



# FISCAL REVIEW COMMITTEE

## MINUTES

Wednesday, January 29, 2020

1:00 p.m.

House Committee Room 1

State Capitol Building

### I. CALL TO ORDER

Mr. Daryl Purpera, chairman of the Fiscal Review Committee (Committee), called the meeting to order at 1:00 p.m. and a quorum was present with the following members in attendance:

#### MEMBERS PRESENT:

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor (LLA)

The Honorable John M. Schroder, State Treasurer

Mr. Wilbur "Bill" Stiles III, Chief Deputy Attorney General  
Designee for The Honorable Jeff Landry, Attorney General (AG)

### II. APPROVAL OF MINUTES

Mr. Stiles made a motion to approve the minutes of the February 18, 2019 meeting. Mr. Purpera seconded the motion and with no objections the minutes were approved.

### III. FISCAL ADMINISTRATION UPDATES

#### Town of Sterlington

Mr. Junior Shelton said he was pleased to give a very good report. His first day as fiscal administrator for the Town of Sterlington (Town) was August 7, 2019. He took a different approach than most administrators because he is not a certified public accountant (CPA) but a former mayor. So his intention was to work practically in order to continue to do services for the citizens. The Town had \$18,681,000 in bonded debt which he felt was the most pressing issue to deal with. The Town also had two lease purchases, one for \$2,064,000 for water meters and various pieces of equipment for water filtration system of which there is no water system in Sterlington.

Mr. Shelton said the Town has a \$840,000 lease purchase for lights at the sports complex. He spoke with a Musco Lighting representative that day and shared a plan to get another loan once we prove ourselves with the banks. Mr. Shelton said he met with a banker the day before from Cross Keys Bank and told him that if the Town can keep them current for the next three or four months as we have been so far that he would like to talk to him about dedicating some of our funds to a loan to take care of that lease purchase of the lights.

Mr. Shelton said absolutely every debt is covered in a plan. It is one thing to make a plan but it is another thing to see it implemented. Our big test was on December 1<sup>st</sup> because we have a third party payment plan that takes our sales tax revenues which pays certain bonds. Then we had a sewer rate increase in which we raise the sewer rates enough to not only operate and have some money put in the bank for emergencies, but also to cover our debt service. December 1<sup>st</sup> the Town made payments of approximately \$235,000. We are completely up to date with every long-term debt and our bonded debts.

Mr. Purpera asked if the new rates make that fund self-sustainable. Mr. Shelton responded yes and the sewer rate increase had only been for maybe two months at the end of 2019. We had \$127,000 remaining in the account, so we put \$120,000

of that aside to start funding our indebtedness for the coming year. We will have to put aside \$60,300 each month to be able to fund these debts throughout the year. So we are getting a head start on that. That is attributable to not only the administration but the alderman, our clerk and our town CPA who have all worked very hard coming up with these plans and working with me. So we feel good about that. Now we do have accounts payables, just regular vendor payables that account for about \$375,000. These are very old aged payables. Last Friday we paid approximately \$23,000 against that. One of the engineering companies is forgiving approximately \$100,000 debt. There are also some other disputed debts that I have to sit down with the folks and go through it to determine what is really owed. We believe that we will be able to get rid of those payables within the year. Going forward we still have to be extremely cautious in our spending and our hiring. The Town had done a very good job of reducing payroll and reducing expenses before I even got there. We are maintaining all of our services and our sewer department is running well.

Mr. Shelton noted that all are on board about where we are going. There is a plan going forward and the plan works and already been proven. It will continue to work and we are not through. We are still coming up with ways to create other revenue because we have basically phases. The water company, which there is no water company, so we have to deal with that \$2 million. That contract was for water meters of which we received approximately 375 water meters and supposed to receive equipment for a filtration system. We have been charged the entire \$2 million, but all we have received are the 375 water meters. So I've been trying to work with Capstone Meters about what exactly has been delivered, what services were delivered. They've cut off communications with me. I have a meeting next month with the attorney for the bank that holds that note to go over this with him and to try to come to a resolution about that \$2 million.

Then the sports complex, which is probably the most troubling in that there's lots of money pumped in there. It's being used quite a bit. There's no doubt about the usage, but we just are not generating enough revenue there. But we are working with a gentleman to take over the concession so that we have no responsibilities on the concessions, but yet we will receive a net check for that. So we are not expending anything, but we're still giving the services. We are working with trying to get more concerts out there. They hold one concert now, which is always very successful. I received an email yesterday working with a gentleman about another concert coming. We are trying to build up revenue out there. We do have it covered there because we are raising our ticket income from \$2 to \$5. We are going to do this thing with the concessions and there are other ideas out there to pump revenue in there.

Treasurer Schroder asked if there is a plan in writing that the council and the mayor are following. He asked if this something that you are doing on a monthly basis or have you sent them a list of the problems and these are all the things that we need to do. Mr. Shelton responded that he would like to tell him that it is all in writing but it is not because he has been there for six months and things come every day. There's generally a problem if not every day, every week. The primary person that I work with about solving these problems is the town's CPA because I can come up with what I think will happen, but he can put it to the test and put the projections out there and determine whether it's really logical to do that. I do work with the mayor and the aldermen. The aldermen had been very good about trying to come up with ideas. The mayor and I talk every day. So while it's not in writing, a lot of the things that we're dealing with are issues that I do take to the council to get it approved so that it is in writing once it's done and taken care of like these sewer rates and how we're using that to pay bills. So there's not what you call a plan written out handed to everybody. But things do ultimately wind up in writing.

Treasurer Schroder told Mr. Purpera that he thinks it is a good practice so all can see what the initial analysis is and the problems. Certainly I have seen the audit and met with the auditors but I think not only in this situation, but others, especially in the beginning what is the initial analysis of the third party administrator and his or her thoughts. I think that should be in writing so that we can hold everybody to some game plan. I get that it's going to come and go. Come up to the third floor, I'll show you how that works. But I think it would be a good practice.

Mr. Shelton offered to certainly have that for the next meeting that you might call me before. But also after being on the job for six months, do I feel comfortable with putting a complete plan in place, because when you're first there, you're trying to dig yourself out.

Treasurer Schroder said he understood and knows that things change but so that there is no forgetfulness. In the beginning everyone is willing but when these tough decisions come up you can refer to the plan from day one. I can see where there could be some miscommunication and that's my only point. Not to really micromanage it as much as an administrator and as somebody who's in business, the more we can put in writing that both sides know what the game plan is, then we finally get to that tough issue they can't change your mind. Mr. Shelton said that is a good idea and I will certainly do that.

Treasurer Schroder asked if the issue with some bond proceeds being misspent been fixed. Have we reversed that? Has that been totally taken care of? Mr. Shelton answered yes, and as a matter of fact it has been very difficult for me to even determine where those monies were spent. And that's not my job. My job is to do it right going forward. And everybody in the office is very cognizant of accounts, how we're supposed to use the money, how it's supposed to be spent. Yes, sir, that has absolutely been taken care of.

Treasurer Schroder said he is familiar with the ballpark, unfortunately. Where are we off on the predictions? Because I know when the previous mayor and administrator came we had some really rosy predictions on what was going to happen. So what's the problem? Mr. Shelton said ultimately the problem is those predictions were fanciful, at best. While it is a beautiful first-class park, very little thought was given to actually operate the park once it's done. The operations of the park have been left up to a former alderman Mr. Kerry Ellie and his wife who are volunteering. But Mr. Ellie has his own job and he's worked his fingers to the bone trying to keep it going and do the right thing. And that's part of what I've been trying to do is find somebody that either would contract out to operate in the park. There is no way to sell the park because unable to get the money for what was put into it. When I first got there I thought we would have to shut down the sewer because sewers usually always have a problem but actually the sewer system is the best thing we've got going for us now.

Mr. Shelton said he went to the ballpark when I first got on the job and I was able to drive right to the park because no gates and nothing locked. It really concerned me and I could tell them that we had trouble in just operations. But we've got that set up for this next season. One of the problems is I do not believe we are charging enough for rentals, whether it's for ballgames, tournaments, practices, whatever. I was on the phone today speaking with a gentleman that the Town owes \$800,000 for lights and I asked him if he could help us determine what the cost is per hour on those lights. The gentleman has already sent me an email from his engineers that are going to do it because we're not getting enough money to even cover the lights on these charges.

Treasurer Schroder said you are paying that note from other proceeds so something had to get better because six months ago you didn't have that. Mr. Shelton explained that when he started as fiscal administrator, he saw there were a lot of things not paid that I believe could have been paid. I do not know why those bills were not paid but I am dealing with going forward. We had money but it is a matter of trying to determine where it needs to be put first. And sometimes you get paralyzed if you don't have enough to cover it all, you just don't think you have any money and that really was not the case. But as far as the ballpark goes, I will tell you that if we don't make some changes on what we use as income out there or develop more revenue stream, we won't make it through the year. Now we had decided to sell signs for the ball field fences. It sounded like a great idea. What ball field doesn't have hundreds of signs on the outfield, but we had trouble in the community because people don't want to buy the signs cause they are questioning if the ballfield will still be open during the summer? Will anybody see it? So that idea kind of fell by the wayside. So we are trying to be creative about how we do it and get leagues to come out. On Friday we have 35 teams coming in that is going to pay \$550. That will infuse some money to help us get started and take us down the road a little ways. But it can easily run out quickly.

Treasurer Schroder asked if a local bank financed the bond. Mr. Shelton explained there are a couple of banks. One is a bank in Texas that is on our third party paying system in which we give our sales tax revenue to this third party. And they split it up among certain notes and pay it. The local Cross Keys Bank loaned approximately \$2 million to the Town. I have spoken with all the creditors. Cross Keys Bank was the first creditor that I wanted to talk to and they had been very accommodating and wanting to help us in any way they can. That is who I have been talking to about another loan. In that \$2 million bond there was supposed to be money for a concession stand. I found out about two weeks ago that that contractor is owed \$61,000 on that project. Here's a project that the Town had \$2 million for a concession stand and a parking lot. And it really disgusted me that a local contractor was held up for around \$61,000. But we are talking about trying to get that debt included in a new loan to pay him out. I told him I would pay him something each month - some months we pay him \$1,000, some months \$500. This month the ad valorem taxes came in so I paid him \$5,000. I not only had to deal with what was owed, I had to rebuild relationships with people. I had to rebuild trust with people, whether it's vendors, local government from Ouachita Parish, state government. All of these folks we needed to rebuild how we dealt with them. And so it wasn't just a matter of dollars and cents. Treasurer Schroder thanked Mr. Shelton for his work.

Mr. Purpera asked once you get your written how much time is needed before we know whether the plan is reasonable and sustainable. Mr. Shelton responded that the plan we will write is going to be sustainable just from what I know already. If you are asking me how long I think we'll be on the job that's hard to say. I think it's pretty evident that you gotta be confident

that it's going to stand the test of time and not just the people that are in office now, but the people that will come to office in five years, ten years or whatever. I guess you don't ever really have full confidence in that. But I would say I'll probably be sitting here talking to you again next year at this time.

Mayor Caesar Velasquez commented that he felt very confident with the things that they are doing now and are looking for every avenue that we can to make revenue. On top of some of the things that Mr. Shelton's talked about with the new tournaments and we've got a lot of interest in rentals of the facilities out there. Last year we had two large groups that came in and rented the property and some good substantial money not just coming out there and having a good time at the park. Two of the groups have already talked about coming back this year again. So there's a lot of things that are really working out there and we're just going to continue to try to do our best and get some more folks in there and lock in some more opportunities.

