



FISCAL REVIEW COMMITTEE

MINUTES

Monday, January 7, 2019
1:00 p.m.
House Committee Room 3
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)

Mr. Ron J. Henson, First Assistant State Treasurer
Designee for The Honorable John M. Schroder, State Treasurer

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

II. APPROVAL OF MINUTES

Mr. Henson made a motion to approve the minutes of the October 17, 2018, meeting. Mr. Stiles seconded the motion, and with no objections, the minutes were approved.

III. VILLAGE OF CLARENCE

Mr. Bradley Cryer, Director of Local Government Services, provided a summary on the Village of Clarence (Village) since July 2016 when Mayor Tommy Evans took office. Since that time the LLA's advisory staff has met and corresponded with the mayor, council members, police chief and town clerk to try to resolve compliance issues and disputes among the elected officials. In October 2018, the District Attorney in Natchitoches filed a Petition for Writ of Mandamus with the 10th Judicial District Court to "compel the Mayor of the Village of Clarence, Mayor Tommy Evans, to perform his statutorily required ministerial duties incumbent upon him in his official capacity as the Mayor of the Village of Clarence." There was a hearing in November and other hearing scheduled this week but understand that Mayor Evans has resigned but not submitted the official notarized resignation to the Secretary of State's office yet so that resignation is not official yet.

In addition, the City of Natchitoches has contacted our office about one and a half months ago and again in December regarding possibly cutting off water to the Village for nonpayment of amounts owed. Because the village has not provided its required financial report to the Legislative Auditor for fiscal years 2017 or 2018, our analysis of the Village's financial condition has been based on a variety of sources, which we have confirmed with each source or with the village clerk. Based on our most recent information, the Village does not have sufficient revenue to pay current expenditures. According to the December 31, 2018 bank statement,

the village had \$13,785.08 in cash in its general fund, water fund, and sewer fund bank accounts but owes at least \$68,000 (excluding debt service payment), broken down as follows:

- \$27,766.42 (\$4,531.84 over 90 days) – Water purchases from City of Natchitoches;
- \$15,100 (over 90 days) – Penalties to the Louisiana Department of Health (LDH) for sewer system violations;
- \$3,964.67 (over 90 days) – Fees owed to auditor for 2016;
- \$4,160.33 (\$4,077.69 over 90 days) – Reimbursements owed to Louisiana Workforce Commission (LWC) for unemployment payments, including penalties and interest;
- \$6,600 (\$4,800 over 90 days) – Salary owed to village police chief for 11 months;
- \$5,000 (\$3,600 over 90 days) – Salaries owed to 3 aldermen for 13, 11, and 1 month, respectively;
- At least \$5,676.52 owed to the Louisiana Department of Revenue (LDR) for 2018, including penalties and interest;
- Unknown amount owed to the Internal Revenue Service (IRS) for all of 2018 (clerk acknowledged the Village has not paid any taxes to the IRS); and
- Unknown amount necessary to address deficiencies in water and sewer systems to return to code (representatives from LDH and Department of Environmental Quality (DEQ) attended to discuss further).

Based on a discussion with the village clerk in mid-December, as well as a review of the November and December bank statements available to us, we do not have any evidence that the village made its final debt service payment of \$8,334 that was due to the USDA on December 28, 2018. Because of the federal government partial shutdown, USDA officials have been furloughed, and we are unable to confirm whether the village made its debt service payment.

The Fiscal Administrator Law, R.S. 39:1351(A)(2)(a) states, in part: *If it is determined by the unanimous decision of the legislative auditor, the attorney general, and the state treasurer at a public meeting to consider such matters that a political subdivision is reasonably certain to not have sufficient revenue to pay current expenditures, excluding civil judgments, or fail to make a debt service payment, the attorney general shall file a rule to appoint a fiscal administrator for the political subdivision as provided for in this Chapter.*

Based on the factors above the Village would meet the legal requirements for fiscal administration for either its failure to make its debt service payment or for insufficient revenue to pay current expenditures including many over 90 days.

Additional Details

- The village has not prepared bank reconciliations or budget-to-actual comparisons for its aldermen. Based on past discussions with aldermen, we are uncertain whether the village has legally adopted budgets for the 2017, 2018, or 2019 fiscal years.
- The village has not met its financial obligations to address deficiencies in its water and sewer systems.
 - LDH issued an Administrative Order in October 2014 that reported 7 violations of the Village's public water supply permit and provided 17 remedial actions that the Village was to take to comply with the Louisiana Sanitary Code. According to LDH, 9 of the 17 remedial actions are still outstanding.
 - LDH issued a Compliance Order in August 2017 that reported 11 violations of the Louisiana Administrative Code relating to the village's sewer system and provided 13 remedial actions that the Village must take to become compliant. In March 2018, LDH imposed \$15,100 of civil penalties based upon the classes of violations and the duration of the violations. According to LDH, 9 of the 13 remedial actions are still outstanding
 - DEQ issued a Compliance Order in July 2018 that reported 7 violations of the Louisiana Environmental Quality Act and supporting regulations relating to the village's sewer system and

provided 10 remedial actions that the Village must take to become compliant. According to DEQ, all violations are still outstanding.

