

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON DECEMBER 15, 2016**

PRESENT: Mark L. Morgan, Chair
Quentin D. Dastugue, Committee Member
Richard A. Luettich, Jr., Committee Member
Lambert J. Hassinger, Jr., President

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (SLFPA-E or Authority) met on December 15, 2016, in the St. Bernard Parish Council Chambers, St. Bernard Parish Government Complex, 8201 West Judge Perez Drive, Chalmette, Louisiana. Mr. Morgan called the meeting to order at 9:15 a.m.

Opening Comments: Mr. Morgan advised that the Finance Committee held an Informational Meeting on December 1st to hear information on the procurement of healthcare coverage for the East Jefferson Levee District (EJLD).

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

Approval of Minutes: The minutes of the November 17, 2016 Finance Committee meeting and December 1, 2016 Finance Committee Informational meeting were approved.

Public Comments: None.

New Business:

A. Discussion of a one-year extension of the contract between the Legislative Auditor and Carr, Riggs & Ingram for the financial audit of the SLFPA-E and levee districts for the fiscal year ending on June 30, 2017.

Becky Hammond, Audit Partner from Carr, Riggs & Ingram (CRI), advised that CRI has worked on the Authority's audit for the past two years and that pre-Katrina she worked for the firm that audited the Orleans Levee District (O.L.D) for about three years. The same firm performed the Authority's audit for the past six years, but not under the CRI name. Silva, Gurtner & Abney changed its name to Gurtner, Zuniga & Abney and afterwards merged with CRI. Gurtner, Zuniga & Abney's proposal in February, 2014, assumed that the audit would take 550 hours to perform and used the same fee that was used for the prior three years. Therefore, there has not been a fee increase in six years. The average expected billing rate was \$77 per hour. The 2014 audit, which included much of the financial report, took 951 hours to complete resulting in a substantial decrease in the average billing rate to \$44 per hour. CRI's breakeven point

is close to \$80 per hour. The 2015 audit took 886 hours and the 2016 audit took 743 hours to complete.

Ms. Hammond explained that Robert Turner, SLFPA-E Regional Director, was advised last year that an increase in the fee would be needed should the contract be extended an additional year. A meeting was held with Kelli Chandler, SLFPA-E Regional Finance Director, that included discussions on ways to decrease the number of hours for the audit. CRI estimates that the Fiscal Year (FY) 2017 audit would take about 632 hours. The reduction in the number of hours would be due to efficiencies brought about with the recent hiring of Ms. Chandler. CRI is requesting a fee of \$54,000 for the FY 2017 audit and offered an extension for an additional two years. Ms. Hammond advised that she contacted the Legislative Auditor's Office relative to the contract extension and was informed that the extension may be possible due to the transition with a new Regional Finance Director. The financial audit must be submitted each year to the Legislative Auditor's Office by September 1st.

Mr. Morgan advised that a qualifications process was conducted three years ago to select the firm to perform the Authority's audit. He supported a one-year extension of the contract due to the transition. Ms. Chandler recommended the one-year extension in order to provide continuity and because of CRI's history with the audit and its accumulated knowledge of the Authority and levee districts. CRI would also assist in identifying areas where internal controls can be streamlined or enhanced. She recommended only a one-year extension because she anticipated that the number of hours required to perform the audit each year would be reduced over time as new procedures are implemented and efficiencies are gained.

Ms. Hammond explained that the quoted fee is a not-to-exceed amount and does not include any assistance with any of the financial reporting pieces. Assistance with the financial statements for the upcoming year was discussed at an additional fee with Ms. Chandler doing the footnotes. Last year an additional fee of \$11,000 was negotiated for the preparation of the financial statements. Ms. Chandler added that CRI estimated a fee of \$7,500 to prepare the FY 2017 financial statements. Ms. Hammond pointed out that if the number of hours estimated for the audit are not used, the additional fee would not be billed. Billings would be done on an hourly basis. Mr. Luettich requested that as much work as possible be done in house in order to reduce the number of hours for the audit. Ms. Hammond advised that a meeting will be held with Ms. Chandler to review additional ideas to reduce the number of hours.

The Committee supported the one-year extension of the audit contract at a not-to-exceed cost of \$54,000 and the preparation of the financial statements at an estimated cost of \$7,500.