Treasurer Schroder said if we have a plan in writing and we know where we're deficient and the things that we need to correct then why do we need the administrator in place for another year because the Town has to pay for that. Mayor Velasquez agreed and said that is correct. Right now we are in the building process and we still got some things that are coming up that we are not completely knowledgeable as far as what we have out there and what the impact is to us. As Mr. Shelton said we have things come up every day that kind of slap us and says "Hey, don't forget about me".

Treasurer Schroder asked what is the game plan for you as the top administrator to take control of this budget, take control of its finances and tell Mr. Shelton "thank you for the work and we have it from here on out". What's that going to take? Mayor Velasquez said it is going to continue to take more effort. From day one he worked and only six days into his administration last January he made cuts in my payroll budgets and my overall budgets of a little over \$600,000. And I did that and it was hard, tough decision. We had to let go of some folks and we started making a lot of changes throughout the Town, how we handled the funds and how things were being done.

As Mr. Shelton talked about there were people that hadn't been paid yet, because we didn't know we had some funding out there, but we were also trying to make sure that it was used in the proper manner. We had already been kind of chastised for some things not done correctly and we wanted to make sure that all of that was going to go away as well as implementing new policies and procedures on how we handled purchasing and going forward for the future.

Treasurer Schroder said I know he brings credibility but I don't see six months from now. If we can't get this administration pointed in the right direction over the next six months, I don't know what another six months does. Mr. Shelton explained that he gave the longest time frame but wishes he could say that he would be out of there next month, but that is impossible to do. He said there will be serious hard work over the next three to four months without a doubt. After that time period, the confidence level may rise. We may have a disaster coming there that creates a whole other problem that we have to deal with. I am 68 years old and I want to go home.

Treasurer Schroder said his point is if we don't have administrators and staff in place that can do this type of work, then maybe we need to find somebody who can. I hate to be so pointed about it, but you got here for a reason. You gotta make sure you have the right talent in the right places, in the right positions. You pay an administrator. You can take that money and pay who you gotta pay to put into place to make the same decisions. I'm just questioning how long will it take for the city to take over its own financial wellbeing. I don't want to be sitting here a year from now. I get you need some counsel, but there is a difference between having some counsel and picking up the phone and asking Mr. Shelton what he thinks about this or that. I think we need to have some progression to where the city's taking over. What I hear and what I sort of see right now is you're totally entrenched and I get that, but I also want to know how do we get out of this.

Mr. Shelton said that is a point well taken, but I will tell you it took them about nine years to get into this situation. It's going to take more than a few months to just get them to better. The plan that we have while it's been proven so far, I'm not confident that if I left it next month that it will continue. You are going to ask me is that because I don't think the people will implement it or that if another issue that comes up will create another problem that will keep it from happening? I don't know. I feel like I need to be confident that the plan is solid to withstand anybody.

Treasurer Schroder noted the Town got here because of either incompetence or for some reason. It didn't happen by accident. I think part of your job is to make sure that they have the proper personnel in place to where this doesn't happen again. Mr. Shelton pointed out that the town clerk who has been on the job for 35 years is retiring at the end of this year and that is

going to be a huge hit to the town. That's why I say it's not always just dollars and cents. We're going to be working with somebody trying to bring them in early to get them up to speed. Because honestly, no offense to the mayor, I was a mayor. I know that the people in the office do a bulk of the work. And when that town clerk retires, that's a big hole that we're going to have.

Treasurer Schroder asked the population of the town. Mayor Velasquez answered approximately 1,800 from the 2010 census. Treasurer Schroder asked the population from the previous census. Mayor Velasquez responded approximately 800 citizens. Treasurer Schroder said that he and the state auditor have had this discussion if this should be incorporated back into the parish or should it stay a town. I mean that's a tough decision but this isn't the only one and we're going to have a discussion about many more.

Mayor Velasquez said in 2019, the council and the staff on hand right now have done a really good job of trying to figure out how to get out of this mess that was left to us. We are doing a really good job, I think and we're trying to make these changes. Minimizing what has been done by questioning if they are competent really does not help them at all because I think they're doing a good job. I have not had anyone pushback externally on the negative side as far as, "you're doing the wrong thing, we shouldn't do this or we shouldn't do that". Everybody's coming together and we're working together. We have a new council with four brand new members and one is an incumbent and myself as a new mayor. My staff has all been there before in the town hall. I have a new sewer staff, new public works staff that have come because lost employees through attrition and some we let go. But I do think we have the right people and I think we're working on but it's not going to happen overnight.

Treasurer Schroder said it was hard for him to say and it is not personal but if you have had these problems for nine years and there is not a personnel change or you bring in some different expertise then you are going to continue to get what you got. And you can't afford to have an administrator there for the next two years. I don't think you can afford one for six months, much less a year. But if what I'm hearing and I'm trying to be delicate how I say this, you got here from personnel that were either leadership from the mayor or a combination there off, but if the players don't change, why do I expect that the outcomes are going to change? And you don't need to comment because I know that puts you in an awkward position. But those are the things that I have to look at, you know? If you put the same in, you're going to get the same out and that's my only point. And look I know you're in a tough spot and I can appreciate that and we're here to help you. I voted and I approved that bond. I knew when that happened, at least based on the problems that I saw, and if you remember we postponed that request three or four months. Ultimately my decision was based on the bank because I figured the bankers will know whether they can legitimately pay back this loan or not. So anyhow, it's unfortunate but I just want to say on the record that if you don't make changes to the people that got you there then I don't think we're going to get out of this thing - unless you can afford to keep administrators in your office every week.

Mayor Velasquez referred back to Mr. Shelton's comments that a lot of things had already been done prior to his arrival and he picked up and carried the ball forward. That is why I think we have the right folks and I do appreciate the staff that I do have. They're making the effort that they need to make in order to make sure that we come out of this thing and it will not happen again.

Mr. Purpera suggested as you going forward and developing your plan you can develop some internal processes. I know part of the reason we got here was bad decisions were made in the past by the previous administration and some of that has to do with not having the right financial data available. We know that the ball field and other things happened because of bad financial data. So maybe build processes so that the board and the mayor have the right financial data so you can make very well informed business decisions before doing things in the future. If you could build those processes to help those that come in after you leave to keep everybody on the straight and narrow.

### **City of Bogalusa**

Fiscal Administrator for the City of Bogalusa (City) Mr. Joey Richard and Mayor Wendy Perrette presented an update on their progress. Mr. Richard referred to his report on what they had accomplished. The first page is really just the background on the administration and there is no change from what had been previously reported to the courts and to the Legislative Audit Advisory Council (LAAC) in the past. The change on here is that there have been no defaults in 2019. So now we finished the year and there were no defaults. On the next page is the three primary issues for the city of Bogalusa are the

unfunded pension liability, which was \$22 million at June 30, 2018. The actuarial report for June 30, 2019 would not be completed for another couple of months. I am not expecting a big change and probably will be the same unfunded liability. The second issue for the City is the landfill fund had a deficit of about \$456,000, and it owed the Choctaw Landfill Joint Venture \$2.1 million at the end of 2018 which we will update when we move on. And the third problem or what I am calling structural deficits is a deficit across all funds was around \$1.2 million in 2018. On page four are the issues with the city's pension plan that had been previously identified as \$26 million accrued liability, \$4 million in assets. The decrease in assets will occur over a period of time - four years of \$1.4 million. Prior to my appointment, the City had already rededicated about \$544,000.

The actuarial liability can be significantly reduced through a full payment of the required annual contributions and a one-time contribution to the plan. Previously we had reported that we were looking for our rededication of taxes and considering the issue of pension benefit obligation bonds with some of those taxes to help fund the plan somewhere between 40% - 100%. We are kind of focusing in at this point at about the 50% level. The current actuary had provided much of the information that we used in developing the plan. The update on the plan was reported to the city council in a status report. This was done in November and recommended a rededication of the revenue of sales tax of probably approximately \$280,000 from the industrial sales tax fund.

We have obtained approval from the Louisiana bond commission to include that ordinance on the ballot. The city council has voted for that. The preliminary results of 2019 show there have been no further shrinkage in the assets of the plan. The plan had shrunk from maybe \$7 million in assets to the \$4 million level over a period of the last five - seven years. That has stopped partially because of the extra \$500,000 that was brought in and partially because of the earnings of the plan with the stock market doing what it is doing. We appointed a new actuary. That contract is ready to be ready to be signed. The old actuary has retired because of old age. We have transferred the routine transactions. Previously the actuary did all the accounting and basic bookkeeping kinds of things for the plan in addition to doing the actuarial evaluation at the end of the year. This is a bit unusual. That has changed with the new actuary who will be responsible for the actuarial valuation and we have moved the accounting functions inside the city to be assisted by the actuary when we come to computing benefits for our retiree and that kind of thing. So that's the basic plan for the City of Bogalusa Employees' Retirement System (COBER) plan is to get the bonds out on the new funds that are rededicated to the plan, bring the funding up to 50%, and that will pretty much solve the plan. The vote is in April. We will follow that up with some type of bond issue and getting the money into the plan.

Mr. Purpera asked if he has any concerns about the actuarial valuations. Mr. Richard said he is not concerned about the actuarial valuation in particular Mr. Purpera asked if he knows what the assumed rate of return and discount rate are. Mr. Richard responded it was 6.5%. All plans are kind of looking at that. If I compare it to say state plans, the rates are below state plan levels at 6.5% and I believe the state plans use 7% - 7.5%. Mr. Purpera commented that there many factors affecting the rates.

Mr. Richard said that part will be looked at by our new actuary what the discount rate. One of the primary reasons for that is that the discount rate for GASB has to be triple A municipal rate and that's only like 3%. So these calculations which are recorded in the financial statements are at that rate. If we are able to get the plan funded as we anticipate, then the 6.5% or whatever the properly determined rate is, that will shrink the liability by \$10 million just because of the rate. Nothing changes in cash. But because we are unfunded, we have to use that lower rate. Mr. Purpera confirmed that the numbers provided are at the 3% rate, and did not know that. Mr. Richard said it is what is recorded in the financial statements - the GASB numbers. Mr. Purpera asked if that is because under the GASB there is an expectation of running out of funds and there is a crossover point. Mr. Richard agreed that is correct. The fund has so little money. The \$4 million in the fund based on the GASB valuation only represents about less than 15- 20%. Included in the fund is about \$1.3 million of drop money which will be paid out when those people retire. So it is only \$2.7 million for the long term and that's why it's projected to run out of money sometime in the future. If we get it to a point where we're funding it on a current basis, which we're very close to, then that liability is going to switch. We didn't really save any money, but our financial statements will actually look a lot better.

Mr. Richard continued explaining the second major issue is the landfill obligations. The City is a member of a joint venture with Washington parish. Choctaw landfill is the joint venture and it's been operating since the 80s and the City is around 40-42% owner of the joint venture. We have a contract to put stuff in there based on the cost of the landfill. Those agreements have been expired for several years and we are really operating on a month to month basis. The unpaid obligation

for the landfill has increased from \$53,000 in 2004 to \$2.9 million at the end of 2019. A great part of that increase comes from building cells in the landfill. The cost to divide and construct a cell in part of the landfill is approximately \$1.5 to \$2 million each time. And so a lot of the liability comes from the fact that Washington parish financed the last two cells in the landfill. There is also a normal shortfall from year to year in the operations. The parish put up the money because the landfill needed to be built and the city did not have the cash.