Based on all this information, this Village is not solvent. The City of Natchitoches has threatened to cut off water and the only reason they had not so far was because the District Attorney and the LLA was taking action to make sure the payments were made. We believe the Village meets the criteria for fiscal administration and that is our recommendation to the Committee.

Mr. Purpera asked if the Village is making any payments toward the \$4,500 that is 90 days past due to the City of Natchitoches. Mr. Cryer said payments were made in October and November but do not have any record of payment in December. Mr. Purpera asked about the \$3,964 owed to the auditor for the 2016 audit so assume the 2017 is not completed. He asked how not paying for the 2016 audit impact the 2017 and 2018 audits. Mr. Cryer responded that if money is owed for the prior audit, they cannot hire a new auditor until that debt has been paid as per the standards. Mr. Purpera said that is a substantial problem for accountability.

Mr. Purpera asked if any other salaries are unpaid. Mr. Cryer responded that the other employees have been paid. In fact we saw on the December bank statement a \$1,300 check written to Mayor Evans on his last day in office and a \$5,000 check addressed to the clerk. Mr. Purpera commented that while other town officials were not paid that the mayor and clerk were being paid, but the employee taxes and withholding was not paid so that will be an issue when employees file their taxes.

Senator Gerald Long expressed his appreciation for the City of Natchitoches not cutting off water to the Village in spite of nonpayment. This was a stressful situation that confronted the mayor whether to cut off the water and penalize the people who have actually paid their water bills. I asked the mayor to give more time in hopes for things to work out. We have engaged the sheriff in Natchitoches who has graciously provided law enforcement services for the Village to ensure the safety of the citizens. I could give many other illustrations but sufficient to say our people deserve better and need to know that government works. As a senator, I have personally worked for several years to address those issues. To be in any community and not feel safe or feel that government is working is not acceptable. On behalf of our people in Natchitoches Parish and the good people of Clarence, he applauds the actions and recommendations and as the senator for that district I strongly support that.

Mr. Purpera asked about the decrease in population for many small municipalities. Senator Long said in small north Louisiana if a town can get a Dollar General store that is pretty important. Recently a Dollar General opened in the Village and benefiting by around \$1,000 a month in sales taxes revenue and providing jobs. I serve all of Sabine, Red River, Natchitoches and portion of Rapides, Winn and Grant Parishes. Many small villages are extremely challenged because of a loss in population and a loss of revenue. Natchitoches Parish has remained relatively good with about 41,000 people but the smaller villages such as Clarence, Campti and such are struggling.

Mr. Purpera asked if the Natchitoches sheriff is willing to provide services, is there any room for the City of Natchitoches to take over the management of the water through the Village if possible. Senator Long responded that he would discuss that with Natchitoches' mayor when he meets with him later in the week regarding other issue.

Mr. Purpera suggested helping the Village by offloading some services that cannot properly run and maintain those systems. Senator Long concurred and the bottom line is for the people to feel safe, secure and know the government is working but right now none of those three exist if it has not been for the City of Natchitoches and the Sheriff's department.

Mr. Stiles commented that as he has sat on this Committee for almost three years and hearing the same common thread of situations, he questioned if in the public interest to keep the village as a concern with police departments and water system problems not functioning. He is not aware of a mechanism to use authority to make the determination where the parish government could take over the water system. He asked Senator Long to consider that type of legislation or speak further about this situation.

Senator Long said that Natchitoches Parish President Rick Nowlin, former House member, is an excellent man with enormous responsibilities with not enough money. There are 1,100 miles of roads that Natchitoches Parish Government is responsible for. The problem is not sure how much more we can ask of the parish government to participate from the perspective of adding financial responsibilities. I will say this that President Nowlin is very approachable. The small town of Natchez is an example of good working town with limited resources. The key here is not resources and want to bring to the committee's attention. The problem in the Village of Clarence is the absence of leadership to do the right thing. The Village has enough income if managed properly. He knows the mayor and council members and this has been a convoluted relationship from day one. It has not been the example of leadership that we would hope for. You can disagree just like the senator or in the House of Representatives but the bottom is line is that you can disagree without being disagreeable to the point that it begins to violate the principle of good government. We have simply not had the leadership from our mayor in Clarence that allows the community to function normally.

Mr. Stiles said he was not picking on the Village but as a whole we do experience various circumstances in different areas. But we could argue that it might be in the best interest to spin out or wind down an incorporation once they get so far into debt and what not. We really do not have the tools and very limited in what we can do particularly when it comes to funding a fiscal administrator.

Senator Long agreed and commented that six out of the ten most noticeable speed traps were in his senatorial district. At one time this Village financed most of their needs through tickets. That might be a convoluted way to do it but it generated revenue and enforced the law. At one point they were level in their financial resources and the management of it. But I am not saying we start writing tickets again because we do not have a policeman in the Village.

Mr. Stiles said appreciated Senator Long's involvement and sure he is aware of the situation. Senator Long apologized to the people who have endured the hardships. His office has received 100s of calls over a long period of time regarding the Village. Mr. Purpera expressed appreciation for Senator Long's work in the Senate and interest in Louisiana government and his support.