B. Presentation/update by the SLFPA-E Regional Finance Director of finance department(s) goals and objectives.

Ms. Chandler distributed the finance goals and objectives with the inclusion of projected dates. She advised that she is in the process of developing a standard monthly reporting package for the Board that would include budget schedules, check registers, relevant articles, and from time-to-time the status of the finance goals and objectives. The package is anticipated to evolve and change over time.

Mr. Luettich recommended that the regular monthly Board agendas include a report by the Regional Finance Director. He also asked that all reports be provided to the Commissioners by the Friday prior to the meeting date.

C. Review budgets/actuals and progress on 2017 development.

Ms. Chandler advised that she included some basic schedules in the Commissioners' package this month. She stated that her goal is to implement procedures by which department heads review their budgets each month, report variances in actual amounts compared to budgeted amounts, and provide an explanation for actual amounts that are significantly over or under budget. Graphs and schedules have been developed for the Board's use that are being reviewed at this time by the levee district Executive Directors for feedback. The graphs and schedules will be included in the monthly reporting packages along with fluctuation analyses and key indicators.

D. Discussion of authorizing an additional staff member (Regional Chief Engineer) as signatory for SLFPA-E Capital One Bank and LAMP accounts.

Mr. Morgan pointed out that Stevan Spencer, SLFPA-E Regional Chief Engineer, has been with the SLFPA-E/O.L.D. for almost 25 years. Ms. Chandler explained that the requested additional signatory would only be for the SLFPA-E's checking account and would not include the levee districts. Currently, the levee districts' account signatories do not include any Board members. The SLFPA-E at this time has one Board officer located in New Orleans; however, if the Board's officers were all located out of town, the transmittal of checks by mail or courier for signature would not be the best practice. Check registers for the SLFPA-E and levee districts will be included in the monthly reporting package in order to provide complete transparency. She added that one of her goals is to sit down and do every single job within the finance organization, which includes accounts payable, bank reconciliations, etc. Therefore, the Regional Finance Director should not be a check signatory in order to provide a separation of duties. Mr. Spencer was recommended as a signatory because he is familiar with projects and can determine whether a check is appropriate. She commented on the logistical difficulties in attempting to obtain check signatures timely in order to preclude payment of penalties or interest.

Ms. Chandler advised that the Lake Borgne Basin Levee District (LBBLD) has one bank account (operating), the East Jefferson Levee District (EJLD) has two accounts

(operating and payroll), the Orleans Levee District (O.L.D.) has two accounts (operating and payroll), and the SLFPA-E has three accounts (operating, payroll and a grant account). The levee district Executive Directors and staff members are signatories for the levee district bank accounts. In addition, the O.L.D. and SLFPA-E have LAMP accounts. The signatories for each entity's accounts are approved by Board resolution. Mr. Luettich recommended that the authorizations be merged into one resolution or document in order to bring consistency. Ms. Scott advised that the Legal Department is developing a policies and procedures manual and that the subject policy could be included in the manual.

Mr. Dastugue inquired about electronic payments. Ms. Chandler responded that she met with representatives from Capital One Bank relative to restructuring the cash accounts into a master/subsidiary structure. The structure would allow electronic transfers between the entities. Information from the bank on fees and levels of cash required to maintain the accounts is being reviewed. Approval would be obtained from the Finance Committee and the Board prior to the implementation of the restructuring.

Ms. Chandler noted that the SLFPA-E, O.L.D. and LBBLD utilize Capital One Bank and that the EJLD utilizes First NBC. An article relative to First NBC was included in the Commissioners packages for informational purposes.

The Committee deferred the item to the next Finance Committee meeting in order to develop a comprehensive document regarding bank account signatories across the Authority.

E. Discussion and recommendation of a Healthcare Provider for East Jefferson Levee District employees.

Mr. Morgan advised that the Finance Committee participated in an Informational Meeting by conference call on December 1st to receive information on the procurement of healthcare for EJLD employees. Derek Boese, EJLD Executive Director, advised that the EJLD is the only entity under the SLFPA-E's jurisdiction that does not participate in the Louisiana Office of Group Benefits (OGB) healthcare system. Currently, the EJLD has healthcare coverage with United Healthcare and has a strong risk record. The pros and cons of the EJLD's participation in the OGB system were discussed at the previous Finance Committee meetings. If the EJLD joins OGB, its healthcare costs will increase to some extent; however, the amount of the increase is unknown due to a number of assumptions. The EJLD does not currently offer coverage to retirees over the age of 65; therefore, at this time the EJLD does not have any long term healthcare liabilities. If the Board approves the selection of OGB for the EJLD, it would standardize the healthcare provider across the Authority, facilitate the transfer of employees from one entity to another entity, and standardize the treatment of retirees. He recommended that the EJLD be allowed to join OGB in order to facilitate promotional opportunities for employees and allow the receipt of benefits after the age of 65. He pointed out that salaries of public entities do not match those of the private sector; however, the benefits generally balance out this situation.

