

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JULY 18, 2024**

PRESENT: William A. Settoon, Jr., Chair
Roy M. Arrigo, Committee Member
K. Randall Noel, Committee Member
Deborah M. Settoon, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on July 18, 2024, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, La. Mr. Settoon called the meeting to order at 9:02 a.m.

Opening Comments: Mr. Noel stated that he spoke to Martin Eilers, Risk and Project Management Director, relative to insurance deductibles. He stated that over several years the FPA has had several Civil Service claims that were settled for the most part, which is when the deductible hits the bucket. He stated that to his knowledge there were no current Civil Service issues or new ACLU (American Civil Liberties Union) law suits. The significant increase in deductibles was probably a one-time occurrence that would not happen again going forward.

Mr. Eilers advised that he spoke with the Regional Finance Director and the deductibles addressed in the Third Quarter Budget to Actuals was a breakdown for automotive damages and liabilities. The amount did not include Employee Practices claims or civil rights law suits. It also included fees for the Third Party Administrator (TPA). It does not have actual litigation costs built in. The TPA provides coordination between the FPA, outside counsel and the insurers. Fees are based on a percentage of the claims, as well as sunset fees for older claims until settlement. The largest amount of the claims related to Police.

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 June 20, 2024.

Public Comments: None.

Regional Finance Director's Report:

Denise Williams, Regional Finance Director, advised that she will work with Finance staff to put together information on deductible amounts, actual damage costs, number of accidents, Police and non-Police related accidents, and administrative fees for the past

three years . This information will be sent to the Committee members. She then presented her report:

- The initial meeting was held with Ericksen-Krentel, the same firm that previously audited the FPA and Lakefront Management Authority (LMA). The auditors will begin their field work at the FPA the week of August 5. The following week the auditors will go to the LMA.
- A small amount of cash (greater than \$100 from an individual policy benefit) was found on the State Treasurer's Unclaimed Property website for the FPA. The FPA submitted a claim on July 8. LMA's accounting staff notified Ms. Williams about the potential claim.
- Staff began storm-preparation training. Training includes correctly completing forms for FEMA reimbursement. As of June 1, over \$4.6 million has been collected from FEMA since 2019 for six hurricanes. The total of the claims submitted was \$5.5 million. Reimbursements are still being received. Mr. Settoon pointed out that FEMA will not process a claim unless the forms are correctly filled out. To the extent that staff knows how to do this, it will expedite reimbursement.
- Almost \$50,000 has been collected in Bohemia Royalties and transferred to the Lakefront Management Authority in calendar year 2024.
- The Board will vote on the Ad Valorem Tax millage rates for the East Jefferson Levee District at its August 15 meeting and the Lake Borgne Basin Levee District at its September 19 meeting. Properties are valued and reassessed every four years. 2024 is the first year in the four year period after the newest reassessment.

The 2024 property valuation for East Jefferson increased to \$3,148,405,132. Therefore, the newly adjusted (rolled down) rate decreased to 3.820 mills, which will provide \$12,036,492 of estimated tax revenue (the same amount received in calendar year 2023). The Board can vote to adopt the adjusted rate or roll forward and adopt any rate that does not exceed the maximum rate (4.010 mills). The Board can roll the millage rate forward in any year of the four year period (2024 -2027) prior to the next reassessment. A document with potential estimated revenues resulting from the adoption of rates between the adjusted and maximum rates will be distributed.

Mr. Arrigo stated that he would share a spreadsheet with the Committee prior to the next meeting that shows what an individual with an equal valued property assessment in each of the three parishes under the FPA's jurisdiction would pay. He stated that the roll back and roll forward of millage rates is a method that the Board can use to try within limits to equalize these amounts across the parishes.

Mr. Settoon commented that at the request of City of New Orleans Councilmembers, the Board adopted the rolled back millage rates for the Orleans Levee District for calendar year 2024. The City Council's request was sent to all agencies. All complied except the School Board.

