

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON MARCH 2, 2017**

PRESENT: Mark L. Morgan, Chair
Quentin D. Dastugue, Committee Member
Richard A. Luettich, Jr., Com. Member (participated by teleconference)

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on March 2, 2017, in Meeting Room 201, Orleans Levee District Franklin Avenue Complex, 6920 Franklin Avenue, New Orleans, Louisiana. Mr. Morgan called the meeting to order at 9:45 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted by the Committee as presented.

Public Comments: None.

New Business:

A. Review of the Fiscal Year 2017 budget to actual performance as of December 31, 2016, and the Fiscal Year 2018 Budgets for SLFPA-E and levee districts.

Budget to actual performance as of December 31, 2016:

Kelli Chandler, SLFPA-E Regional Finance Director, pointed out that the Fiscal Year (FY) 2017 Budget is the first budget produced subsequent to the development of a unified chart of accounts. The chart of accounts is still being fine-tuned and inconsistencies are being resolved. Most of the revenues for the three levee districts are received during the first three months of the calendar year; therefore, all three levee districts will be under-budget as of December 31st as far as revenues. All three levee districts have a positive variance as far as cost allocation from the Authority because several positions were budgeted that were not filled the entire year (e.g., Finance, HR and IT Directors) or have not been filled (Operations Director). The Authority budgeted for the payment of rent at the Lakefront Airport Terminal; however, if its offices are relocated to the Orleans Levee District's (O.L.D.) facilities, this expense would be eliminated and the Authority's and levee districts' budgets would be adjusted accordingly. She pointed out that the December 31st actual versus budget figures may not be consistent due to changes in the chart of accounts; however, with experience these inconsistencies will be resolved. Budget schedules were provided in the audit format, which matches the financial statements, and by department. The East Jefferson Levee District (EJLD) is in the process of producing its budget by department and the document should be completed in time for the Board meeting. She noted that the O.L.D.'s large construction projects are funded in the Special Levee Improvement Project (SLIP) Fund Budget and the O.L.D.'s operating expenses are included in the

General Fund Budget. The EJLD and Lake Borgne Basin Levee District (LBBLD) combine construction projects and operating expenses in a single budget; however, the construction projects may be broken out in the future.

Ms. Chandler noted that she is in the process of developing a budget policy that will include standard assumptions and would bring about other consistencies.

Lake Borgne Basin Levee District – Review of FY 2018 Budget:

Nick Cali, LBBLD Executive Director, called the Committee's attention to personnel services and equipment purchases. Part of the LBBLD's long term plan is to forecast out capital purchases and cycle out old equipment. The FY 2018 Budget includes the purchase of one new tractor, one new police vehicle and one new maintenance vehicle. The budget also includes hiring two equipment operators and one administrative employee to replace personnel losses and a four percent merit increase for employees. LBBLD employees have not received a merit increase since October, 2014. He noted that personnel expenses have stabilized subsequent to the implementation of the Layoff Avoidance Measures and payout of retirement incentives. The peak payment of overtime takes place during the April-June timeframe (grass cutting season). At the completion of the layoff avoidance measures the LBBLD had a staff of 24 employees. LBBLD currently has a staff of 21 employees.

Mr. Cali advised that the budget recognizes the FEMA Grant for the construction of the Violet Canal Realignment Project. The project is anticipated to be advertised for bid soon. The grant funding will be provided on a reimbursement basis and the LBBLD is working with GOSEPH to set up a process for a quick turn-around of invoices to avoid cash flow issues. He noted that the money expended in a prior year in accordance with a forbearance agreement was reimbursed to the LBBLD during FY 2017.

Mr. Luettich stressed the importance of escrowing funds in a special account for the major maintenance of the LBBLD's complex structures. Mr. Cali advised that the LBBLD would need to escrow about \$325,000 per year in order to fund the dewatering and maintenance of the two sector gates (Caernarvon and Bayou Dupre) on a ten year cycle. The LBBLD has not yet escrowed any funding for this purpose. Mr. Luettich pointed out that each year that the LBBLD does not recognize the need to fund the major maintenance of the structures brings it closer to a crisis situation. He noted that the Authority's primary responsibility is the maintenance of the perimeter system. Since, at this point in time, the estimated cost of the ten-year cycle maintenance of the structures must be funded over a seven year period in lieu of a ten-year period, he asked that staff determine a reasonable amount to be recognized, beginning with FY 2018, for this purpose. Mr. Cali pointed out that since the Caernarvon Complex Structure was recently dewatered for repainting by the U.S. Army Corps of Engineers (USACE), the LBBLD may be able to stagger the dewatering of the two structures and thus reduce the amount required to be set aside.

Mr. Dastugue requested that information also be provided using metrics. He requested that the Association of Levee Boards of Louisiana (ALBL) be contacted to determine whether this type of information can be provided for levee districts statewide. Robert

Turner, SLFPA-E Regional Director, advised that he would request this information from the ALBL.

Mr. Luettich noted that the proposed budgets reflect the current organizational structure and not the proposed reorganization. Ms. Chandler explained that as the process progresses, adjustments may be needed. In addition, should legislation be passed that would allow funds to be used for regional flood protection, it would significantly change the budgets. Mr. Dastugue pointed out that, if approved, funds used for regional flood protection should be from the Constitutionally authorized millage and not from tax propositions approved by the voters.