Mr. Morgan commented that the EJLD historically obtained healthcare coverage from the private sector through a broker and that the EJLD paid 100 percent of the cost of healthcare coverage for employees and their families. OGB has a wide range of plans with a corresponding range of cost from which employees can choose. He recommended the selection of OGB. Retirees over the age of 65 would be on Medicare and would be offered a supplemental plan under OGB. He advised that he requested Ms. Chandler and John Lewis, SLFPA-E Regional HR Director, to investigate industry standards relative to agency/employee cost share for coverage. Employees will be informed that they may have to pay a percentage of their healthcare cost effective July 1st and that this should be kept in mind when choosing an OGB plan.

Mr. Dastugue inquired about changes in benefits. Mr. Boese responded that comparing healthcare benefits is very difficult since OGB offers six different plans at various costs with different co-pays and deductibles. There is only one United Healthcare plan and some of the OGB plans may provide additional benefits. The selection of a healthcare provider for EJLD is a first step. The cost share paid by SLFPA-E and the levee districts for healthcare and other benefits differ. The next step would be to address the cost share percentages paid by the entities and their employees and standardize benefits. Peggy Sembera, LBBLD Office Manager, commented that the Affordable Care Act standardized many of the differences in the coverages offered in the private and public sectors. OGB was required to upgrade certain benefits to comply with and meet the minimum standards of the Affordable Care Act.

Mr. Luettich pointed out that a decision on the selection of a provider should not be delayed because of the annual deductible period and caps. Mr. Boese advised that there would be no break in coverage for EJLD employees and that the EJLD is extending its current coverage on a month-to-month basis. If the Board selects OGB, the EJLD will accelerate open enrollment as much as possible. Mr. Luettich commented that he supported the move to OGB from a healthcare perspective and from an overall regional Authority employee perspective. The selection of OGB for the EJLD allows the Authority to take the next step and review benefits holistically and make comparisons.

Mr. Dastugue stated that he objected to the selection of OGB for the EJLD and was in favor of remaining with United Healthcare. He added that he did not favor the move to a State provided healthcare system. He commented that he wrestled with this issue during his sixteen years in the State legislature and on the growth of the OGB system. Mr. Morgan advised that during the informational meeting the OGB representative voiced his confidence in the long term outlook for the financial viability of OGB. Mr. Boese pointed out that OGB mandates minimum cost share percentages paid by the various entities.

F. Discussion of procedures to uniform supplemental benefits across all staff members.

Mr. Morgan advised that he requested Ms. Chandler and Mr. Lewis to investigate standards for benefits and develop recommendations for standardization. He anticipated that a decision could be reached in order to include the approved recommendations in the FY 2018 budget. Mr. Dastugue requested that, as best as possible, a comparison also be provided to the private sector. Mr. Luettich pointed out that another issue to be considered is the consistency of salaries and Civil Service classifications across the levee districts. It was noted that LBBLD employee merit increases were frozen for the past two years due to the levee district's financial condition.

G. Discussion of renewal of Property, Inland Marine, Workers Comp, Pollution and Accident Insurance coverages for the EJLD effective January 1, 2017.

Hardie Edgecombe with Arthur J. Gallagher Risk Management, informed the Committee that the premiums quoted for Accident Insurance for Reserve Officers and Property Insurance were the same as last year's premiums, the premium for Workers Compensation coverage increased slightly due to a corresponding increase in payroll, and that the premium for Pollution Insurance remained the same, however, the deductible increased from \$10,000 to \$25,000 partially due to the age of the underground storage tanks.

Mr. Hassinger was in attendance and advised that although he is not participating in the discussion or vote that for the record he is abstaining from any discussion or vote on the insurance issues in the event his firm represents some of the carriers.

H. Discussion of renewal of Workers Comp and Pollution Insurance coverages for the Lake Borgne Basin Levee District effective January 1, 2017.

Mr. Edgecombe advised that the premiums for Workers Comp and Pollution Insurance remain the same as last year premiums.

There was no further business; therefore, the meeting was adjourned at 10:15 a.m.