- The LAMP (Louisiana Asset Management Pool) balance as of July 11 was \$117,555,878. Edward Jones Investments as of July 11 total \$75,012,846.
 - Current year budgeted projects total \$62,182,780.
 - FPA's cost share of future levee lifts total \$386,000,000.
 - PCCP/Gate Structures Dewatering total \$14,520,565 (every 15 years).
 - Cost to replace Lakeshore Seawall steps is estimated at \$300,000,000 (replacement is needed within the next 20 years).

Mr. Settoon pointed out that all of the FPA projects are long term and multi-year. This is the reason for the FPA's investment of funds.

New Business:

A. Update on investments by Richard Kernion, Edward Jones.

Richard Kernion with Edward Jones provided an update on the FPA's investments. At the May 15 Finance Committee meeting, the Committee concurred with repositioning some assets from the LAMP account to longer term investments. Callable bonds with a maturity date of 2029 were purchased with slightly higher rates than LAMP. He addressed the inaccuracy in interest rate predictions. At the beginning of 2024, predictions were that interest rates would be reduced six times; however, to-date no reductions have occurred. Predictions in June were that rates may be reduced once or twice before the end 2024. The Federal Reserve will not make changes in interest rates until it sees the desired data points. He explained that he was trying to prepare the FPA and receive the highest interest rates possible knowing that there is no exact chart to follow.

Mr. Kernion advised that, knowing that interest rates will probably be higher longer, the FPA needs to determine how much it wants to start locking up longer term versus maintaining LAMP. He recommended taking small steps. He encouraged the Board to think about future budgets, cash flow, and how much money should be kept immediately available in LAMP. He stated that at the May meeting he suggested that the FPA generally start with the 50 percent rule (half of the money readily available) and gradually purchase some longer term bonds that are within the FPA's guidelines (maturity within five years).

Mr. Kernion listed the investments that are with Edward Jones:

- \$24 million maturing in 2025
- \$33 million maturing in 2026
- \$5 million maturing in 2027
- Zero maturing in 2028
- \$10 million callable bonds maturing in 2029

Mr. Kernion advised that the current interest rate for U.S. Treasuries maturing in 2028 is about four percent and about 4.2 percent for maturities in 2027. Edward Jones purchased some bonds earlier in 2024 with an interest rate of 4.5 percent that mature in

2027. He stated that guidance is needed from the Board relative to locking up funds in longer term investments with secure rates versus readily available monies in LAMP. Mr. Settoon pointed out that the LAMP interest rate as of July 16 was 5.27 percent.

Mr. Noel asked when would construction begin on the levee lifts. Ms. Chandler responded that the Board approved the design cost, which is cost shared 50 percent Federal and 50 percent FPA. The FPA's share of the design cost is \$1.5 million, which has been set aside. Chris Humphreys, Director of Engineering, advised that the U.S. Army Corps of Engineers (USACE) will start construction of one small project around the Louis Armstrong International Airport runway by the end of 2025. The timing of the levee lifts will depend upon need. At this point, the USACE has used predictions of settlement rates and needs. Construction will be based on actual measurements and surveys.

Ms. Chandler advised that she will work with the Regional Finance Director to fine tune estimated project construction dates in order to ladder investments. The goal is to match bond maturities with project needs. She stated that maintaining 50 percent FPA's investments in the LAMP account for liquidity and emergency purposes is sufficient. Mr. Settoon pointed out that in a dire situation the long term bonds could be sold with payment of a penalty or discount.

Mr. Noel inquired about the costs relative to the 200-year level of protection. Ms. Chandler advised that the USACE's initial estimate was that the 200-year level would cost 10 percent more than the cost of maintaining the 100-year level. The revised estimate was significantly lower. The estimated cost of the levee lifts to maintain the 100-year level is \$1.1 billion. The FPA's 35 percent share of the cost is about \$385 million.

Mr. Kernion commented that in looking at options and laddering maturities, the Board should, in particular, focus on 2027 and 2028 in order to fill in those gaps.

Mr. Fierke inquired about the seawall steps. Mr. Humphreys explained that the seawall is almost 100 years old. There is some stress, exposed rebar and delamination. There is probably a 15 or 20 year horizon on getting all of the work done. The FPA is in the design process and received an estimated cost of \$350 million.

There was no further business; therefore, the meeting was adjourned at 9:40 a.m.