Since Mr. Richard's original report to the court and to LAAC, he has met several times with the Washington parish finance director to negotiate a proposed solution. We received an expert report because we hired an engineer that has landfill experience to find out if the landfill was operating reasonably and what the issues of the landfill may be. It would be classified as a small landfill and the consequence is that it drives up the average cost to a high level because some of the costs are fixed and it's just what it's going to cost you to do the activity. There is a proposed solution which is to be voted on by the parish and the city council in February. The resolutions have been drafted and I have been in contact with Donna Graham who is the finance person for the Washington parish. The resolution is supposed to be put up for a first reading at the next meeting and then there should be a vote at the second meeting February.

Mr. Richard pointed out page seven of his report showing their proposed solution to the landfill issue. The city will sell its 41.9% interest in the landfill to Washington Parish for the outstanding balance that's due at December 31, 2019 less the amount of the 2019 property tax. The reason for that is those property taxes are collected right at year end, but are not remitted until the next year. There will be no cash required. So in essence the parish pays the city the whole amount for the purchase of its 41.9% interest. The city pays off its debt to the landfill. And then obviously the money's in the landfill and it goes back to the parish. No money will need to change hands. The City has agreed to pay the landfill for a shortfall on some other capital contributions - about \$194,000 - and it will be paid out of the excess of the property taxes that are dedicated for sanitary landfill over the anticipated annual charges that we are going to have as we move forward. So the amounts collected for annual charges are around \$380,000 - \$390,000. The amount going forward is going to be around \$320,000 that the city will pay to the landfill for its disposal of its sanitary landfill items. That is going to be in a cooperative endeavor agreement with a 10 year contract that has a Consumer Price Index (CPI).

Mr. Purpera asked if the City is giving up some equity but it is not going to increase your cost greatly. Mr. Richard responded that it will actually decrease our costs. We're going to have some decreased costs. Mr. Purpera asked if that is because of the expensiveness of that small structure. Mr. Richard explained that the cost per ton for the disposal in the landfill for everybody that puts stuff in it is around \$50 a ton. The landfill is charging about \$ 35-\$36 a ton for commercial to be put in there. The City has about 14,000 tons a year. So that was a subsidy that's actually being paid through the residential piece because somebody has to make up the difference. In effect both the parish and the city are making up that difference. So our cost of operations before may have been like \$520,000 and now we'll be about \$ 320,000. So we will save about \$200,000 a year.

Mr. Richard shared that the engineer who looked at the project for us made some recommendations about changes that can be made in the landfill so that the landfill can save those costs. There are two major items that they can do that with. Number one is on the commercial, they probably should raise the rate to about \$42.50 a ton and that will produce about \$110,000. And then the second thing that they can do, they probably should move from a six day a week because it's a small facility to a five day a week facility to reduce their operating costs. The contract for the current operator comes up in 2020 so it's something that's in the near term and that can be negotiated. Those savings would go to the parish.

Mr. Richard detailed the last major item of the structural deficits because the City has deficits in a number of different funds. We have about \$19 million in annual revenue. The City has \$9 million dollars in payroll cost and we are reviewing all departments for potential expense reductions and reviewing all fees and charges for services of all departments. The first two areas were really the focus because it would make a difference on how the third area would be handled. Beginning in this quarter, we are going to be looking at what changes we might have to make in terms of personnel, our expenses or raising fees to be able to get the budgets balanced. The 2020 budgets that are adopted are legal. However, there is a deficit in each of those budgets. A small one in general fund, under \$200,000 and a larger deficit in the utility fund. The issue with the utility fund deficit is they do have fund balance to cover the deficit that they would have the particular year but over time it would deplete your entire fund balance. And when it comes time to a replacement of stuff, you're not going to be able to do it. So we're looking at the citywide structural deficits and trying to get those numbers to where the number is zero. We have done a few smaller things along the way in terms of combining a couple of jobs. We are looking at combining the dispatching rather than separately by police and fire. The parish has a communication center that only houses IT people

with no dispatchers there. So the police chief is working with the sheriff and the city of Franklinton. Between us we have 12 dispatchers and if we actually use the communication center the way we should, maybe we could get by with eight and everybody can save one. So we're looking at some of the smaller things right now, but the plan starts in this quarter and trying to get that all done by midyear.

Mr. Purpera asked if their fiscal year ends on December 31. Mr. Richard confirmed for Mr. Purpera that the fiscal year end is December 31. In response to Mr. Purpera's question if the revenues were reasonable, Mr. Richard explained that the City has about 10,000 citizens and a combined revenue stream of \$19 million. We do run the water and sewer systems and provide both to the users whereas in some places those are bought separately. We have a fairly large footprint compared to some other cities with similar population. The City covers about 10 square miles compared to Harahan which has 10,000 people and probably only covers about 2.1 – 3 square miles and very concentrated.

We are looking at all of the departments and what can we do to cut expenses. A unique service for a city of our size is that we run a jail that has a population of 40 on a daily basis and it costs us \$1 million to run it. We are looking at that situation and expense. If I had that million dollars, you wouldn't need me here once we solved the first two problems.

Mr. Purpera said that the revenue is a reasonable number but if we could cut down at expenditures it alleviates a lot of our problems. We just did not want to find an unrealistic revenue. Mr. Richard said we do not have an unrealistic revenue and should be able to live on our \$19 million a year for a city of this size. This is money in the bank and there is no big receivable here.

Mr. Stiles asked if there are 40 beds available in the jail. Mr. Richard said the jail was built by the parish and was originally supposed to be, at least that's what I understand, a part of the parish prison system. The parish sheriff or the parish has never actually used it for that. And the jail was actually empty for more than 10 years, as I understand. And then it was opened and the City operates it with generally 40 prisoners a day and always full.

Mr. Stiles asked if these are parish prisoners. Mr. Richard answered that it is city prisoners and this is what makes the situation even more unique. He explained that he is an accountant and not a lawyer or criminal justice guy, but does understand the difference between a felony and misdemeanor. All prisoners committed misdemeanors except for four prisoners that come from the state prison and they're really kind of the trustee prisoners. So on an average day we might have one or two felony prisoners where the sheriff has to come and pick them up or we transport them and the rest are misdemeanors. Mr. Stiles said when he was in St. Martin Parish, the parish paid the sheriff, I think, \$7 a day or something for a prisoner which doesn't make the sheriff happy, but the state pays around \$27 a day for a prisoner. So it seems to me with 40 prisoners, if you were paying even the state rate, which should make the sheriff happy for your city prisoners in the parish jail, and I'm assuming there's a parish jail. Mr. Richard said the prisoners are in there for misdemeanor because a city offense.

Mr. Stiles said you could rent this space from the sheriff at \$27 per day to hold them whether it's for a misdemeanor or felony, doesn't really matter. They're being housed. Mr. Richard asked if he means to let the sheriff have the jail. Mr. Stiles said right or do like the State of Louisiana does not own most of the jail space outside of the state prisons and they pay the Sheriff's or the local authorities. Because you are housing the prisoners you should be getting \$27 a day. Mr. Richard responded that the City does which generates nominal revenue from that. Mr. Stiles commented that if it cost the City \$1 million per year and receive \$27 a day for 40 prisoners.... I am not an accountant but it would seem to me that you're losing a ton of money and you could pay the sheriff \$30 a day, which would make him ecstatic. He starts throwing state prisoners out of the jail to put your prisoners in and you'd be coming out saving a bunch of money. And if I know what jails do in addition to costing money, there's a tremendous amount of liability that's associated with that situation that can have real large negative consequences that I don't think the city of Bogalusa would be interested in facing.

Mr. Richard said that the sheriff would not really be interested in the municipal prisoners unless he was paid for them. But that would mean he would have to run the jail. I don't know whose jail it is because they built the jail and learning something here. Mr. Stiles said generally the jails are owned by the parish and the sheriff runs it. Mr. Richard said so the jail was built in our city which is in our parish but those 40 prisoners are all municipal offenses.

Mr. Stiles suggested that he discuss this with the sheriff and it might be a win-win. The sheriff may be able to house them and get paid more than the state rate and certainly more than probably the parish is paying him. Then you could get rid of



operating the jail. Mr. Richard said he would be glad to give it up tomorrow because the amount that I am spending is around my structural deficit or even get half of that cost saved. Mr. Purpera said that he did the math and he would be better off sending them down the road. Mr. Richard said that is perfect and appreciate that suggestion. He pointed out the last page summary of his handout. The plan is developed and it's in progress and we're awaiting the vote in April. For the landfill, the solution has been agreed to by the accountants and the ordinances are before the councils for a vote. For the structural deficits, the plan is to have those cured by the end of this year and we're starting to work on it in this quarter based on these other two things getting solved because if those don't get solved then the structural deficits are more difficult to solve.

Mayor Perrette commented that she and Mr. Richard work well together and want to make our city move forward and fix these best mistakes and we're willing to work together to get it done. Mr. Richard is not there daily and some people want him there more often, but he doesn't need to be there every day and he knows that. He knows what he needs to do and just expects her to contact him if needed.

Mr. Richard noted that their problems could be characterized different than some of the others because in some of the others you find bookkeeping, accounting issues and those kinds of issues. I find that the city's personnel is perfectly able to handle that. They report to me regularly and receive disbursement runs on an every two week basis. We get financial statements on a monthly basis. I work with them on the budget. It really takes me about a day to two days in a week just depending on what the activities are. I expect it to continue at a similar level unless something comes up, which I'm not anticipating.

Mr. Schroder said this situation is different than the situation that was just in front of us. To some respects, somebody lied and I should have said it earlier. In the last scenario, somebody lied. That's not the case here. I am a little familiar with this because closer to home. I want to make sure that when you walk away, that Mayor Perrette is capable of running the city on her own. Mayor Perrette said these problems started way before we ever got here, back in the 80s and it has only increasingly gotten worse. Then a new law in 2014 was passed and guess who was the bearer was, so that is how I ended up here. The City of Bogalusa is capable of handling their business. But the problem is that we had some underlying issues in the past, but we are fixing those issues and we're going to move forward.

Mr. Richard said that my mother taught me all the -isms including pessimism, but she didn't teach me opto- she didn't teach optimism, but pessimism, she did. Mr. Richard said if I was an apostle, I would be Thomas. I am structuring the solutions to the two major problems in a way that future councils will have a very difficult time changing or undoing it. So, for example, in the pension, we're making sure that the revenue stream is dedicated. I am going to put some of it in debt so you're not going to not pay you your debt. Once we get the stream, we're going to do debt. We are going to be out of the landfill and we will have a 10 year contract and we have agreed with the parish. That was a very important thing to do. We could have gotten out of the parish for approximately the cost that we're paying the parish and it was very important to me from the city's perspective not just economically but as part of the parish wanted to make sure the parish was protected in their small landfill. That is why we stayed in.

