

MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON FEBRUARY 14, 2008

PRESENT: George Losonsky, Chairman
Timothy Doody, Committee Member
Thomas L. Jackson, Committee Member

ABSENT: Sara Lee St. Vincent, Committee Member

The Finance Committee met on February 14, 2008, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, LA. Chairman Losonsky called the meeting to order at 2:05 p.m.

The Committee adopted an amended agenda, including, under Old Business Item 3, a discussion on Public Officials Liability and Workers Compensation insurance coverages.

OLD BUSINESS:

1. Discussion of Special Entry Rates (SER's) for the levee districts (Mr. Robert Boland, LA Dept. of Civil Service Attorney-General Counsel).

Since the additional information required had not been reviewed by the Department of Civil Service, the agenda item was deferred.

Mr. Stevan Spencer mentioned the Orleans Levee District (O.L.D.) prepared a SER list for its field yard positions at mid-point, which is included in the budget, and wished to move forward on this matter. Mr. Doody wanted to ensure that approval of the O.L.D. list would not affect the other levee districts and requested input from Mr. Robert Turner, Regional Director, before taking action on that matter.

2. Update on process of hiring an auditor for Orleans Levee District (O.L.D.) FY'08.

Mr. Doody reported the Louisiana Legislator Auditor's Office has still not completed the necessary process for the selection.

3. Discussion of Blanket Accident & Health Insurance for East Jefferson Levee District (EJLD) reserve officers, Public Officials Liability Insurance Coverage (SLFP AE) and Workers Compensation Coverage (SLFP AE).

Mr. Clint Romig with Arthur Gallagher Risk Management Services explained the EJLD reserve officers, who are excluded from Workers Compensation insurance coverage, are covered by the Blanket Accident & Health Insurance Coverage at a cost of \$1,200 per year. This coverage is being renewed with no change to cost or coverage.

Public Officials Liability Insurance Coverage is being renewed with no change in coverage at a premium of \$45,841 plus 5% tax. This policy covers SLFP AE, LBBLD, OLD and EJLD, both Commissioners and non-classified employees, with a limit of \$10 million.

Workers Compensation Insurance coverage for SLFP AE expires in April. Renewal with LWCC is estimated in the range of \$1,000-\$1,200 for the policy period (52 cents per \$100 of salary for the clerical/administrative, low risk class code). Since Mr. Turner is being shifted from LBBLD coverage to SLFP AE's, at the end of the policy period an audit will be performed and a small amount of \$200-\$300 may be due.

The Committee approved recommending renewal of the coverages to the Board.

Mr. Romig advised a meeting is needed with the Vice President of ACE, the Public Officials Liability Insurance underwriter, regarding combining lines of insurance coverage for cost savings and to eliminate gaps. Mr. Romig was requested to coordinate the meeting with Mr. Turner in order that representation may be provided.

4. Discussion of O.L.D. FY'08 Budget Revisions.

Mr. Jim Bollinger, O.L.D. Comptroller, distributed a copy of the FY'08 Budget revisions. Page 3 of the handout showed the revised budget after recommended adjustments, page 4 a historical spread of FY'07 and projection for FY'08, page 5 Special Levee Improvement (SLIP) budget adjustments, and pages 6-7 revisions by department.

Relative to the General Fund: In FY'07 two years of taxes were collected in one year; therefore, the ad valorem tax collection for FY'07 was estimated. An increase of \$2 million (aggregate collected for east and west banks) is anticipated due to new assessed values, new data and a millage assessment of 9.65 mils. A slight increase in interest on investments is also anticipated. Mineral revenues were decreased \$3.4 million due to recent litigation. Since the decrease exceeded the anticipated increase in revenues, a transfer from the SLIP fund budget is required to balance the budget.