Mr. Purpera asked for the last reported income for the Village. Mr. Cryer read from the 2016 audit the general fund revenues of \$185,000 and proprietary fund revenues of \$131,000 so totals a little over \$320,000 approximately. He has not received any interim financial from the mayor since that 2016 report.

Mr. Stiles asked for a breakdown of the revenues by category such as water, sewer, etc. Mr. Cryer read the 2016 general fund revenues \$54,000 in taxes; \$21,000 in licenses and permits; \$105,000 in fines and forfeitures; \$3,400 in miscellaneous totaling about \$185,000. For the proprietary fund which includes water and sewer and utility operations it only shows the sales which are the actual collections of \$131,000. I should point out that the operating loss in 2016 was \$75,000, so they were losing money on their utility operations. On the general fund side was also an operating deficiency of roughly \$54,000. So even in 2016 the Village was losing money in the general fund and utility operations.

Mr. Stiles asked if the water and sewerage is combined on one bill. Mr. Cryer said the aldermen in the audience said that it was billed separately. Mr. Stiles asked if the Village has water meters, and Mr. Cryer confirmed it does.

Mr. Henson asked to verify that the total revenues were around \$315,000 in 2016 but yet simultaneously they had over \$100,000 shortfall that year. Mr. Cryer said the total change in net position on the proprietary funds which includes all miscellaneous sources coming in, had a shortfall of roughly \$65,000. In the general fund total shortfall after all other revenue sources was \$61,000. Mr. Henson asked if there was a detailed budget for 2015-16 providing the major categories. Mr. Cryer responded that the general fund budget to actual comparison but not one for the proprietary fund. The general fund shows taxes, licenses, permits, fines and forfeitures and miscellaneous. The budgetary amounts for 2016 showed total revenues in the general fund estimated to be \$212,300 but the actual received was \$185,000 which was roughly \$26,000 below budget. The total expenditures budgeted at \$228,000 and actual was \$239,000 which was roughly \$10,000 over budget for expenditures. That does not include other transfers so the total operations and changes in fund balance was negative \$16,000. They actually brought in \$60,000 negative operations on the budgetary schedule for total change in fund budget to actual comparison of \$44,000. There are some differences between the budget numbers and the financial statement and income statement numbers which this one \$60,000 actual loss per the budgetary basis. The financials show \$60,691 for the income statement and identical for the budgetary basis. They had budgeted for a loss eating into their fund balance of \$16,000 and actually ate \$60,000 of their fund balance for that year. The total fund balance beginning in 2016 was \$76,000 which left them only \$16,000 fund balance but have no idea where they stand today.

Mr. Henson asked if the financial shows major operating expense categories of that \$228,000. Mr. Cryer responded that on the proprietary fund schedule the largest category is depreciation which is \$78,000; personnel \$40,000; utility and telephone expense \$71,000; insurance \$6,800; repairs and maintenance \$3,500; office \$4,700; and testing -assumedly water and sewerage - \$2,700. For the general fund on the income statement only has some broad categories including general government \$172,000; public safety \$54,000; and debt service \$12,121.

Mr. Henson asked for details on the debt payments. Mr. Cryer explained the debt service payments include the USDA loan. He spoke with the USDA several weeks before and the Village still owed \$8,300 of principal and interest and would be paid off completely in December but have not been able to confirm if paid. The mayor was not sure and has not seen anything that cleared the general fund bank account in December. Mr. Henson said there are almost too many issues to ask questions about.

Mr. Purpera said a summary might be that since the 2016 financial statements the Village is in a large deficit position especially in proportion to the total revenue. Mr. Cryer said these are only what was confirmed with vendors but there might be more debts with smaller vendors not included. Mr. Purpera commented that without the information there is a lack of accountability in 2017 and 2018. Mr. Cryer added that he has not received interim information from board meetings or other sources to get an idea of where their financial position stands but complete unknown.

Mr. Stiles asked about the proprietary fund for the sewerage and water funds has been operating at a substantial loss. He asked if historical data to see if losses in 2014 and 2015. Mr. Cryer answered that he did not have a trend analysis prepared.

Mr. Purpera invited anyone from the Village to testify as well as representatives from LDH and DEQ. Mayor Tommy Evans did not attend the meeting.

Village of Alderwoman Tamala Chatman said we need help. The only reason why the Village is unable to pay the bills is that the mayor created jobs just to pay them, and made reimbursements that were not approved. The mayor took ownership of the bank account and the only signer on the account. The mayor locked the aldermen out of city hall so they could not see anything. Ms. Chatman continued explaining that the mayor created three secretary positions on \$21,000 salary and increased it to \$39,000. The secretaries were paid \$11

per hour and reduced their hours to five to six hours per week but they still got paid and would clock in but did not clock out because city hall was closed. But the payments to the secretaries were still made. That hurt the Village. The mayor was treating the water himself and fired the water system operator. The Village got into a situation with fines. Then he hired an operator that was not equipped to handle the water. The Village went from paying around around \$40,000 to \$75,000-\$80,000 for water. We were wasting water because the mayor was draining water every day for 24 hours a day. The citizens are paying their water bill but family members do not pay their water bills. We have 214 meters but have 66-113 people paying the water bills. We do not have anyone adequately reading the meters to get the correct bill and there are leaks.