Treasurer Schroder said that he certainly has received nothing but positive feedback. I don't want to get into business of micromanaging the city finances in any town or city in Louisiana but somehow we have to stop them from taking dedicated bond proceeds and using them on something else. I don't know how we do that, but that has to stop. We can't allow that. That jeopardizes our entire system if we allow that to happen. I know in the past we have robbed Peter to pay Paul but Paul's run out of money. How do we stop towns and municipalities from using streams of money that are being collected on water and sewer -which is a huge problem across this entire state- from using those proceeds on retirement or anything else. It's like paying your mortgage with your credit card. We are just making it worse. I am hoping is that working with the attorney general and the state auditor that we can do some things that stops towns from hurting themselves. You shouldn't be here fixing something that happened 20 years ago. Somebody has allowed this to carry on. We've got to come up with something. I don't have the answer, but I'm saying publicly and ringing the bell that it is a problem. I see it as chairman of Bond Commission. We will talk about this more later, but see budgetary loans as a disaster just waiting to happen. I appreciate Mayor Perrett's candidness and thank Mr. Richard for thank you for the work you do. It is very important and I should have told that to Mr. Shelton better.

Mayor Perrette said that they will be back for a budgetary loan. Treasurer Schroder said he knows that they are and we are going to talk about that. Mr. Richard said that the City only used \$800,000 last year, not \$950,000. Mayor Perrette said we used to get \$2.1 million or the maximum amount and we have only gotten \$850,000 for the past five years.

Mr. Purpera asked if their population is increasing. Mayor Perrette responded they have about 11,700 citizens. Mr. Purpera asked if they have any plans for new revenue producers. Mayor Perrette said she is pretty sure that you are referring to the housing issue that came up. Mr. Richard does not know of any particular new sources of revenue that have been identified and some more of the traditional ones need to be raised where you have fees. The primary issue is not revenues but we need to get our expenses in line. I have not looked at other cities with 10,000 population in particular but would like to get a list of all and see what their revenue is. The City of Harahan has around 10,000 people and their whole revenue is around \$6-7 million.

Mr. Purpera referred him to Mr. Cryer for assistance getting that information. Mayor Perrette commented that the City's tax assessment is this year so hopefully property taxes will be adjusted correctly. Mr. Purpera recommended they look at other cities and determine some baselines and try to run government at the size it needs to be for your population, especially if you are not in the trend of increasing population or have other ideas for revenue.

Mr. Richard noted that the peak of population was around 22,000 and that was in the 60s or 70s. It has been declining ever since but finally on a straight line and staying the same. It has a very low income based as far as its population. It is one of the poorer parishes. Mayor Perrette said she is waiting on the highway to be connected to the rest of the state. Treasure Schroeder said it will be coming one century. Somebody has got to have these kinds of discussions and I'm just going to throw it out there. And mayor, this is very political to you, so you do not need to comment. When you go from a population of 23,000 to 11,000, where does that stop? And I know where the auditor was going. You know, is that trend stabilized? Is the population rising some or decreasing some. You had a pretty large city at 23,000 people with a police department, fire department- all the things that are a city of that size needs. But right now you have a town of 10,000 right now. I know we're still trying to make those departments exist. At some point in time, reality kicks in and must decide if you afford to keep those departments? And I know there was some discussion and it was not about people losing jobs because those jobs could be absorbed other places. But those are the type of conversations that I hope you have and before you leave have a plan. What if revenues don't increase and if they say no to this tax - which is not out of the ordinary

Mr. Richard said if they say no to the tax, it costs four jobs. Mayor Perrette said the tax is basically back up for what we were trying to do to, it is reinforcement. Mr. Richard explained that the rededication of the tax frees up about \$1.7 million that is in the fund because it's in a dedicated tax fund. Once that's gone, there are no more dedicated revenues in that fund. And the money that's in the fund will become available for us to do a couple of things. The first thing is we have a number of funds that have small deficits and we're going to get those all cleared up and then when we come to determine how much debt will we have to take on to fund the pension, we can use a portion of that to reduce that debt so that we're not using up all those dedicated funds. And then the last part of that is this last tranche of taxes that we're rededicating. It's dedicated to the pension based on the actuarially computed amount that needs to be funded. If we got to a point where there was an excess, then it will become available for the general fund

Treasurer Schroder asked why not pay the pension debt down further. We tend to not want to do those kinds of things. It's helping yourself for that rainy day. We have a large problem with that in state government. I would somehow put in your budget that when this is all over with, that this gentleman makes an appearance once a month to look over whatever because it's hard to find administrators with this kind of talent. That is probably something we ought to talk about as well with some towns. It's hard to find people with the kind of knowledge that Mr. Richard has. I've told you that privately. Moving forward, it wouldn't be a bad thing to have Mr. Richard pop in every now and then just to set the record straight. I appreciate the good work that Mr. Richard has done.

Mrs. Gloria Kates, Councilwoman District A, thanked them for allowing her the opportunity to speak. She was at the meeting last February pleading for help for the city of Bogalusa. A few weeks ago she was told to be careful for what you ask for. I'm glad we did get what we asked for. In fact, I did the final offer for the adoption of resolution 2235, which was a resolution to support the appointment of a fiscal administrator for the city of Bogalusa in accordance with LR 39: 1351. I did initiate the first meeting with Mr. Richard as a council person to express the concerns that was in the city of Bogalusa that I had on my particular listing. Ms. Kates asked about the many findings discussed at the February 2018 Fiscal Review Committee meeting. Many findings ranging from our retirement, the landfill sinking funds, policies, procedures, bond covenants. There were a number and we got boiled down to the joint stipulations that were given to the court which more or less focused on the pension retirement, and the land field. I am presuming that those particular issues were considered structural deficits. She asked if the findings were considered to have been resolved.

Mr. Purpera asked if there has been another audit completed. Mayor Perrette said the City's audit will be complete in June and the findings that Ms. Kates referred to have been gone through and being resolved one by one. We actually got rid of a sinking fund audit finding. But that will all come up for the next audit. We got rid of about four audit findings, but we were on the right track of doing that to begin with. Ms. Kates said she just wanted to make sure that those particular issues including the credit card issues have been resolved. Mr. Purpera said that the Fiscal Review Committee would more so involved in the pension and landfill issues because that is where your debt is. The debt was not able to be paid. The pension plan was down to 11% funded ratio.

Ms. Kates said that her second concern is inquiry brought to me. Does the LLA continue their monitoring reports for the city of Bogalusa while our fiscal administrator is in place? The LLA were monitoring documents that were done monthly and stemmed back to issues that we had. Mr. Purpera explained that prior to putting an entity under a fiscal administrator, his office does monitor cities in crisis and help them to get where they need to be and maybe not have to go into fiscal administration. But since that time we are continuing to monitor but we do not issue reports. Now that does not mean we cannot step in and do special audit if I want to. Mr. Kates said she just was not sure if the process was still in place.

Ms. Kates asked about the duties and responsibilities and power that Mr. Richard possesses to help us. He has met with us and administered our status reports. Also Ms. Smith has given us updated required reports and monthly balance sheets. She asked if the power of the fiscal administrator supersedes the codes in the city charter or do both powers work hand in hand or does it depend on the situation. Mr. Purpera said that Mr. Richard as the fiscal administrator sits in the stead of both the council and mayor, as we also discussed at the February 2019 meeting. The city still has the code but the fiscal administrator is in charge. Mr. Kates said that Mr. Richard takes action in place of the council and the mayor executing the policy procedures that has already been established. She asked to verify that he must follow the policies, procedures and codes in the charter as he executes his power. For example, we have ordinances within our charter and there are procedures in sections that pertain to the ordinance that we have to follow as a council as well as the mayor has to follow. In his stead by having all power, does he still follow the sections and procedures pertaining to that charter. Mr. Purpera responded that is his understanding. He asked if she was saying that Mr. Richard is not doing that. Ms. Kates said no, that she was just getting clarification from inquiries that I have received. I could not give an answer so I said that I will ask today.

Mr. Stiles said that Ms. Emily from his office could maybe clarify if you want a specific question regarding a specific ordinance. However it is really hard to give legal opinions just generally about what he has to do relative to any particular ordinance or any particular set of rules. And so I would suggest to you that if someone has a specific question regarding whether Mr. Richard has us follow a specific rule, that you, you could send that question to the attorney General's office and we'd be more than happy to clarify that for you. We hate to speculate on what ordinance or what area of the law you may be referring to. Mayor Perrette said she is probably referring to a matter that would bring revenue to the city and Mr. Richard overrode the council.

Ms. Kates said she would take Mr. Stiles suggestion and ask the person to send in the information to the Attorney General's office. My last question is about Mr. Purpera's comment about other towns having a plan. And I presume that you have Bogalusa's plan in place. And I would like to know how one may obtain the total plan of the approvals that the fiscal administrator has made. For example, approvals for raises, contracts, hiring, any type of approvals, I am presuming that your board may have those particular plans and wanted to know how one may obtain that and the plan that was submitted to you.

Mr. Purpera said that this committee is not in charge of the City of Bogalusa. The fiscal administrator is appointed by the court to carry out those actions, not this committee. Mr. Stiles said this committee votes to have basically a petition brought against the city. The court appoints the fiscal administrator. And at that point in time his only obligation to this body is to come and report when requested on the progress of his administration and also to report to the court upon request of the court the progress of his administration. At some point in time we petition the court to end the administration and turn all those powers back over to you. But to my on knowledge I don't know that we have ever received a specific plan from an administrator since at least I've been involved. Ms. Kates asked if she could get with Mr. Richard on any plans or anything that has been approved. Mr. Richard responded yes, any time you want.

Treasurer Schroder said he wanted to clarify because I was the one that talked about the plan and I was just asking in general if the administrator has a plan in place. Basically, because if everything was going the way it was supposed to, the

administrator wouldn't be there to begin with. So I know through my experiences that there's probably going to be some conflict between what the council may believe they ought to do and the fiscal administrator may think he needs to do otherwise. Ms. Kates commented that she would not say that. Treasurer Schroder said he was talking in general about the plan. We do not require a plan but I am asking for the sake of communication if the fiscal administrators could put a plan in place so you and the mayor knows what it is. The court has already put him in charge whether you agree or not. But a plan would at least give the council and the mayor some basis of knowing what we are going to try to accomplish over the next three months, six months, or five years. But it is not required. Ms. Kates said that it is not that we don't agree that we need an administrator and we voted for and support an administrator.

Treasurer Schroder said he felt like part of the process for the administrators through that administrative duty is to give a plan to the council members and to the mayor. That would at least give you some idea of where he's headed and his thoughts on the process. It's not required and we don't get a copy of it. I just think it should happen.

Mayor Perrette said she would like to go on record to state that there have been no raises, but some of the council members do not agree with the combination of jobs and pay increases that has taken place. Mr. Richard added that those changes cannot be made without my approval. Mayor Perrette explained that when someone retired, we gave those duties to current employees and compensated them accordingly. Some of the council does not believe that was right to do and perhaps we should have hired someone else or the other person should have taken on the additional duties without compensation. By not filling a position but giving additional compensation for additional duties still saved \$32,000. It was approved by Mr. Richard. Mr. Richard confirmed their procedure is that personnel changes can only be made with his approval. Mr. Purpera asked if when you make those personnel changes are they in accordance with the budget. Mr. Richard answered yes. Mayor Perrette said she believes that is the concern.

Ms. Kates said not necessarily, but her understanding is that the council members would know the plan and know each kind of step of what is going on. For example, the raise that was given was disclosed during our budget meeting and not prior to. So that's what I mean about a list of the plan and steps of what we're doing. Not necessarily that we disagree with it. Just know every step, approval or what have you. I'm speaking for myself and not sure how all the council members may feel about it, but just kind of plan of action and a heads up.

