Chandler will attend the 300 and 400 level FEMA classes.
- Implementation of the file feed between ADP and the insurance provider has been completed. Hereafter weekly updates will automatically be submitted to MetLife.
- The auction of surplus equipment was held on April 9th and was very successful. Total sales were \$359,000 with a breakdown as follows (approximate amounts): \$197,000 Lake Borgne Basin Levee District (LBBLD), \$93,000 Orleans Levee District (O.L.D.), \$61,000 East Jefferson Levee District (EJLD) and \$8,000 Non-Flood Protection Asset Management Authority (NFA). The Purchasing, Police and Maintenance Departments did a great job on the auction.
- Work is continuing on fixed asset standardization. Government accounting standards require that fixed assets be separate from the General Fund. The LBBLD did not have a separate system and had outsourced the fixed assets function. Finance is reconciling the fixed assets and ensuring all items are tagged with locations properly notated.
- Work continues on Laserfiche and other file feed implementations.

- Staff has been hired to fill a position in the Purchasing Department and the Accountant 4 position. The Accountant 4 will assist with FEMA grant reimbursements.
- Ms. Chandler will contact the Legislative Auditor's Office in the next couple of weeks concerning preparations for the upcoming FY 2019 financial audit.

New Business:

A. Update on proposed leasing of information technology (IT) infrastructure.

Roman Dody, IT Director, advised that analytics are still being gathered from vendors; therefore, he recommended that the item be deferred until next month at which time he anticipated having the results from submittals by three vendors.

B. Update on Lake Borgne Basin Levee District budget.

Ms. Chandler advised that the Pump Stations 6 and 7 Repair Project and the Violet Canal Realignment Project are being reviewed to ensure that all reimbursable expenditures under the grants have been submitted to FEMA. She explained that she was having difficulty getting access into the systems to submit the documentation and has met several times with GOSEPH regarding access and reconciling documentation.

Ms. Chandler anticipated having the amended FY 2019 Permanent Canal Closures and Pumps (PCCP) Budget next month. The escrow for deferred maintenance and the extended warranty approved by the Board last month were not previously included in the budget. She did not anticipate that an amendment would be required to any of the other levee district budgets; however, if adjustments are needed, they would be brought to the Board next month for approval.

Derek Boese, Chief Administrative Officer (CAO), advised that the Board would be requested at its meeting today to approve a thirty day extension of the stay of the divestiture of the LBBLD pumping and drainage functions. The joint assessment of the pump stations and canals in St. Bernard Parish is ongoing and is anticipated to be completed by the end of April. The assessment will help provide information for going forward.

C. Discussion of methods for allocating costs.

Ms. Chandler provided a handout with a suggested approach for cost allocations. The handout is considered a living document that would continue to be refined over time. She provided a brief overview of the approach. Two major areas are identified into which costs will be allocated: Levee Maintenance Categories and Levee Operation Categories. Each area includes a number of categories; e.g., HSDRRS, MRL, Non-Federal system, PCCP, LBBLD pump stations, etc. The main driver for allocating costs is labor dollars. Time will be allocated in ADP by employees/supervisors rounded to the nearest hour. Costs for directors and managers will be allocated to the same areas based on the allocation of labor dollars. Overhead costs will be allocated first to the

districts based on ad valorem revenue percentages and further into maintaining the system.

Ms. Chandler explained that in developing the document a question arose regarding the allocation of Police costs. Mr. Boese advised that EJLD and O.L.D. Police personnel mainly work within their respective levee districts and on occasion work outside of their respective districts (e.g., to support high river inspections in the LBBLD). Mr. Luettich suggested that Police costs are not indirect costs since indirect costs primarily consist of efforts spread evenly across the districts. He suggested that Police costs be allocated to a category designated as "other".

Ms. Chandler explained that building related costs are difficult to allocate between the HSDRRS vs MRL. The facilities will be broken into main categories; e.g., the EJLD facility will be allocated between levees and Police, but not broken down any further. Equipment and vehicle maintenance and repair costs can be allocated between the HSDRRS and MRL based on direct labor cost allocations of the users. Insurance premiums can be broken into the main categories only, unless the coverage is location specific.