Mr. Purpera asked to clarify that about 66 of the 214 customers are paying their bills so that leaves a large portion not paying bills. Alderwoman Chatman agreed and said the mayor cut off water for those he does not like. She read her own meter and sent pictures of the meter via email but that does not matter and the mayor bills a base rate. The Village received a grant for the water meters and the plastic pipes are breaking on our side and the meter. The mayor took the grant and used it for the roof and should not have done that. So there are a lot of leaks that were not fixed. The operator got lines opened up. There are some businesses that do not exist where the address shows.

Alderwoman Chatman said that the sewer has not worked since 2016 and reported it to the mayor. There was sewer in a ladies house because of the Village's fault. The mayor paid somebody to reroute the sewer to go into a pipe that has no outlet so they have a citation for that. We do not have a council meeting. The clerk is paid and never show up for work and has resigned three times but her check is steady flowing and made herself salary. We are paying too much out just for employees and not paying any bills. We have revenue to pay our bills but the mayor is not paying them.

Mr. Purpera asked how many employees the Village has right now. Alderwoman Chatman said all work about 25 hours. One girl works about 10 hours per week every other week but still gets a check like she's working. The main clerk does not work at all but got a \$5,000 check in December and her full take home pay in December was \$6,741 paid from the water department. We could have paid the water bill.

Mr. Purpera asked if the Village has a mayor pro-tempore. Alderwoman Chatman said they nominated me and voted unanimously to appoint me but the mayor said he did not like me so that's not happening. Mr. Purpera asked if the mayor has unofficially resigned. Alderwoman Chatman said that the mayor did unofficially resign but still writing checks and passed out checks on Friday. We have people that want to pay their occupational licenses but cannot get into city hall. He shut down the police department but nothing wrong with the department. We just need help to get into city hall and need someone to come in to help us. We did not have the leadership. The mayor pays his brother, the clerk's son and the clerk's sister, his friend and just anybody but the right people to pay the bills. We need an operator and help. He took all of our grants and put it on the roof that is not finished.

Mr. Purpera asked how many aldermen do they have and if they were present. Alderwoman Chatman said yes, the three alderwomen including her were present along with the chief of police. Mr. Purpera asked if the board was in favor of a fiscal administrator. Alderwoman Chatman asked for an explanation.

Mr. Purpera explained that this Committee reviews the financial situation and if the three members are unanimously in favor of appointing a fiscal administrator, they ask Mr. Stiles to have the attorney general's office request the court to appoint a fiscal administrator. That fiscal administrator would by law have the authority to run the village and takes over the role of the mayor and council. The mayor and council become advisors to the fiscal administrator who has the authority to correct the problems, make any necessary personnel or contract changes, water or sewer rates and whatever it takes to get the Village back to operational and accountable entity. Once that has been accomplished the court will remove the fiscal administrator and

returns the operations to the elected officers. He asked if that is something the current board is in favor of since you have asked for help and leadership.

Alderwoman Chatman answered that they are for what is best for the citizens and the other alderwomen are in agreement. Mr. Purpera said I think that was a board meeting but it was unofficial.

Dr. Jimmy Guidry, State Health Office of Louisiana, said his concern is if the system is not maintained and deteriorates then peoples' health will be at risk. People are being exposed to water that is not being properly treated and exposed to raw sewerage that is backing up in homes. This is a very unhealthy situation and condition. As we look around the state there are many little systems failing and not enough customers to pay for the cost of doing business. We are struggling to figure out if they get absorbed or do they buy a larger system or do they go back to the days where they have their own individual water wells in their back yards which is certainly not what they want. We want community systems. In this village they do not treat their water but literally buy their water but their pipes are aging and quite a bit of leaks so they are paying for water leaking out. If the pipes are not maintained or replaced, they pay for water that never reaches the customers. The city is paying the bill but if not enough customers paying the bills or not even paying their bills, and the meters are not being read, then they are not managing the funds to reinvest in the system. I am not hearing reinvestment. Pipes need to be fixed, water that needs to be treated, and sewer issues including lift stations not operating which means the sewer is going to back up. So a fiscal administrator is a way to sort through how to get the village back on its feet but the village must pay a fiscal administrator. We find that the folks who need a fiscal administrator are having difficulty paying for that person. I would ask as we go forward and this is just the beginning because we see this every week, is to work with the legislature and the people that lead the state to find a way to have a revolving loan fund. I know there is a fund but it has no money in it. Could we legislate funds for the purpose of getting little villages and towns back on their feet? They can pay it back over time but cannot pay it back on the front end. These are my thoughts and it is frustrating to hear people living like this because we should not be like this. But we elect officials and we trust them to do what they need to do. Managing funds is hard to do. Sometimes if too small, they don't have enough customers and if the rate is not high enough they cannot keep up with the cost. Literally that is what we are hearing that the bills are not getting paid every year. You must have a source of income and a decent rate and have to maintain. If you try to fix things when everything is leaking that is far more expensive than fixing pipes as they leak. We are learning this over and over again as a state that infrastructure whether roads or sewerage or water, it is aging and the cost to replace things is very cost prohibitive. So I am worried about their health. If we cannot figure out how to help them we might go back to the days of where you have your own individual wells and sewerage in your yard that you are responsible for because not enough people to pay for a system. A system is expensive. But that is going backwards and need water pressure to put out fires and to flush toilets. An individual water well might not be able to fight a fire, and in rural areas may not have the water pressure to have fire protection which increases insurance rate. We have many examples and trying to figure out how to help folks but a very expensive endeavor and how do we pay for it is the question.