Mr. Purpera encouraged her to reach out to Mr. Richard and try to communicate as much as possible. I don't think in the fiscal administration law that it requires him to give you every detail of what he plans to do. But I also know he's a reasonable man and I'm sure he will work with you in every way he can. As you may recall about a year ago, I told the town you can do everything he can do, but you were not doing it so that is why this committee voted. And that's why the court appointed a fiscal administrator. So that's where we're at now. And he has the authority under the law to make those choices. But again let's just try to keep up the communication. Ms. Kates expressed her appreciation to the committee for answering her questions.

### **City of Jeanerette**

Mr. David Greer, fiscal administrator for the City of Jeanerette (City), and newly elected Mayor Carol Bourgeois, Jr. and Mayor Pro Temp Clarence Clark introduced themselves. Mr. Clark said he served on the last city council.

Mr. Greer referred the members to his summary update that includes some rehashing things you may have already heard from me prior to today, but just want to bring you up to date on these things. The City did not have audited financials but had disclaimers on four years' worth of audits – 2015, 2016, 2017 and 2018. We just completed the 2019 audit which was not a totally clean audit with an unmodified opinion on the statement of net position in the balance sheets for the general fund. So we do have a good starting point now. The primary reason that the statement activities was not audited or no opinion is because they did not have good balances to start with. So now we have good balances and can move forward. Now we can have hope and pray good audits in the future.

Mr. Purpera asked if everything going in and out is being properly accounted for. Mr. Greer responded absolutely and we will have better records than we have ever had, because as you may recall the issue was a lack of good records. He spoke briefly about the investigative audit report by the LLA is noted on page one of his report. When he arrived as fiscal administrator, the utility collections had not been deposited in the bank. There were unpaid federal and state payroll taxes and we had witness fees that were received from parish government that weren't paid to the off duty officers. Those things

have all been fixed. The accounting and record keeping was in a much less than desirable form. Financials were a disaster. Many vendors were owed for several months, if you could find invoices. We had to backtrack on many things. Payroll records were not in good shape. The City had three years' worth of payroll taxes to catch up on. They just didn't bother remitting the payroll taxes. So there were many issues with that. Mayor Bourgeois and the board of alderman are working together very hard to make sure that we are moving forward. I'm very pleased with the actions of the board and the mayor and they are doing a great job.

Mr. Greer noted they have made several personnel changes and still have more issues to address. We are still working towards having a chief of police for the city. We've had an interim chief of police which is a charter position of the city. We have been using a city marshal to serve as the chief of police and we're seeking a solution with that. The city was losing money each and every month for water, sewer, and garbage services. We have since increased the rates. We are collecting and monitoring each month the water, sewer and garbage rates. The rate increases are not producing the level of revenue that we projected to need. So we are once again considering whether we need to increase rates further than we did previously. And right now that looks to be approximately \$2 additional to the base rate for water and for sewer.

Mr. Purpera asked if he is anticipating with the additional increase that the water and sewer systems would be self-sufficient. Mr. Greer responded yes, we already consider them to be self-sufficient. We are spending a lot of money on just repairing pumps, repairing valves, making sure that everything is in good working order. The plant wasn't maintained to a level that it needed to have been maintained. So we are trying to put money into both reserves -USDA required plus our own internal reserve. Just a kind of a rule of thumb that we're going to put some money aside to cover the cost of that \$4,000 pump that is going to come up. So we are working all of those issues into it. So yes, they will be self-sustaining with a new rate. They are close today but not quite there.

Mr. Greer said we have had issues with accounts receivable, both in utility billings and ad valorem taxes. The City just wasn't collecting from all of its customers and was allowing partial and incomplete payments. The City was not really enforcing its property tax laws. It wasn't always taking things to tax sale. And then after a tax sale and properties were adjudicated to the City, they weren't doing anything further with those properties. So they just sat there showing a lien by the city and in fact those properties didn't get taxes once they went on the adjudicated list. So those properties weren't even in taxed in subsequent years. So those are things we have been working on and fixing as well. As I mentioned there are payroll tax issues and some instances where we had incomplete personnel files. We didn't have the payroll calculated properly in some cases, but all of that had been fixed as well.

Mr. Greer pointed out in his handout that page eight shows the debt service including two USDA instruments, a geo bond and a revenue bond. We are making all the payments. There's no delinquency on payments. The one thing that the city wasn't doing was meeting the reserve requirements on the revenue bond debt. The reserve was required to have \$4,622 each and every month deposited into a short lived assets account. That wasn't done after January of 2016 until 2019 we started making it again. Also \$808 a month was supposed to go into a reserve account until such time as you build up one annual payment. They quit making that in January of 2016 as well. So we have once again started making those required payments to make sure the bond requirements are met. We have requested USDA to consider approximately \$139,000 of expenses that we did make during that time to count towards that short-lived assets reserve.

Regarding infrastructure and property issues, we do have some aged infrastructure. We're still trying to leverage our dollars to fix, repair, maintain and improve the facilities that we have. We do have thanks to some else CDBG funding approximately two of our lift stations are scheduled to be replaced actually, but we've got many other needs on just the sewer lift stations there. There are 14 lift stations and more than half of them need some major effort. The water lines are old in a main part of town. We have some very old water main lines. We have a plant that operates well and we just need to operate it right. That's kind of where we've been struggling. We are working on all of those issues. Statewide Electrical Services out of New Iberia is doing a good job as the third party operator now operating the water system as well as sewer system. We now have a balanced budget and we are monitoring the budget. The board members get budget reports each and every month. We have a finance committee that's very active in reviewing the financials. We are pleased with our budget and believe we will be in good shape going forward. I do not have in my handout an exit strategy but I do anticipate, even though we don't have a 100% totally clean audit, I do anticipate that within the next two to three months I will be requesting that I be relieved from service as fiscal administrator from Jeanerette.

Mr. Purpera asked if he is comfortable that processes and procedures have been built and not going to get into bad financial shape again. Mr. Greer commented that there is always a risk, as you know, but we have the policies, procedures, practices, and personnel today. We have the comfort that there's leadership in place and we have the confidence that there's a board in place that will take all of those things very seriously. And it's a team effort from that standpoint. It's not just the accountant preparing the information, it's not just the mayor seeing it and signing checks, but also the board heavily involved in understanding as well. That is all moving in the right direction.

Mr. Purpera asked if the water/sewer operator is strictly running the equipment and maintenance or do they also handle any of the office functions such as the billing and collections. Mr. Greer said they only operate the systems as per their contract. We have the staff today to do the rest of it. We still have some struggles in place but okay. Mr. Purpera asked if bank reconciliations are up to date. Mr. Greer confirmed yes, with staff trained to do them. We will retain for internal control purposes an external accountant to assist and review. Mr. Purpera told the mayor and mayor pro tem that they are getting the City in a lot better shape than it was a year and a half ago.

Mayor Carol Bourgeois, Jr. said he started while the fiscal administrator was in place which was a good thing for me as a brand new mayor. I was elected in March 2019 and took office in July. Over the course of the summer months from March to July, I spent a lot of time with Mr. Greer in transitioning and getting familiar and learned a lot of accounting language. In April 2019, Mayor Pro Tem Clark provided me a copy of the revised statute that outlines the fiscal administrative duties. I made sure that all the new council members had a copy of it also so we understood the rules of engagement and the operation of law and the fact that the administrator certainly is in control of all personnel and he has the last say. But the thing that's been really good for us is that we communicate and he keeps me apprised of those things that I need to know. In a lot of ways we are getting mentored. So I really believe the cooperation and the understanding that we have is going to take Jeanerette forward and keep us afloat. The things that he's put in place such as the treasurer and city clerk, we are going to be fine.

Mayor Pro Tem Clark served on the last council and was there when things went south. Since Mr. Greer has been there, he has been working alongside us, and working with us to push Jeanerette forward. I want to commend him on a job well done. The new mayor came in and works with my fellow councilmen. Even though Mr. Greer can make the final decision without the council's backing, he always comes to the council and we make a unified decision and we unify Jeanerette.

Mayor Bourgeois said he wanted to certainly recognize the people that came along with us. That would be our Alderman-at-Large Mr. Poochie Ward, and Alderman Ward 4 Mr. Louis Lancon and also have our city attorney Mr. Roger Hamilton. One more really important component, a lady that has been behind the scenes, Mr. Greer's right hand and wife, Ms. Penny Greer. She is really volunteered her help in a lot of ways, especially when it came to us identifying those adjudicated properties, blighted properties and just putting a nose to the grindstone. The great part about it is that she has done it for free, but we sincerely appreciate her and all the members that came to support us. Mr. Purpera thanked them all for attending and working so hard.

### **Town of St. Joseph**

Mayor Elvadás Fields thanked the council for sending Mr. Greer to help us out of the dilemma and today we're happy. Mayor Pro Tem John Lewis said that Mr. Greer had a job to do and will not please everyone but he made his decision and for that I believe we are a better town right now than when he got there.

Fiscal Administrator for the Town of St. Joseph (Town) Mr. Greer testified that the last three audits have been good audits. We've fixed the issues of records, personnel, activities. The biggest issue with the Town was the water issues and a failed water infrastructure. We also had issues of management, of there not being any records. The competency of the individuals involved with the records was not great. We didn't have all of the ordinances together and didn't even know what the laws really were. They were all in one person's possession and where those went we were not even real sure.

Mr. Greer said we had to adjust rates but we went through a period of time where we struggled just to pay the electric bill because the people of St. Joseph couldn't even drink the water. So we definitely couldn't charge them more for something they couldn't even drink. So we worked through all of those issues with the mayor and the board of alderman again to try to make St. Joseph a much better place and I believe we succeeded. We have completed the water system construction. There is one issue I just want to point out to the board and the reason that I'm still there. In light of Treasurer Schroeder's comments from earlier, I have been the fiscal administrator for St. Joseph for three years. Now I haven't billed all that time,

but I've been on the official record of St. Joseph for three years and I'll explain as much of that as you want me to or not. But one of the big issues today has been we built a \$9 million water system. But then after building the water system, the testing results showed what's called disinfection byproducts, which are not a good thing. So we've been working with engineers and the Department of Health to try to make sure we've got a solution for the disinfection byproducts. So I've hung around to help facilitate getting that accomplished at no additional charge and I'm okay with that. I do want to mention that we still have an obligation to me from the Town of approximately \$40,000. The mayor just signed an application for the fiscal administrator revolving loan fund to submit an application to fund that \$40,000 that is still owed to me. The other issues and time frame of getting things accomplished were many drawbacks, many delays, many issues of getting things accomplished.

Mr. Greer commented it was not as good of a plan as you might want to see, but we had plans, we had written plans and I did file initial reports with FRC. For both St. Joseph and Jeanerette, I filed initial reports and then subsequent updates that we came in front of this committee to discuss. So I do believe we have worked well. We have got it moving in the right direction. I am ready to withdraw. I was absolutely 100% ready to withdraw several months ago, but I felt like I needed to stay for the two issues of trying to get paid and making sure the water was safe.

Mr. Purpera asked if the town is fiscally solid now. Mayor Fields responded that the town is in good shape. Mr. Purpera expressed concern because the town cannot pay the fiscal administrator. Mr. Greer noted that they will be putting rate increases into effect. He explained that he could have paid himself and could have used the funds that are available in both utility and general fund. However, we had the issue of how do we fix the disinfection byproducts. Money will be needed to do that. The other issue today is we didn't implement rate increases until long after I was even owed many of these dollars. In fact I think about eight months without a penny.