Mr. Bollinger explained revisions needed to Personal Services due to changes in the organization and classification of accounting (e.g., Police Department now budgeted in Contractual Services), an approved increase in field yard personnel, increased cost of health insurance coverage and recognition of the Special Entry Rate for field yard personnel. Adjustments are also needed for approved equipment, a transfer to the flood operation (due to correction of a timing error in budget preparation), and a transfer to the Algiers Levee District. The prior period fund balance will fund the monies paid to the Algiers Levee District relating to 2007. Grass cutting of 15 miles of New Orleans East levees is currently being contracted and by summer this levee will be under U.S. Army Corps of Engineers contract for levee raising. A transfer of \$3.3 million will be required from the SLIP fund to balance the current year General Fund Budget.

Relative to the SLIP Fund Budget: There is an upward adjustment of anticipated Ad Valorem taxes and interest income, \$100,000 budgeted for Professional Services, a small amount for major maintenance, and a transfer (SLIP portion) to the Algiers Levee

District. The SLIP Fund surplus will decrease from \$9 million to \$7.4 million for the current year.

The Committee briefly discussed assumptions that did not come to fruition in the separation of the flood and non-flood divisions and the continuing flood personnel support of non-flood activities. A dialogue will be opened with the non-flood division and these issues reviewed by the Committee next month.

The Committee approved recommending approval of the revisions to the O.L.D. FY'08 Budget to the Board.

5. Discussion of O.L.D. FY'09 Preliminary Budget.

A copy of the FY'09 Preliminary Budget was distributed. Mr. Bollinger explained the FY'09 Budget assumes the continuing loss of mineral revenues; therefore, the assumption is that the Board will need to roll millage rates forward to the 2007 rate of 12.76 mils to offset this loss and balance the budget or as an alternative use contributions from the SLIP fund towards maintenance costs. There is a 3% escalation per year assumed over the 2007 thru 2009 period, along with specific alterations.

It was pointed out that the State has been paying the O.L.D.'s debt service for a three year period ending May, 2009. Therefore, at the same investments are rising, the indebtedness is also rising. \$85 million of debt is expected at June 30, 2009. In November, 2009 (FY 2010), the O.L.D. will begin paying an annualized rate of \$9 million per year in debt service, excluding debt service on the C.D.L. and to the State. Revenues will not support the debt service on the new debt. In addition, the SLIP fund tax expires in 2014.

NEW BUSINESS:

1. Discussion of revised EJLD FY'08 Budget and preliminary FY'09 Budget.

EJLD Executive Director Fran Campbell distributed a copy of the revised FY'08 and proposed FY'09 budget and reviewed Revenues, Administrative Expenses, Maintenance Expenses and Police Expenses. She noted monies are budgeted for an off site computer server, which was briefly discussed, and \$255,000 for levee mapping and right-of-way database. Proposed maintenance salaries are \$1.1 million to accommodate additional required personnel. Anticipated equipment purchases were reviewed.

EJLD Police Chief Robert Garner advised an agreement was discovered between Sheriff Lee and a former EJLD president relative to providing lap top computers for officers and the take over of dispatching responsibilities, which may happen this month and result in a savings of \$48,000 in dispatching fees, and technical support in providing an interoperable communications program.

The operating expenses under the current revised budget total \$4.8 million, with a surplus of \$1.8 million that can be used for levee construction; next year a surplus of \$1.1 million is anticipated.

2. Discussion of preliminary Lake Borgne Basin Levee District (LBBLD) FY'09 Budget.

A copy of the proposed LBBLD FY'09 was distributed. Mr. Turner reviewed proposed Revenues totaling \$3.1 million, consisting of \$2.6 million of Ad Valorem tax revenues, which is less than that budgeted last year due to a lesser amount of taxes being collected than anticipated, along with interest income and anticipated FEMA grants. Expenditures were reviewed. Included in Professional Services are estimates for legal services, audit services, financial advisor and other small consulting contracts. The levee maintenance budget primarily covers salaries and related expenses; a minimum of three additional employees are expected to be hired to help maintain the levees which will be turned over by the USACE to the district within the next 12 months. \$1.7 million is budgeted for pumping station expenses, primarily for fuel and salaries, including additional employees that will be needed once the new stations are completed by the USACE. The drainage feasibility study (re-start of the study that was started prior to Katrina) is included in the Capital Outlay Budget request. Expenses are projected at \$4.1 million, which is about one million more than anticipated revenues; therefore, the projected prior end of the year fund balance of \$4 million will be drawn upon to balance the budget.