Alderwoman Chatman said they have help to fix the leaks from the farmers who met with the council. She fixed a leak on the city side and paid for it herself. The mayor would not allow the citizens to fix the leaks. We have the help and tools to fix the leaks but just have a stopping block. Mr. Purpera said that a fiscal administrator could help them with that.

Mr. Henson explained that there is a cost to the appointment of a fiscal administrator and the town will be expected to pay for those costs. But on the same time the fiscal administrator will give you something that without it you will never get any better – that is a budget. The fiscal administrator will develop a budget with the board and will be his decision to come up with a realistic budget based on realistic revenue and make recommendations on changes to the revenue and budget to get in the right direction to solve their problems. There will be an expense but it won't go on forever and we will help by overseeing the fiscal administrator

and their progress along with the town. We have had some very good results in that regards but he or she absolutely will have the authority to remove any obstacles that are in the way. That would be a very positive step but there is a price tag.

Alderwoman Chatman said the council members have the bank statements but do not know what else is in city hall as far as expenditure so not sure if they can afford it. Mr. Henson said we will look at that with you and one of the first things a fiscal administrator will do is take the bank book away from someone that does not need to have their hands on it any longer. The fiscal administrator will have to work with the bank in order to control the finances. We will have those discussions and work with you on that.

Mr. Stiles thanked Alderwoman Chatman for coming forward with the information about what is going on in city hall and find it extraordinarily disturbing. One of the things a fiscal administrator will do is hopefully reading and collecting the revenue for the city to pay for the water system and the sewerage. On the other side of paying for it, there is an expectation that there is revenue not being realized particularly given your testimony today and I see the nice ladies behind you in agreement with that you were saying. I assume they have witnessed the same type of activities that you described by nodding so there is an expectation of revenue in addition to what you are currently receiving. I calculate you are only receiving 20-30% of your water metering and that cannot continue. We are going to do everything we can to help you.

Mr. Wayne Slater, Senior Environmental Scientist with DEQ's Enforcement Section, said they also have issues with the Village. DEQ sent a compliance order to the Village earlier this year for issues with their wastewater plant. These issues are quite serious because specifically the Village has a lift station that has "treated wastewater" that is permitted to go into the Red River as their discharge location. Currently this lift station is not operating and the wastewater is going into a small tributary Bayou Barbeau. The problem is that when the permits is written for the receiving stream which is the Red River which can handle waste water that is not treated as much as something going into a smaller system. The wastewater is treated to go into the Red River but it is going into the smaller system cannot handle it and does not have the similar capacity and has other issues such as being septic and causes fish kills. Mr. Slater had not seen the sewer plant himself but based on observations from their inspector, the affluent was black and had a foul odor and contained floating solids. The chlorinator was not working and various parts of the plant were not operational. It looks like some very serious issues with the Village's waste water system.

Mr. Slater said DEQ has an estimate to repair the Village's lift station at about \$38,000 just to get the water going into Bayou Barbeau into the Red River. We have been working with the consultant who has been trying to work with the town. The consultant has several requests for information so they can respond to DEQ but has not received any response from city hall. Some are minor paperwork but some are very major. The last thing we heard for the \$38,000 repair is that the Village was trying to get funding but appears to be very difficult for this location.

Mr. Henson asked if the Village could get into the position hopefully with a fiscal administrator soon to look at the necessary repairs to the sewerage issues, are there programs within DEQ that can assist the Village for financing to make the improvements in a timely fashion.

Mr. Slater responded that DEQ has a revolving loan fund that is a loan from DEQ that must be paid back. The interest rates are low but the only funding source at DEQ. Mr. Henson asked if any portion has forgiveness loans. Mr. Slater said that is not his expertise so cannot answer. Mr. Henson said they have some time to look into that and hopefully find some way to help. Mr. Henson commented that the Village probably needs improvements in the water system, pipes and meters and lift stations.

Mr. Purpera asked for any public comments regarding the Village of Clarence and no one came forward. Mr. Purpera offered the motion to place the Village under fiscal administration in accordance with Title 39:1351.A(2)(a). Mr. Stiles seconded the motion and Mr. Henson agreed for a unanimous approval of the motion. We will ask the attorney general's office to file with the courts the proper documentation for that. Mr. Purpera thanked all for attending and testifying from the Village, LDH, and DEQ.