Mr. Purpera asked if doing the loan through the fiscal administrative revolving loan fund will transfer the debt from you to the fund and it puts a mechanism for the Town to pay it over a period of time. Mr. Greer said it is a benefit to the town and to me. Mr. Purpera said he has been concerned about you getting paid each time you come here.

Mr. Stiles said that he will have to step out of the meeting but wanted to commend Mr. Greer for his patience especially for not being paid. I know the mess that you found yourself in and some of the issues that you probably didn't think as an accountant or a fiscal administrator, you'd be dealing with waters and the rest. I just want to thank you in the state of Louisiana, owes you really some gratitude for, uh, for your efforts, both in St. Joseph and Jeanerette. And I just want to thank you on behalf of the Attorney General's Office.

Treasurer Schroder noted that in the legislative session, the law was created that allow administrators to be paid and the town will pay the loan back to the state. Mr. Purpera explained that Mr. Greer is doing the application right now as he said, and so hopefully we can get that through the next month or two. Treasurer Schroder asked if the Town has the ability to pay it back to the state. Mr. Greer said yes, and he believes the agreement goes through the Legislative Auditor, then the Treasurer's Office and the Attorney General's office. But what I am proposing is a relatively simple plan that I think is very affordable and will be acceptable.

Treasurer Schroder commented that this is his first meeting that he has been able to attend. I remember this issue from when he was a legislator. I thank you for all you have done. As I told the previous mayor, I know you have him on speed dial. There is no reason that prevents you from getting him back to look over where you were. One of the things that I see that's a problem is we have elected officials become an elected officials and all of a sudden they're running a multimillion dollar business and they have had no previous experience. And it's not a bad thing to say you don't know how to do that. But you do have to have the ability to find people like this who can come in, look at what's going on and give you some guidance. I do that every day as state treasurer. I'm not supposed to know everything, but I am smart enough to go find those folks that can give us some guidance and keep us on track where we need to be. So thank you all very much.

Mr. Stiles said he duly appointed Ms. Angelique Freel as a designee for the Attorney General on the record to take his seat.

#### **IV. FISCALLY DISTRESSED MUNICIPALITIES**

Mr. Purpera explained to the members that this would be an update on the entities that are being followed at the office as we can see that some of them are distressed more than others.

Mr. Bradley Cryer, Director of Local Government Services, explained that for a number of years our office has been looking at fiscally distressed small governments across the state. We have had an internal list of towns with most significant issues. We have discussed that with bond commission on different issues in the past years as well. What changed was about three or four months ago, we put a list on our website that is now a public list of those towns, cities, villages that we feel are financially distressed. And the goal of doing this was to try to get some public attention from the residents, from the council members to understand exactly where their towns were at. There were a number of occasions where our advisory staff went out to talk with council members in meetings or have conference calls or even attend town hall meetings and the residents weren't aware of how bad things had gotten in their towns until we showed up and started talking to them.

So what we're trying to do here is get this list out for people to understand these towns have financial problems. These are the ones that we feel may not be able to meet basic utilities, police protection, they can't afford to pay their bills in a lot of cases. Now every one of these ones on the list here we've been involved with to some degree over the course of the last few months or the last few years. The point of having the list out there is to target those towns so that we can send advisors out to do a hands-on assessment, to provide options. And the goal is to try to keep those towns from ending up here with fiscal review committee and having to go through that process of appointing a fiscal administrator. If we can prevent things on the front end, we can save a lot of time and money on the backend, but the goal is trying to get those options.

Mr. Cryer said he cannot force a mayor and a council to raise revenues or to cut staff in order to balance their budgets, but I can give them the list of options and say, here's what you have to do. Either you can raise the revenue sales tax through utility rates. You can cut personnel, you can contract services, and here's how much money you're losing each month. So our staff goes through a physical assessment to try to describe exactly what the financial picture is for each one of these towns and then provide that range of options for them to make the decisions themselves. Now, as you're well aware on this committee, often the elected officials don't make those choices at all, but we want to make sure that they understand the options and severity and that was the point of getting that list out there.

Our official watch list includes 16 towns on here at the moment. The City of Grambling has had a going concern, which means that the auditor's concerned about that town's ability to keep moving forward. They've had a going concern since 2012. We have seen some improvement within the last year to year and a half. They hired an accountant to come in and fix their records and we've seen them start to turn around a little bit. They are considered fairly stable right now on the list, but we have people that are getting current information and working with their accountant.

City of Tallulah had a brand new mayor come into office this month and we met with the mayor in Monroe just last week to talk about some of his concerns. They have water system issues. They have going concern issues. They have a number of conflicts between the previous mayor and the council members and the clerk. So we're trying to give them a fresh start.

The Town of Ball has been on our list for about four years. They've had a number of long term findings – everything from payroll taxes not being paid to right now they have an outstanding debt with a water system. They're purchasing water from somewhere in the range of \$600,000 - \$700,000 that has not been paid. The Town of Ball has had disclaimer two years in a row because of fraud investigations with elected officials more than one elected official in the town. This is the first year we've seen a clean report come into us when we have that in house right now. And the numbers are looking a lot better than they were two years ago. So this is one that may come off our list in the next few weeks.

Town of Clinton was before this committee last year with their water system problems. In the interim the mayor resigned several weeks ago as part of an agreement with the District Attorney and Attorney General's offices. LDH has been working with the town since our last meeting and they've worked out an agreement by which the town will receive water from the parish water system. So they're trying to work out the arrangements to tap into that water system and that's going to resolve some of their financial problems as far as how to dig their own wells or repair those wells. And so my understanding is LDH is trying to provide grants to the parish system to bring the town into that water system.

The Town of Jonesboro has a newly elected mayor that we met with. The prior mayor had about 20 findings in their audit report and had a disclaimer. So the, the new mayor is actually the old mayor who previously served as mayor in Jonesboro and had been convicted of malfeasance a number of years ago. But we have been working with him. The accountant that's doing the bookkeeping for them and trying to get them caught up is also a prior fiscal administrator. We have been getting positive reports back from that accountant that things are improving financially.



Town of Lake Providence has been declining for a period of about three or four years. They've been subsidizing their general fund operations with utility monies to the tune of about \$300,000 a year. The new mayor came into office last year. The Town is basically out of cash and they can no longer provide that same subsidizing money from the utility accounts. We have been trying to get information from Lake Providence. The audit report is now late. They're on the noncompliance list and even though we've been asking since last January, we still have not gotten all the information that we've asked for from the mayor. So this is one that we are concerned about. We're not getting full cooperation and we don't have a full financial picture here yet.

Town of LeCounte's primary mayor asked our office to come in and we have been involved for about two years. Their records were so bad when we were invited in that the auditors could not give an opinion. The current mayor has been working with an accountant and has been working with our office to try to get things straightened out and right now they are not in great financial shape, but they are paying their bills and we are expecting to have a clean report here in the near future.

The Town of Melville has been before this committee three or four times. The latest and greatest on Melville is that they do have a loan from USDA and some grant funding. The big issue there was their water system. Financially they pay their bills month to month. They're on a very thin margin, but that water system has always been hanging over their head. With the current construction that's going on out there with new grant funds and with the loans, we're expecting this town will resolve itself over the course of the next two months as that water system comes fully online.

Town of Newellton is a fairly recent addition to our list. They have about \$2,000 in the bank as of last June and are burning through their cash reserves. They are in a precarious position right now. So we've been talking with the mayor for the last two to three weeks trying to get a clear picture of exactly what their issues are. They had lost a detention center and some other taxpayers in the area, and so they just never cut their expenses to match their current revenue streams. And so we are working actively with Newellton, even as of yesterday, trying to get some cashflow numbers, and to talk with the mayor and the council about some options to try to get them balanced.

Town of Tullos is paying their bills. They have got a fairly large cash balance, but they are also identified by the rural water infrastructure committee, which is the governor's task force, as being one of the six towns in the state with the worst water systems. So that system is operating and producing clean water to our knowledge. However, that system could fail at any point. So we are working with the rural water to try to see what options they have. I know there's been some talk about mergers and consolidations, but this is one we hadn't gotten a lot of details on yet because right now they are still covering their costs. Ms. Leslie Durham with the governor's office is one that's been dealing with the Town of Tullos and what the long term plan is there.

Mr. Cryer said that he attended two Town of Washington council meetings over the last few months because the town was out of cash and had about \$600,000 worth of outstanding bills. As of December, the new mayor had resigned and there is an interim mayor appointed by the governor as of this past month. And we are working very closely as Mr. Dwight Landreneau, a very experienced retired state employee who was secretary of Wildlife and Fisheries and at one point worked for Department of Culture, Recreation and Tourism. We are talking with him daily on different options to try to get them in a better financial position. Even this morning I was talking to Mr. Landreneau about some of his legal questions with our general counsel as well.

For the Town of Winnsboro, the new mayor came into office about a year ago and his first action was to ask us and his representative to meet at the Capitol on options to get them straightened out. They had back payroll taxes to the tune of somewhere around \$200,000. They brought in an accountant and a consultant and over the course of the last year and a half, they have fixed all the old outstanding problems. They are paying their bills and building up a surplus. We expect this town to come off our list probably in a matter of months because we are seeing a lot of improvement there with the new administration.

The Village of Epps went before the Legislative Audit Advisory Council for repeat audit findings for multiple years, including not charging enough for their utility rates. The town really has not changed much. The new mayor that was elected last year has now left the town. As of right now, they are still having problems paying their bills and very tight budget. The detention center that used to provide a lot of their sorts of revenue closed down a number of years ago and has not reopened.

So this is one that we are actively monitoring. There have not a lot of good options other than raising their utility rates which the mayor had been reluctant to do.

The Village of Powhatan is a very tiny village. They had literally \$1,000 in cash in the bank for the past several consecutive years running. Their biggest issue is their water system. They are one of those top six identified by rural water. And the last discussion that we had with Leslie Durham was that they are in the process of trying to link them up with a parish water system so that they will have a source of drinking water that will prevent them from having to redo their entire water system.

Mr. Cryer said his staff reached out to the Village of Waterproof several months ago based on the fact that they were having problems collecting receivables and had cashflow problems. They had a question about whether they could meet payroll based on their outstanding cash balances. However, they had about \$200,000 worth of receivables on utilities that had not been collected in prior years. So we have been trying to get information from the mayor. We do not have a clear financial picture yet, but we're still in the process of gathering that information. In the meantime, we've encouraged the mayor to collect as many of those outstanding debts they can and the ones that are not paying to cut those off to the extent they can.

So this list of fiscally distressed municipalities is not a pretty list or a short list. In the past we were able to deal with the municipalities one-on-one as they come up. But at this point we have 16 entities that we have identified ourselves. There are others that come up weekly that have their own financial problems and we work with those mayors. Of course, our door is always open. We receive phone calls all the time for mayors asking for assistance. But what we are trying to do here is not to point out why someone's on the list or to pick on anybody, but we're simply trying to point out that these are the ones that need the most help because we don't want them to show up here before FRC and have to go through this process. We are providing them options to help them. I don't want the mayor and the council members to show up here and say that they were never told things were this bad or ever told what they had to do to fix it. I can tell them all day long that they can lay off police or fire department or secretaries. They can ask your taxpayers to increase taxes or raise utility rates. There are a range of options and we can give that range of options in their particular circumstance. But ultimately it is going to be up to the elected officials to make the decision on which option to pick. And when they don't pick any option, that's when they end up here.

