MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON OCTOBER 17, 2024

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

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on October 17, 2024, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, La. Mr. Settoon called the meeting to order at 9:00 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 meeting held on August 15, 2024.

Public Comments: None.

Regional Finance Director's Report:

Denise Williams, Regional Finance Director, provided her report:

- The Fiscal Year (FY) 2024 Financial Audit report was completed and submitted to the State prior to the August 31 deadline. The final report will be presented at the November Finance Committee meeting. There were no findings.
- The FPA received $300 from the State after submission of an unclaimed property claim for an insurance premium.
- An offer was made to an individual to fill the Procurement Department vacancy. A vacant Accountant position will be posted later after the job is reviewed.
- The Regional Director and Human Resources (HR) Department conducted an Employee Appreciation Day for the Finance and Operations Departments.
- Finance staff participated in a project field trip.

New Business:

A. Discussion of roll back/roll forward of the Orleans Levee District ad valorem tax millage rates for calendar year 2025 and recommendation to the Board.

Ms. Williams advised that the adoption of Orleans Levee District (O.L.D.) ad valorem tax millage rates for calendar year 2025 would take place at the Board meeting. The rolled back millage rates total 10.79 mills. The maximum rolled forward rates total 12.28 mills. Over $7 million of additional annual revenue could be collected by rolling rates forward. She stated, as Regional Finance Director, she was in favor of rolling the millage rates forward because of future projects that had been discussed (e.g., Lakefront seawall steps estimated at $300 million and future levee lifts estimated at $350 million).

Ms. Williams explained that in 2024 property values increased in Orleans Parish from $4.4 billion to $5.1 billion, excluding new construction. Rolled back millage rates would result in approximately $55 million of revenue and rolled forward rates would result in about $62 million of revenue. If the Board rolls millage rates forward in Orleans Parish, the tax bill for a $400,000 home with the $75,000 homestead exemption would increase $48.43 and for a $750,000 home with the $75,000 homestead exemption would increase $100. Mr. Arrigo pointed out that the taxes apply to all properties, e.g., residence, swamp land or high-rise commercial building. Ms. Settoon asked about the calculation for a median home ($250,000 to $300,000). Ms. Williams advised that for a $225,000 home and the increase would be $22.35 and for a $350,000 home the increase would be $40.98.

Mr. Carubba asked, if the additional revenues are not received, what would happen with the projects referred to by Ms. Williams. Ms. Williams clarified that the future projects she mentioned would come up in the next 15 to 20 years. Kelli Chandler, Regional Director, advised that another option would be to raise revenue by issuing bonds. Mr. Carruba stated that part of the reason for rolling millage rates forward would be cash flow for future capital improvement projects. If the revenues are not received, the projects cannot be done unless another mechanism such as a bond issue is used. Ms. Williams responded, correct. Mr. Settoon pointed out that that the seawall step project is a large long-term project.

It was pointed out that the Board could do a full roll forward or incremental roll forward of millage rates for any of the four years (2024, 2025, 2026 and 2027) after the last quadrennial reassessment. If the rates are not rolled forward prior to the next quadrennial reassessment, the opportunity to roll forward to the maximum rates is lost.

Mr. Settoon noted that last year the City Council send a letter to all taxing authorities asking that millage rates not be rolled forward due to high taxes and other costs. All taxing authorities, including the FPA Board, decided not to roll forward millage rates except the School Board. He said that to his knowledge, no communications were received from the City Council this year. Ms. Williams acknowledged that none had been received.

It was noted that the Board decided not to roll forward the millage rate for the East Jefferson Levee District for calendar year 2024. The millage rates for St. Bernard Parish were rolled forward for calendar year 2024 because the Lake Borgne Basin Levee District is cash strapped, and the increase was a very small amount.

Ms. Chandler pointed out that each year the Board does not roll forward millage rates for Orleans Parish, the FPA loses $7 million of additional revenue. Mr. Carubba asked was there an analysis to determine whether the FPA would be able to bond out the projects and have sufficient cash flow for current operations and revenue streams without receiving the hypothetical additional $7 million of revenue. Ms. Settoon pointed out that this is the reason the Special Issues Committee is developing a new Strategic Plan. Changes to the spending needs have occurred since the last Strategic Plan was approved in 2016. Ms. Chandler stated that some years ago she put together a 50-year projection on Capital Project needs. She said that she and Ms. Williams are discussing updates to the 50-year projection because of U.S. Army Corps of Engineers' (USACE) projections on levee lifts. Mr. Noel pointed out that project costs (e.g., concrete and steel) increased substantially over the past three years due to the economy and inflation.