Village Police Chief Earther Hall said that the mayor closed the police department after two months in office because he could not have access to her computer. The mayor locked Chief Hall out of her office and has not paid her in almost a year. The sheriff's department helps the Village. Chief Hall was going out on police calls in her personal vehicle but was told to stop. She said it would not be hard to get her department back running if get insurance on her vehicles and hire some people.

Mr. Purpera said that Chief Hall is the type of employee that everyone would like that works for free. He expressed appreciation for all Chief Hall does for the village and commented that with a fiscal administrator the Village will see good positive change.

IV. TOWN OF STERLINGTON

Mr. Cryer explained that the Town of Sterlington (Town) was added to the agenda because of a debt default in December 2018. However his office has not prepared a full financial workup with revenue streams so will only address the issues noted on the handout. It is totally up to the Committee to decide whether or not to adopt fiscal administration or continue this to a future meeting. But our ability to provide current financial information and provide a full picture is limited as of today.

Mr. Cryer read from the handout: On December 1, 2018, the Town of Sterlington (town) failed to make a \$174,655 debt service payment to Texas Capital Bank and a \$44,062.50 payment to Homeland Federal Savings Bank. The town sent a notice to the State Bond Commission (SBC) on December 5, 2018 noting that it intended to make a \$74,655 interest-only payment and enter into a \$100,000 principal forbearance agreement for the payment due to Texas Capital Bank. The town also notified the SBC that it intended to pay off the \$44,062.50 due to Homeland Bank in equal installment payments over the duration of the remaining debt term.

The Fiscal Administrator Law, R.S. 39:1351(A)(2)(a) states, in part: *If it is determined by the unanimous decision of the legislative auditor, the attorney general, and the state treasurer at a public meeting to consider such matters that a political subdivision is reasonably certain to not have sufficient revenue to pay current expenditures, excluding civil judgments, or fail to make a debt service payment, the attorney general shall file a rule to appoint a fiscal administrator for the political subdivision as provided for in this Chapter.*

The fact that two debt service payments were missed in December is only part of the story.

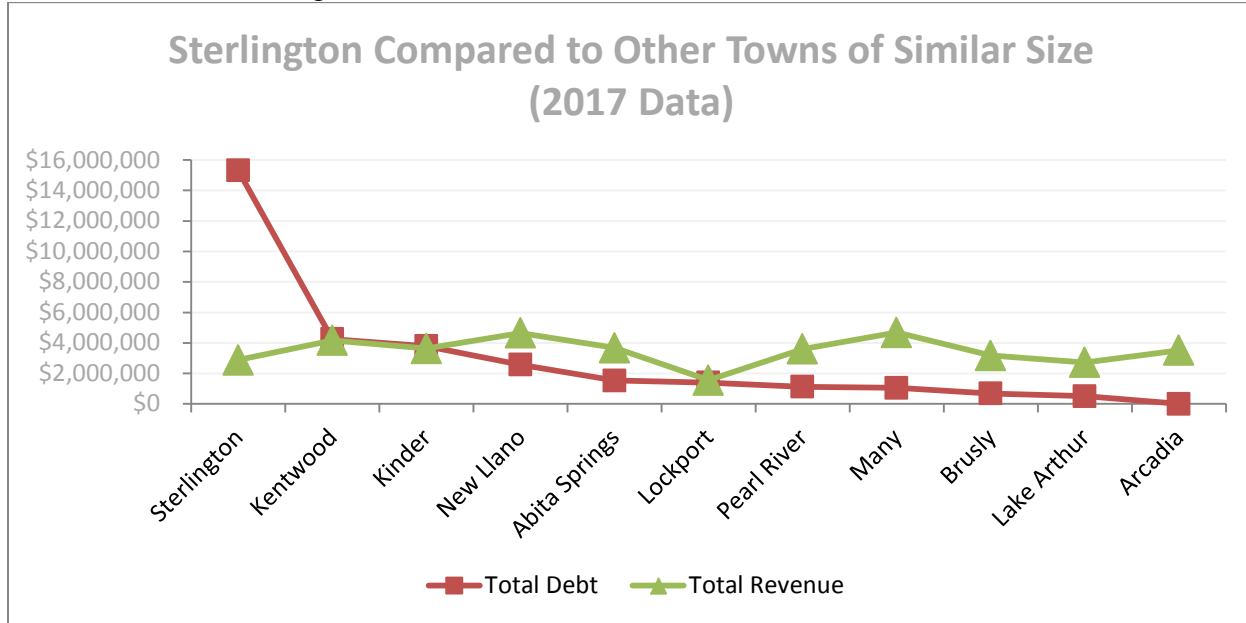
Additional Details

The calendar year 2017 audit report, issued on September 28, 2018, resulted in a disclaimer of opinion, and the calendar 2018 financial information has not yet been provided to us. Accordingly, our assessment of the town's ability to have sufficient revenue to pay current expenditures is limited.

Based on debt service schedules provided by the town, more than \$4 million in new obligations was incurred during 2018 and approximately \$1.3 million in debt service payments will be due in calendar year 2019, in addition to the \$144,062.50 that is past due. In addition, the town's accounts payable aging schedule as of December 28, 2018, reflects \$288,449 in outstanding payables, with \$208,103 greater than 90 days old.