East Jefferson Levee District – Review of FY 2018 Budget:

Derek Boese, EJLD Executive Director, advised that, excluding funding for the construction of the levee lifts and Safehouse and Consolidated Facility, which will come from prior year savings, the EJLD FY 2018 budget will recognize an estimated \$550,000 revenue surplus. The EJLD instituted a planned approach to budget, cycle and manage equipment. The EJLD plans to fill vacancies for three police officers, an administrative employee and two maintenance employees. The EJLD currently has 54 employees and the proposed staffing for FY 2018 is 59 employees.

Mr. Luettich requested that the new IT Director, Roman Dody, be consulted with regards to future IT equipment (including computers) and software acquisitions and IT maintenance expenditures for coordination across the Authority and levee districts.

Orleans Levee District – Review of FY 2018 Budget:

Ms. Chandler noted that the O.L.D.'s beginning fund balance has been adjusted to reflect the repayment to the State of the GoZone loan.

Gerry Gillen, O.L.D. Executive Director, advised that the O.L.D. has two budgets for the two different revenue streams: General Fund Budget (Constitutional millage) and Special Levee Improvement Fund (SLIP) Budget. The SLIP fund millage was approved by the voters for a total of 6.07 mills with 5.46 mills dedicated to levee improvement projects and 0.61 mills dedicated for the operation and maintenance of the non-revenue producing assets managed by the Non-Flood Protection Asset Management Authority (NFPAMA). Mr. Dastugue inquired about being provided with a report or presentation from the NFPAMA regarding the status of revenues. Mr. Luettich pointed out that the Authority has been waiting for the NFPAMA administrative leadership to stabilize and that he was optimistic that the report or presentation would be provided soon.

The Committee noted the inconsistent return on investments by the EJLD and O.L.D. Ms. Chandler explained that the EJLD invests its surplus funds in CD's and the O.L.D. invests its surplus funds in accounts maintained by the Louisiana Asset Management Pool (LAMP). LAMP investments are short term investments with a lesser interest rate. An investment policy and program are being developed in order to increase the return on investments.

Mr. Luettich commented on the buildout of the SLFPA-E offices and conference center in the Lakefront Airport Terminal. The projects were paid for by the O.L.D.; however, the Board adopted resolutions authorizing the reimbursement of the O.L.D. for the expenditures from the LAMP BP settlement account. The reimbursement for the office buildout took place in FY 2016 and the conference center buildout reimbursement will take place prior to the end of FY 2017. Mr. Luettich acknowledged the Board's actions regarding the reimbursement authorizations; however, with the clarity brought about in reviewing the budgets and in thinking through the situation, since the non-flood protection assets, including Lakefront Airport, are owned by the O.L.D. and simply managed by the NFPAMA, he questioned whether it would be more appropriate for the O.L.D. to pay for the buildouts. The capital improvements (buildouts) increase the value of the O.L.D.'s asset. He pointed out that the budget process should not be held up because of this issue; however, the situation should be reconsidered and resolved as the Authority considers the relocation of its offices. The SLFPA-E currently pays rent (one-half in cash and one-half against the amount owed by the NFPAMA to the O.L.D.) for office space in the Airport Terminal due to FAA requirements.

Mr. Gillen advised that the O.L.D. has 165 authorized Civil Services positions. The FY 2018 budget includes 113 filled positions, 43 vacant positions and five new positions. The high number of vacancies and turnover rate was briefly discussed. The USACE currently has much of the levee system under contract for levee lifts and armoring. However, the O.L.D. must be prepared to assume the maintenance responsibility when the levee reaches are returned to the O.L.D. It was pointed out that the floodgate crew is supplemented with grass cutters and heavy equipment operators in order to close the approximately 200 floodgates during the 36 hours prior to the approach of a hurricane. Mr. Turner commented that grass cutting is contracted out by the O.L.D. for the levee reach between South Point and the IHNC Surge Barrier in New Orleans East and by the LBBLD for a six mile section of levee in the vicinity of Bayou Dupre. Mr. Gillen noted that the O.L.D. grass maintenance crews also make sandbags during inclement weather and perform other services off season.

SLFPA-E – Review of FY 2018 Budget:

Ms. Chandler advised that Personnel Services may change as the reorganization progresses. The purchase of a new truck has been budgeted for the Regional Chief Engineer. Thirty thousand dollars is included in the FY 2018 budget for computer hardware/software services; however, as the new IT Director becomes familiarized with the IT system and needs, the budget may need to be adjusted. The FY 2018 budget includes 11 filled positions and 12 proposed positions (only positions paid by or billed to the Authority). The Budget includes the potential filling of the Engineer 7 position, but not the Director of Operations position, and changes may be required due to the reorganization. The Committee briefly discussed several SLFPA-E positions that are still classified as O.L.D. employees (due to prior insurance and benefit issues) for whom costs are reimbursed and O.L.D. positions that are assigned to the Authority for whom costs are not reimbursed. Ms. Chandler advised that the goal is to eliminate this situation as much as possible. However, certain actions will be required first, such as the synchronizing O.L.D. and SLFPA-E payroll cycles.

Mr. Luettich recommended the development of a communications budget.

It was noted that expenditure requests from the BP Settlement or Oil and Gas Litigation Settlement LAMP accounts require Board approval. Mr. Luettich requested that the information regarding the LAMP accounts be reflected. He also asked that some type of methodology be used to reflect the funding being escrowed by the O.L.D for the major maintenance of complex structures.

Ms. Chandler advised that the changes discussed will be incorporated in the budgets and that she would draft and circulate the recommendations with the discussed changes to the Committee members.

The Committee will recommend that the Board adopt the FY 2018 budgets with the adjustments proposed at today's meeting.

There was no further business; therefore, the meeting was adjourned at 11:45.