Mr. Losonsky advised a Finance Committee Meeting/Budget Workshop will be scheduled for March 4th at 10:00 to further review the SLFPAE and levee districts' budgets for FY'09. He asked that the budget formats be consistent and that copies be sent to Board members with an invitation to come to the workshop.

3. Discussion of taxes collected for Algiers Levee District.

The Committee concurred with apportioning payments and withholding 7.6% to pay debt service.

4. Approval of travel for Mississippi Valley Flood Control Association (March 29-April 2), Washington, DC; Association of State Floodplain Managers (February 26-27), St. Louis, Missouri; Association of Levee Boards 23rd Annual Workshop (May 1-2), Baton Rouge, LA; and State Floodplain Managers Annual Conference (Reno, Nevada).

Messrs. Doody, Losonsky, Barry and Turner and Ms. Campbell are scheduled to travel to Washington, D.C., for the Mississippi Valley Flood Control Association. Mr. Turner explained representation at the other meetings would be split between the levee districts' directors. Mr. Spencer requested that his travel to the ASCE Risk Assessment in Geotechnical Engineering Seminar (May 8-9), San Antonio, Texas, be included.

The Committee agreed with the submittal of a resolution to the Board for approval of travel as listed and including the ASCE Risk Assessment Seminar in San Antonio, Texas.

5. Discussion of SLFPAE Budget for FY'08 and preliminary Budget for FY'09, and Discussion of Commissioners' Per Diems.

A copy of the FY'08 and proposed FY'09 budget was distributed. Current revenue sources for FY'09 are \$500,000 from the Department of Natural Resources and an estimated \$1,000 of interest earnings; \$120,000 is projected to be carried over from the prior budget. Mr. Turner reviewed the Expenditures listed. He noted \$50,000 was included for the Operational Audit/Strategic Plan and no funding was included for the pump drainage study. Expenditures total \$717,200. The FY'09 deficit of \$216,200, minus the projected prior period fund balance of \$118,000, results in a final deficit of \$98,200. Additional staff are not included in the budget. The budget was presented for discussion and a decision on how it should be balanced.

Mr. Doody explained there have been discussions on how some of the expenses of the Authority might be paid by allocating some of the costs back to the individual levee districts, who no longer incur these past costs, such as Commissioners per diems, travel and registration fees, and public officials liability insurance coverage. He stated Assistant Attorney General Denise Fitzgerald researched this issue and wrote a summary that stated, "Based upon the provisions of LA R.S. 38:330.3, I believe the Authority as the manager/administrator of the levee districts can direct the levee districts to pay their proportionate share of expenses incurred by the Authority provided the expenses were incurred on behalf of the levee districts and for the purposes of the districts. The import of Section 330.3 is that everything—taxes, revenues, property, etc.—that was owned by the individual levee districts prior to the creation of the Authority continues to be owned by those levee districts, but is managed and administered by the Authority. The Authority may direct the expenditure of levee district funds for the purposes of the levee district that owns the funds. The Authority may not, however, direct the spending of funds belonging to one levee district for the purposes of another levee district. Thus, with respect to expenses incurred by the Authority on behalf of the levee districts, individual levee districts may be directed to pay their proportionate share of the expenses; i.e., the amount incurred for the purposes of that district."

The Committee concurred a pre-workshop with the executive directors, chaired by Mr. Turner, should be conducted prior to the March 4th Finance Committee Budget Workshop to work out this issue and that the conclusions reached be applied to the four budgets.

Mr. Turner pointed out that should the Board adopt a balanced budget for the Authority based upon allocation of its expenses to the levee districts, it is incumbent upon the Committee to make Board members, as well as members of the Louisiana Legislature, understand that the additional \$200,000 to fund the Authority's deficit is coming from levee districts—two of which are already running deficits, thus increasing the deficits of those districts each year.

Public Comments: There were no public comments.

There was no further business, therefore, the meeting was adjourned at 4:40 p.m.