To provide context, the town’s debt increased from \$3.8 million in 2013 to \$15.3 million in calendar year 2017 (most recent year available for comparison). Based on a schedule received the prior Friday after this summary was prepared, the debt is now over \$20 million for the Town.

A comparison to other towns with a population +/- 10% reveals that the Town’s debt was nearly 4 times greater than the debt of the nearest municipality. The average debt of the other towns was only \$1.7 million and the Town of Sterlington has over \$20 million in debt.



In addition to the debt issues, the 2016 audit report included a finding regarding the improper use of bond proceeds, which reads in part:

During 2016, the Town transferred cash totaling \$216,396 from the restricted Sewer Bond proceeds to other funds to be used for operations unrelated to its defined purpose. In addition, during 2016, the Town transferred cash totaling \$105,884 from the Water Bond proceeds to other funds to be used for operations unrelated to its defined purpose. Cash shortages in other funds led the Town to use restricted cash on items not related to the intended purpose of the bond proceeds.

This finding was not repeated in the 2017 audit report only because the Legislative Auditor’s office is doing an investigation in the Town. The audit referenced the finding but there is no current status on it. The 2017 audit report included a going concern disclosure meaning the auditor has concern about whether the Town can continue to operate a year after the financial statements.

The going concern disclosure provided in the handout: *As shown in the accompanying statement of net position, as of December 31, 2017, the Town has an unrestricted net position deficit of \$156,991, raising substantial doubt about its ability to continue as a going concern. Of the \$156,991 deficit of unrestricted net position, \$144,913 is for business-type activities which includes the utility fund. In prior years debt was issued based on the assumption that the Town would be operating its own water system by now. If the Town is unsuccessful in the current lawsuit, which is at the appellate court, there could not be enough revenues to support the debt it has incurred. The Town has an unrestricted net position deficit of \$12,078 in governmental activities mostly due to costs incurred and debt issued to build the sports complex. The Town hasn't seen the increase in sales tax revenues that was expected which could lead to future problems paying the debt it incurred to do the construction. As a result, there continues to be substantial doubt about the Town's ability to continue as a going concern within one year after issuance of the financial statements.*

Mr. Cryer further explained that there is an outstanding lawsuit that the Town has with the Greater Ouachita Water Company where the town is trying to appropriate certain property from the water system utility lines that are in the ground that belong to Greater Ouachita. That litigation is still ongoing and uncertain of the outcome. The debt service schedules prepared for the utility system were prepared with the expectation that the Town would be receiving that infrastructure and would be billing additional water customers. The debt that was issued for the sports complex was issued with the understanding that the sports complex would be operating and collecting additional sales taxes. The partial picture is a municipality that has a tremendous amount of debt that the premise by which that debt was issued has not come to pass. With the upcoming debt services payments that are due throughout 2019, we have already seen that the Town cannot pay the outstanding obligations in December and will only compound during 2019 to the tune of roughly \$1.3M in debt service. At this point the LLA does not have a recommendation because not a full picture of how much revenue the town will bring in and to map out when unable to make debt payments. The situation appears grim but not sure the full scope at this time.

Mr. Stiles asked if the cause of the excessive debt is known and if a multitude of things and what the debts are relating to. Mr. Cryer responded that there are water and sewer bonds and part of it was for acquiring part of the water system from Greater Ouachita. There are DEQ bonds outstanding for the sewer system utility \$4M bond issue; refunding on sewer treatment and water to CapStone Government Capital lease purchase which relates to the water and sewer bonds. The Town spent roughly \$8.5 million for the new sports complex that was a loan in 2016 for \$2 million, and \$4 million in 2017, and \$2 million in 2018 and there is an outstanding capital lease providing sports lighting for the complex of almost \$1 million. Between the utility systems and the sports complex that totals roughly \$20 million.

Mr. Stiles asked if there is a source of income for the sports complex to pay the bonds. Mr. Cryer responded that he is not exactly sure how the sports complex is operating but the interim mayor and new mayor are present to answer questions. Mr. Purpera asked the representatives from the Town to explain what happened to the funds and their plan to pay the debts.

Mayor Caesar Velasquez explained that the construction on the ball park was pushed back considerably. They expected to open in March 2018 but rain and other construction issues caused them to not open until July. The only allowed approximately four months to operate in 2018 which cut their expected revenue. In 2019 we are looking at a complete full schedule and fully booked including large tournaments and school leagues they did not have before. They project approximately \$45,000 in new funding due to the ball park and the field rentals will result in approximately \$75,000 for just this year. The full service concession stand will open and will see more revenue because it was not completed in time also.

Mr. Purpera asked for the total amount of debt service for the ball park. Mayor Velasquez said \$8 million bond is correct. Mr. Purpera asked if their estimated revenues will cover the debt service or will general government funds have to pay part of the debt. Mayor Velasquez said they have more to the plan. In his first six days in office, they have made a reduction in forces and cut back seven positions. Those reductions will save \$248,000 in payroll for this year. Last year there were some legal fees that they do not expect to see in 2019 but did not count as revenue that can be counted on. Some smaller bills that will give approximately \$3,900 in phone services, trash services will save \$3,500. Calculating approximately another \$15,000 in savings as make more cuts as look at expenditures on a monthly basis.