Mr. Cryer responded these have been identified as being chronic. We have other issues that come up of nowhere. For example, the Village of Clayton was one that would not have been on our radar because they borrowed a quarter million dollars in one year and used half of that money to pay for their operations. So they ended up here with FRC because those short term poor decisions can happen overnight. Those are things that would not necessarily be flagged as a long-term trend to show up on this list.

Treasurer Schroder said these are all elected bodies by the people who live in the towns. When there's a problem, where do they turn for the help? The state. Somehow we have to stop them from hurting themselves. I see LMA is here. I don't know the exact solution, but I continue to see things coming through my office for budgetary loans. I don't know what the previous administration did. In most cases since I just make sure that we're making some improvement from last year. So if they come back with a budgetary loan for this year, I want to know the amount from last year and see that we're making some improvement. But somehow the people that are on this list shouldn't show up at bond commission in my opinion. Because as you said, they make a budgetary loan and they still want appear anyway. I struggle with where's our role. We are representing all the people of Louisiana, not just the rich towns or the poor towns.

I struggle with where do we step in and what do we do to prevent these things from happening. I would rather pull a plug earlier than later. I think the banks bear some responsibilities because obviously I'm not a banker. I've been a pretty decent business guy. When the math don't add up, it don't add up and I don't understand how some of these folks are getting loans, whether we approve it at the bond commission or not, I don't know what these bankers are doing. Maybe their relationships are too close because local banks dealing with local government in these small towns. We're not helping anything. So somehow we have to connect your list to my staff's lists to make sure that somehow the flags go up. The flags went up on Sterlington. In hindsight, I should have never said yes. I knew something was wrong and could see it. Sterlington has taught me a lesson and if we need a guinea pig out there, so be it. But now I know better. I cannot say yes when I know the numbers are bad. I know this bleeds into the next item on the agenda.

Treasurer Schroder asked what can we do to make sure that this list becomes a real list that everybody goes by and not just something that you publish in a newspaper. The list should be published publicly and goes to the treasurer's office, as well

as the legislators' offices because somehow the public needs to know. He agreed with Mr. Cryer that the public is sort of oblivious, and believe the elected officials have the expertise and the wherewithal to run their towns. But quite frankly, they don't. In many of these cases that's the problem, the officials just don't have the expertise. That is not right or wrong. I can't expect somebody to do something that they don't have the expertise to do. I have now seen some examples of that. I know the state auditor's office isn't going to quadruple in size in the next six months so I don't have the answer but I see the problem clearly. Somehow we need to put our heads together. I told the auditor that through this committee, maybe we need to have some of those discussions. I will bet you a cheeseburger any day of the week that this list is not it.

Mr. Cryer agreed based on the phone calls he receives there are a lot of other problems out there as well. He pointed out that the LLA has been doing a training session for local government officials for the last four years running. We do it two to three times a year. We invite everyone in our contact list from the surrounding region when we go out and do those trainings. We started going through this list back when we first published it and trying to map which people showed up from these communities that are fiscally distressed. We had less than half of the ones on this list have ever shown up for a training session with our office in the last four years. Now we've also partnered with the LMA based on a Senate resolution from last year to do mayor's training for newly elected mayors and basically anyone that wants to show up for that training – mayors, clerks and council members.

We have been doing that this week and last week all across the state. And we've had a number of mayors that have attended. I would be kind of curious to see how many of those mayors are in fact from the same communities. I have a staff of seven people that we call our advisors and those advisors go out and try to do hands on assistance and answer questions. We go out and meet with mayors and with councils and we recommend what they need to do and how to fix their problems. But we only have seven people. There are about 4,000 different governments and nonprofits that report to us. So within the context of what we can do between our training and that hands on assistance, we have to prioritize. I can't hit everyone on this list today. We have to start requesting information from this one today. We're working with that one tomorrow. But within the context of what we're doing here, I think we provide a lot of good recommendations to those towns. It's just that the recommendations we make are not something that elected officials always want to do. They don't want to raise the rates. They don't want to cut personnel because that's going to hurt their chance of being reelected for the next term.

Treasurer Schroder commented that the officials would handle the finances differently if their own money in their personal lives, but the difference is they're playing with somebody else's coins. He would like to see this board to communicate with LMA, police jury association, school boards, all of them, every entity and have a good in depth conversation on how do we stop this. We have bond commissioner tomorrow and there is a budgetary loan on the agenda. I don't mean to be cute about it, but it is paying your mortgage with your credit card. I have been seeing it now for two years. So I am hoping with LMA and everyone's help, we can't allow this to keep happening because they make their way to these lists. If you're borrowing money to pay your overhead, then your overhead is too high. The good thing about the fiscal administrators is they don't have the political backlash because they're appointed by the courts. But how many appointees are we going to have. Like I said earlier, I don't have the answer but I know it's a problem. I don't want to help them hurt the taxpayers. We have more expertise in Baton Rouge and we have a pretty smart staff, how do we filter that down to how many thousands? Mr. Cryer answered there are 4,000 governments and nonprofits that receive public funds.

Treasurer Schroder said that is a lot of managing. I don't think it's going to get any better. I think this only gets worse. We lost 60,000 people from my understanding last year in Louisiana. Where do you think those folks are being lost from? This city grew and big cities have grown so people are leaving these rural communities. We have to figure out a way to stop them from hurting themselves. I don't have that answer but I think the state auditor does because he is a pretty sharp guy. I appreciate your work and your presentation.

Mr. Purpera said the fiscal distress list is on the LLA website. This past year we began almost parading three of these entities per month before the Legislative Audit Advisory Council. That Council does a good job but FRC is really the one charged with deciding whether an entity goes in fiscal review. So it may be that we would want to bring those entities before us.

Treasurer Schroeder said he is a licensed real estate agent and have to take so many CE classes every year including some that are mandatory. So whatever problem the real estate commission sees that year, the following year they make that a priority that 4 hour training class. Maybe it's time, and I hate to say this cause I'm a small government guy, but maybe we require that elected officials take some type of CE class on budgeting. I can tell you just from my own private life, that's not something that everybody's good at. Our country is bad at it and our government is even worse at it. We are bad as

individuals at budgeting but our government is even worse. I think as leaders, somehow we have to do something to turn the tide. Mr. Purpera said we are providing those classes and are available to all. Treasurer Schroder asked if you can make it mandatory that every elected official. I have to take I don't know how many hours of class I took last year. I got to start it all over again because I waited till the end of the year to do it.

Treasurer Schroder asked if there is something we can put in place to force administrators and the public officials to learn something more about their budget. And do we put something in place, some scale or something that stipulates that if they do not make improvements from year to year then they cannot make a budgetary loan.

Mr. Purpera pointed out that in some of these cases the boards and council members are not even getting budget to actual information. Treasurer Schroder said this is a problem. I've had legislators tell me that it's the state's responsibility to make these pension systems whole in these towns, which I disagree with. You make your bed, you elected them, go fix it. This is a discussion that needs to continue. I know you and I've talked about it, but it worries me.

Ms. Freel commented that several of the municipalities seem to be on the list because of failing water systems. And at this point that doesn't seem like a criteria that this particular committee can consider for purposes of putting under them under fiscal administration. Are y'all making the leap that if the system somehow fails, then they wouldn't be able to have sufficient revenue to meet their debts? It's critical and an important concern. But it seems to be beyond the scope of this committee as the law currently stands.

Mr. Cryer responded that the Town of St. Joseph was voted by FRC several years ago based on the fact the town was not providing sufficient funds to cover infrastructure, to repair that infrastructure, to repair its water system. The water treatment plant that had been in place for 10 years had fallen into disrepair because the town was not providing sufficient revenue to fix those problems. And so the criteria, and I'm not a lawyer, but I think part of the criteria that was used in St. Joseph was the fact they were not properly subsidizing their water system with those revenues to maintain the water system for safe drinking.

Ms. Freel said it just seems like it could be a big leap. I would venture to say that we have infrastructure problems across the state for every municipality, not only with regard to water but with everything. And so I just wanted to have that discussion. It sounds like there was some type of task force to study those water issues you had mentioned and maybe that might be something that another committee wants to look at.

Mr. Cryer said one of the concerns we have is a lot of the ones in this list have infrastructure issues with water, sewer or gas. The biggest problem is that when you have those water system issues, when you have your pipes that have been in the ground for 80 years without being replaced, or your sewer system lift stations don't work. But the officials take money from that utility system and move it to the general fund to pay for the police department and fire department and other types of services instead of using the money for the utility system. They are allowing that system to deteriorate to the point where can no longer function and ends up like St. Joseph where the state has to go in and do a \$9 or \$10 million bail out because the taxpayers never paid to maintain that system. They essentially paid to subsidize their police and fire departments. The decision on whether or not to use that utility money for utilities is one the elected officials often do to avoid raising taxes through the proper tax channels for their general fund purposes in general operations. You cannot really say that you have revenue sufficiency if you're not paying all the bills that you should be paying, including maintaining and replacing that infrastructure. Now that's a hard leap and I understand it comes down to a judgment call, but if you look at standard criteria, whether it's a rural water association or one of the other standard association that says every 10 years they should be replacing these pipes, your water treatment plan should last for 25 years. Your water tank should last for 40 years. Then the funding mechanism that's built into that has to account for the replacement and repair of that infrastructure.

Mr. Cryer explained that his staff has been working with the Louisiana Rural Water Association (LRWA) under a law that was passed approximately three years ago now, where our office has to approve water rates for nonprofit water systems. We work with LRWA and that association puts together a list of what the rate should be based for each particular water system. They build in any kind of debt service. They build in a short-lived asset reserve for basically replacement of equipment. They also build in anywhere from zero to 15% margin depending on the size of the system – generally the smaller the system then the larger the margin. And the idea is that if you have an emergency or if something breaks that you hadn't planned for, that you have that cushion there that's built into that rate. All that's wonderful as long as you're using those rates that are described by rural water and you have adopted those rates and you're using them for your water system.

But if you adopt that, then you move those rates to pay for your police department you have negated the entire purpose of funding that system. So that's one of the challenges is that the towns are allowed to move that money back and forth without consequence until that system basically falls apart.

Treasurer Schroder said at some point in time, in the past, I think the Public Service Commission (PSC) gave up some oversight. We are on the verge of a crisis and infrastructure has been a crisis. He said not sure what else can be done. We will have to tell entities they have to stop taking money from utilities and use on anything else other than utilities, period. If they cannot operate utilities on the money that brought in, then maybe they shouldn't be in the utility business or you raise your rate to the point where if the taxpayer wants to have water and sewer, that is what it will cost them. But we have seen several situations such as Sterlington where they took bond proceeds for a particular issue and used it on something else. They didn't know what else to do. We're helping them hurt themselves. I am about to the point where I'm ready to just stop. It's politically difficult but I can't see where I want to help make the problem worse. So maybe that is an answer somehow that you just don't allow towns to mingle utility receipts with anything else. Secondly, I don't know how bad this thing's gonna get before we all wake up and figure something out because it's not just us. We just happened to be here today, but maybe we go to the public service commission and let the public service commission get back into regulating utilities. I did not know that LLA is basically regulating nonprofit utility companies.

Mr. Cryer explained that we are certainly approving the rates after rural water calculates the rate. Treasurer Schroder said maybe you like that but I would rather use you to do something else. The public service commission, correct me if I'm wrong, is in that business. We need to have a discussion with them or this is not working the way we are going. Your report isn't exactly glowing. It's been identified to be a problem. The question is what do we do next.