Mr. Miller inquired about the status of the Cooperative Endeavor Agreement with Jefferson Parish regarding its cost share contribution for the 17th Street PCCP. Mr. Boese responded that negotiations with Jefferson Parish are ongoing. He stated that he met with the CAO and Public Works Director for Jefferson Parish on April 16th and that they were provided with a draft of the FPA's proposed CEA. The draft CEA is under review and the FPA is awaiting feedback from Jefferson Parish.

D. Discussion of the proposed renewal of Property Insurance Coverage for the Permanent Canal Closures and Pumps (PCCP).

Matt Byrd with Arthur J. Gallagher advised that he met with Rusty Kennedy, Assistant CAO, on April 15th and reviewed the proposed renewal. He explained that a lot of activity in catastrophe exposed environments has taken place due to Hurricanes Michael, Florence and Alberto; therefore, the property insurance marketplace is hardening and rates are increasing. Arthur Gallagher worked to reduce the increase in cost and to increase coverage as much as possible. There is a little over a one percent year over year change in premium before surplus line taxes.

Mr. Byrd explained that the proposed renewal coverage is the same as last year's coverage with the following exceptions:

- All Other Wind Deductive decreased from \$100,000 to \$50,000.
- Professional Fees increased from \$100,000 to \$250,000.
- Extra/Expediting Expense increased from \$1,000,000 to \$2,000,000.
- Electronic Data sublimit increased from \$500,000 to \$1,000,000.
- Underground pipes, flues and drains increased from \$100,000 to \$1,000,000.
- Service Interruption increased from \$250,000 to \$1,000,000.
- Fire Brigade Charges increased from \$100,000 to \$250,000.

- Limited Pollution Coverage increased from \$100,000 to \$500,000.

Mr. Byrd pointed out that the All Other Perils Deductible remains at \$500,000, the Hurricane Deductible remains at three percent, and the All Other Wind (non-hurricane) Deductible is \$50,000. Should the Hurricane Deductible be increased from three percent to five percent, the premium would be about \$15,000 less. The limit of insurance is \$129 million, which can be used for one or all three PCCP stations. The renewal premium increased under two percent over last year's premium. The premium quote provided by the next best carrier was about \$75,000 higher with similar deductibles. The coverage will expire on May 4th. Mr. Boese pointed out that staff was comfortable with the one+ percent increase in premium.

Mr. Byrd advised that terrorism is not a covered cause of loss under the property form. Terrorism coverage is available for purchase; however, only a certified act of terrorism at the Federal government level would be covered. There are many factors that contribute to the certification of an act of terrorism at the Federal government level. He pointed out that the situation at the Boston Marathon several years ago was ultimately not certified. The premium to include certified terrorism is \$20,000. Vandalism and theft are covered under the Property Insurance Coverage.

The Committee will recommend that the Board approve the renewal of the Property Insurance Coverage for the PCCP.

E. Discussion of proposed amendments to Resolution No. 09-17-09-07 and Resolution No. 12-15-16-04 to include the current Director of Engineering as an authorized signatory on checks and documentation related to the Office of Community Development – Disaster Recovery Unit's Community Development Block Grants.

Ms. Chandler explained that the resolution providing signatory authorization for checks specifies positions, rather than named individuals; therefore, an amendment is not needed at this time. However, the resolutions providing signatory authorization for the grants include named individuals, rather than positions, as required by the grants. She requested that the resolutions for signatory authorization for the grants be amended to include Chris Humphreys, the new Director of Engineering.

Mr. Boese introduced Mr. Humphreys, who began work at the FPA on April 15th. Mr. Humphreys advised that he is a Civil Engineer registered in Louisiana and Mississippi. He has practiced throughout the southern states, primarily in Louisiana, for over thirty years, generally in the geotechnical and materials testing fields. Since Hurricane Katrina he has performed work on HSDRRS projects. He stated that he was thrilled to be with the FPA and was impressed with the dedicated and committed professionals at the FPA.

The Committee will recommend that the Board approve the amendment of the grant resolutions to include Chris Humphreys as an authorized signatory.

There was no further business; therefore, the meeting was adjourned at 10:30 a.m.