Mr. Settoon asked when are the seawall steps and levee lift projects anticipated to begin. Chris Humphreys, Director of Engineering, advised that the seawall steps project is anticipated to begin in a year or two and will be constructed in phases. Studies and pilot projects are currently taking place. The first long-term maintenance project is anticipated to take place in 2027 (a dewatering project). The remaining long-term maintenance projects, including levee lifts, will be constructed periodically after 2027.

Ms. Chandler advised that the payment by the USACE for the dewatering of the structures on navigable waterways (the IHNC Surge Barrier Barge Gate and Sector Gate) was discussed in a recent meeting with USACE staff. The FPA originally estimated the cost to dewater one gate was $5 million. The USACE has a budget package of $19.1 million to dewater the IHNC Surge Barrier Barge and Sector Gates. The FPA cost share for the dewatering project is 35 percent. Work-in-kind (WIK) credits will be received for FPA operations and maintenance costs for the two gate structures. Data is being gathered by staff to submit to the Coastal Protection and Restoration Authority (CPRA) for approval and to ensure all costs are documented. WIK credits can be used to offset the 35 percent cost share.

Ms. Chander clarified that the 2016 Strategic Plan did not include project costs. She advised that she must look at her original reserve analysis to see if the seawall steps project was included.

Mr. Settoon pointed out that the seawall steps are about 100 years old and that everyone was aware of the need for repair or replacement. Ms. Chandler noted that the FPA had always taken the position that the seawall should be part of the Hurricane and Storm Damage Risk Reduction System (HSDRRS) since it serves as frontal protection for the lakefront levee. Historically, the USACE took the position that the seawall is not part of the HSDRRS. The FPA would like to revisit this issue. The seawall serves the same purpose as the frontal protection along the East Jefferson Lakefront Levee. Including the seawall as part of the HSDRRS would impact the maintenance cost. Ms. Heaton offered to provide information on the request made years ago to the USACE relative to the seawall.

Mr. Noel offered a motion, which was seconded by Mr. Arrigo, to roll forward the Orleans Levee District's ad valorem tax millage rates. Mr. Arrigo, Mr. Noel and Mr. Settoon voted in favor of the motion. Mr. Carubba abstained.

B. <u>Investment Update, Richard Kernion, Edward Jones.</u>

Richard Kenion, Edward Jones Investments, advised that since he last addressed the Finance Committee, the Federal Reserve's first interest rate decreased (one-half of a percent) took place. Generally, the Louisiana Asset Management Pool (LAMP) interest rate was 5.3 percent prior to the drop. The current LAMP rate is about 4.95 percent. A year ago, ten-year treasuries earned about 4.6 percent interest. Currently, ten-year treasuries earn about 4.1 percent interest. FPA investments are limited to five-year maturities. Interest rates for two-year treasuries dropped from 5 percent to 4 percent.

Mr. Kernion advised that Edward Jones' philosophy was that interest rates would probably not drop as quickly as most people thought. Therefore, Edward Jones recommended slowly moving money from LAMP into longer-term positions. This has been very beneficial for interest rate accrual. In January predictions were that the Federal Reserve would drop rates seven times in 2024; however, rates dropped only one-half of a percent. The Federal Reserve is predicted to drop rates another half of a percent before the end of 2024 and one percent throughout 2025. If this occurs, LAMP interest rates would substantially be reduced over time.

Mr. Kernion recommended playing on both sides of the fence. Last June the FPA decided to secure bonds with 2029 maturities and interest rates over five percent. The FPA does not have bonds with 2027 or 2028 maturities. He recommended laddering maturities. He further recommended that a total of $20 million be transferred from LAMP to secure bonds with interest rates of roughly 3.75 percent ($10 million of bonds with maturities in 2027 and $10 million of bonds with maturities in 2028).

Mr. Kernion explained that monies are kept in LAMP, which is similar to a state money market, for liquidity. LAMP's maximum maturity is 365 days (very short term); therefore, interest rate changes take place more quickly. Monies for future projects can be invested in bonds that mature the year in which a project is projected to start.

Mr. Kernion advised that one $2 million bond will be maturing in November 2024 and should be reinvested. When interest rates were nearly zero, the FPA laddered bonds into 2025 with $2 million to $3 million maturing about every month hoping that rates would be higher when the bonds matured. Therefore, bonds with small amounts will be maturing almost every month through 2025.

A motion was offered by Mr. Noel, seconded by Mr. Arrigo and unanimously adopted, to invest $10 million in bonds maturing in 2027 and $10 million in bonds maturing in 2028 with interest rates no lower than 3.75 percent yield to maturity. Mr. Noel noted that this information can be provided to the Board in the Treasurer's report. Ms. Chandler pointed out that the investment would be within the Investment Policy guidelines.

There was no further business; therefore, the meeting was adjourned.