Mr. Purpera said not sure how to answer that except that I would love to get out of that business. And I do think that we're probably going to see legislation this year dealing with the issue of a utility fund operating independently. And I think that's going to be some legislation that's going to be provided. In answer to Ms. Freel's question, I just wanted to say in the issue of the Town of St. Joseph, what Mr. Cryer explained is exactly correct. The Town of St. Joseph had a tremendous problem that their people could not get safe drinking water. Their schools were not able to get water. They had to bring in those trucks with water each day and that sort of stuff. The town had not technically defaulted on any loans, but we read in the law that it's reasonably certain not to have sufficient revenue to pay current expenditures. And the issue was that if they had properly maintained their system, they would not have had revenue sufficient to pay current expenditures. So the leap was made and it had to be made. Or we could have told them you have to go and hire a contractor to go do the work and then not paying. And then we can do fiscal administration. This is leading into our next issue is we have to come to some idea of what is it we're going to be expecting in order to move entities into fiscal administration. The list that Mr. Cryer has been talking about is not a list of entities that we are asking this committee to put into fiscal administration. We're trying to keep them out of fiscal administration. We understand all the problems with putting an entity in fiscal administration and it causes my office a ton of work to do that.

## **V. DISCUSSION OF FISCAL REVIEW COMMITTEE PROCESS**

Mr. Purpera noted that the Attorney General's Office provided a document for the committee's review. I have not had a chance to study it so not sure how much conversation we need to have today. As we go forward, what is that evidence or level of proof that we need to be able to move forward when we do believe there's an entity that needs to go in fiscal administration. It already takes a significant amount of time to go through the court process to get the fiscal administrator up to date and rolling forward and making an impact. We heard from a couple of them today that six months, they're just getting their feet wet but we don't want to delay it any further than that if it is unnecessary. I haven't had the chance to study the document and see where we're headed.

Ms. Freel said we do have two assistant attorney generals that do a lot of work in this area and that's Erin Day and Emily Andrews that worked on preparing this document and they have a few suggestions that I'm sure that they would be willing to share with the committee at this time.

Ms. Erin Day, Assistant Attorney General with the Civil Division, and Ms. Emily Andrews also with the civil division at the Attorney General's office testified. Ms. Day explained that they prepared this document to go over the process on their end as to what happens with the fiscal administration cases. As Mr. Cryer went over identifying a lot of their distressed municipalities and when it gets to the point where they think it's meets a requirement of fiscal administration, they bring it

forward to this committee. At that point information is presented to basically let the committee assess financial stability of the political subdivision and determine whether or not you're going to place them under fiscal administration that is by unanimous vote of the committee. And there's only certain times that that can happen – for only two reasons.

One reason is when the political subdivision is reasonably certain not to have sufficient revenue to pay current expenditures, which that would not include any type of civil judgment against the political subdivision. Failing to provide an audit report for three consecutive years actually becomes prima facia evidence that the political subdivision is reasonably certain to not have sufficient revenue. At least on our end, that gives us a pretty clean cut case that we can go to the courts with. The other reason would be that they're reasonably certain to fail to make a debt service payment. From there if the committee votes unanimously to move forward and to place this political subdivision under fiscal administration, then the AG files a suit. I think as we've kind of gone through everything earlier today and seen in the past that some of the issues that we've talked about come when getting the information that we need together in order to bring suit.

Ms. Day further explained that the burden of proof shifts to the state to show that the political subdivision is meeting one of those requirements that we discussed earlier. It's also really important to have the name of the fiscal administrator at that time because we can't really move forward unless we know who the fiscal administrator is going to be. And from what we have, especially over the last year when I think between October 2018 and February 2019, there were I think four municipalities that were voted to be placed under fiscal administration. But unfortunately it took anywhere from five months to still at present, not even having a fiscal administrator willing to come in and serve. And so that puts us at a difficulty of proceeding because we have to know who to tell the court to appoint.

It also creates a problem because it kind of goes in with the next part of the process. So we'll file the petition with the court to appoint the fiscal administrator. And at that point there's an expedited hearing requirements. So the court has to have a hearing no less than 20 days and no earlier than 10 days after the petition is filed. That means that we have to be ready to go for trial, basically, because it doesn't give us any time to conduct discovery. We have to have all of our evidence and witnesses lined up from the time that we file that petition. So again, we need to know who the fiscal administrator is on the front end because we need all of the documentation ready to go. And when it takes six months, nine months, a year to get a fiscal administrator, our evidence becomes stale. And we have to start all over again with requesting those documents.

Treasurer Schroder commented that this isn't the first time we've had this conversation. I hate having the same conversation more than once because that means we didn't do anything about it the first time. So what I suggested sometime back is that the state auditor uses his people and put them on state payroll and hire these auditors. I guess they don't necessarily have to be auditors but accountants to work for the auditor. And that's all they would do and that would be their job. We would actually save the town money. I have seen some of these bills and can be pretty expensive. I think you can bring some accountants on staff, pay him a salary and that's what their job is. That person would work for the state managing distressed municipalities around the state. I don't know how else you do that unless you're going to create a bank of retired auditors who want to go do this. That has been a problem since I've been here. Again, we need to add that to the list of what needs to be fixed because we can't make these towns wait that long. It causes great interior stress on these towns. I use Bogalusa because that was the last one. It caused them great problems the length of time it took to get that FA in there and we need to fix that.

Ms. Freel said that one of the options that we've thrown around which Ms. Day and Ms. Andrews are prepared to discuss. Right now there's nothing short of going to court which allow these municipalities to come under a fiscal administrator. And so perhaps a change in the law that would allow a consent short of going to court could cut down on expense and it could also maybe help facilitate getting them some relief quicker.

Treasurer Schroder said based on what we heard today, we know that they do not all agree. If the officials were doing a good job, they would not be there to begin with. So you know you're going to have some disagreement, which is why I said they would have a plan in writing because it would help some of that. It is the court that gives the FA the ability by law to make the decisions they need to make. So how do you get around that?

Mr. Purpera said we have not had to go to court for a full hearing on every one of them that we've voted for so far, so we must be getting around that somehow. He explained the reason that his auditors could not do the work of a fiscal administrator is because his office is going to be \$3.5 million dollar short next year. There is no way and you heard Mr. Cryer say that we have seven people doing this. That is if we got the funding next year.

Treasurer Schroder said he has talked with Mr. Purpera but wanted to say publicly that it has to be fixed. The list shows that it will only get worse. Mr. Purpera said we did fix a little bit of it because there is now funding revolving loan fund. That was part of the problem with Clayton and Clarence because there was no money to pay a fiscal administrator. I don't think we'll ever be able to have a name before we vote here because that would make me have to find somebody really on the thought that we may place somebody in fiscal administration. That's going to be really hard because there's not very many people wanting to do this. Treasurer Schroder commented that we have some that are willing to do it without getting paid for a while.

Ms. Day said they make pretty good money. I think that you might be able to advertise. We do that for lawyers and you might be surprised, there may be some more people out there in terms of CPAs that would be interested. I know entities do similar things for engineers and architects where they just have a list that they kind of keep on going. You know, they've done a request for qualifications and they have an idea of maybe who to use in the future. So even having people who are willing to serve, I mean that has seemed to be quite the problem. And in fact, I think y'all are all aware that Clayton still a year or more after the committee has voted to place them under fiscal administration. We still don't have a fiscal administrator who's willing to go out there. So we haven't been able to follow suit. And as soon as we find out who that person is, we'll have to start compiling the evidence again.

Mr. Purpera said the issue with Clayton is they have no ability to pay a fiscally. Ms. Day said with the revolving loan I believe that the law actually even allows them to go ahead and apply for the fund, as long as the fiscal administrators in the process of being appointed. I mean, I'll also say that part of the hesitation, we just dealt with Clarence and part of their hesitation to even wanting to consent is that the law provides that they are on the hook. They have to pay for all costs and expenses related to the fiscal administration and they're already having enough problems paying their bills. So they have to pay court costs, attorney's fees, the fiscal administrator and they also have to pay for the legislative auditor and any expenses that our Attorney General's office has incurred. And that's part of their hesitation to consent, which in that case, we did meet that automatic prima facia evidence where they haven't filed the three consecutive audit reports for three consecutive years. So it kind of backed them into a corner.

Mr. Purpera agreed it would be easier if they consent but most of these entities are not going to want to consent. I'm going to use a terminology – it is not what it is, but it's kind of a takeover. It is putting a trustee in charge of the very things that they were elected to do and so they're not going to want to do it. But it is coming as a result of a long process of monitoring them, trying to get them to do better. They don't do better. And then this committee has this authority based upon on the law to put somebody in charge. And so then they just, frankly, have to pay it. That's just the way it is.

Ms. Day said I also was kind of bringing some of that up though because I think one of you mentioned that we haven't had to go to trial yet in the majority of these cases, but clearly there are a few that have considered doing that and we have to be prepared and also be prepared to have those expenses for the state as well on the front end.

Mr. Purpera asked if we could come up with a process where we can go to from A to Z a lot quicker than we are right now. Ms. Andrew said that was our goal today. I think you asked us to present the process today to let you know how it's done now and maybe there are some reasons or some issues in the process now that could be improved upon. So I think that was really why we came today to explain the process because I know that y'all vote to have the attorney general file a rule to have a fiscal administrator appointed. It's actually the FA is appointed by the court and once you vote it comes to our office and then other than Bradley who I call sometimes on a daily basis, you don't hear about it for a while. So it's really to kind of let you know what is going on behind the scenes once this committee votes. A lot of times the AG's office hears from the town asking why don't they have a fiscal administrator yet and what is going on.

Ms. Andrew responded to Mr. Purpera's question about not having to go to trial. One of the issues that we have seen is that you can't enter into a consent judgment having the court appoint a fiscal administrator without filing an initial petition. And the initial petition obviously has to have the allegations that are true. And so what we had, and I'm just going to use Bogalusa for an example. We had to backtrack all the pension accounting, backtrack all the land field accounting and present that in the consent judgment. It is not enough for the town to just say they consent. The judge also has to agree and the judge is not going to agree just because they consented.

The judge also looks at that evidence and they look at the joint stipulation of facts. And so that's currently what's required even when a town wants to consent. So it does require a lot on the front end. There is currently no mechanism for a town to just say yes, we would like a fiscal administrator, please come in and do that. And you are correct that the law currently provides that must go through the court process, but that's just one of the things that we've identified for you to review. If there is something we could do to make that easier for the town to agree to.

Mr. Purpera requested time for all to look the look the document over and then work together to make it as streamlined as possible. He said that Bradley would be working with them on this document and appreciates the AG's office providing the document.

#### **VI. OTHER BUSINESS**

No other business was discussed.

#### **VII. ADJOURNMENT**

Ms. Freel made a motion to adjourn, and Treasurer Schroder seconded the motion. With no objection, the meeting of the Fiscal Review Committee adjourned at 3:53 p.m.

**Approved by the Fiscal Review Committee at their meeting on: August 26, 2021**

The video archive of this meeting can be found in the House of Representatives Video Archives:

[https://house.louisiana.gov/H\\_Video/VideoArchivePlayer?v=house/2020/jan/0129\\_20\\_Fiscal\\_Review](https://house.louisiana.gov/H_Video/VideoArchivePlayer?v=house/2020/jan/0129_20_Fiscal_Review)