Mr. Purpera asked for the load on the ball park debt. Mayor Velasquez said he did not bring that. The previous interim mayor Kerry Elee explained that the sports complex cost \$8 million and is really a first class facility with 12 ball fields with turf infields. The complex has five high school regulation fields and there is not another set like that in the state or in the south until get to Atlanta which is a drawing factor. Starting mid-February the complex is booked every weekend through the end of August with some big events such as the

Dixie World Series, little league state tournaments and things of that nature. We expect that place to really pull its weight this year. We will have a full year of revenue from the concession stand that offers anything you can imagine.

Mr. Purpera asked who the loan was through. Mr. Elee answered that there are multiple sources including Texas Capitol Bank, Homeland Bank, and one more. He confirmed that all are private lenders and not government lenders. Mr. Purpera asked if Mr. Elee was on the Town Council when they were considering building the complex. Mr. Elee said he was appointed interim mayor in late October. Mr. Purpera said there must have been some business plans for the banks to loan them the money. Mr. Elee added that he was on the city council during the process and the council with the previous Mayor Breland had prepared a plan. Mr. Purpera asked if this all can work. Mr. Elee answered that he has every confidence in the world that they can make it all work. This last year of delays on the sports complex kind of snowballed on us. Toward the latter half of December the rain started and pretty much stopped all construction until late February or early March 2018. That cause several tournaments to be lost. We opened in late March but to be honest we probably should not have but needed to out of necessity. Until late summer the fields and the complex were not in grade A condition which was a hindrance to us. I feel like this year is a total different story and should be no excuses this year for any lack of revenue.

Mr. Purpera commented that there is over \$16 million in debt and \$8 million is for the ball field so that is a heavy load for the Town. A good portion of the debt should pay for itself from revenues. Mayor Velasquez explained from what they project they should be even with making their monthly debt service.

Mr. Purpera asked them to put together a very thorough plan showing where the Town is today to where it needs to be. Mayor Velasquez said he definitely can do that and has been looking already at ways to increase their bottom line and increase available funds. We have some anomalies in our sales tax revenues and actually talking to the tax office to do some auditing and figure that out. They noticed some valid issues. That is the last large item but also have future plans that will continue to add revenue to the Town including quarterly concerts at the ball fields to utilize the parking lots in the adjacent property. They expect projected revenues of \$16,000 from parking fees, concessions and visitors coming in. They have an open air market that wants to have monthly markets that will generate approximately \$7,000 for lot rentals.

Mayor Velasquez said they cut back the police department from seven to five with the elected chief of police. I have also made an attempt to speak with the local sheriff and had a very good meeting with him. The sheriff promised resources needed to make sure our citizens stay safe and our police officers on duty stay safe. That was very uplifting for us, because now we are able to make the cuts that we need to and continue providing safety. Mr. Purpera asked for the population of the Town and the ratio of officers to citizens. Mayor Velasquez responded that the last census was 1,756 but was unable to find a solid number for what that ratio should be.

Mr. Stiles explained that the appointment of a fiscal administrator is an extraordinary measure that the Committee does not take lightly or enjoy doing because in essence it is taking away the people's elected officials which is how a good republic should work. If we were to decide to not appoint a fiscal administrator, how long of a period of time would it take for you to provide us the information that would show your balance sheet is operable and maintainable. Mayor Velasquez said he believes maximum 30 days to prepare a plan because already looking for ways to improve the bottom line. Mr. Stiles thanked Mayor Velasquez for stepping up to the plate and for offering a plan in 30 days.

Mr. Henson thanked for the work done in six days and told him to hang in because he is needed. A troubling concern is the outstanding bond issues for the water and sewer systems. A little over \$330,000 was diverted

from funds that were supposed to service those debts, which is not a good thing to do. Mr. Henson asked the mayor if he can assure that to not happen again and for the maturity of the debt on the utilities.

Mayor Velasquez said the previous mayor had a different management style and in the future put more emphasis on policy and making sure there is more stringent policies outlining what is and is not acceptable. He could not give a complete answer on the maturity. Mr. Henson asked for that information to be provided. He clarified that it was not bond debt service used for something else, it was the bond proceeds that were for a particular purpose that were used for something else. If you could let us know how that is being corrected we would appreciate that.

Mayor Velasquez said we have appointed a financial oversight committee that is going to be chaired by him and includes a CPA, the head clerk and one of the council members. We have a unique situation where I have four brand new council members coming in and one incumbent. So I will have my hands full is all I am going to say. We have already started those meetings and will be monthly and we will report to the full public session on a monthly basis. Mr. Henson said that is very good.

Mr. Purpera asked for any other public comments and no one came forth. Mr. Purpera said I have spoken with Senator Mike Walsworth at length about the Town because he has been concerned for quite some time. Mr. Purpera moved to defer any action on the Town today waiting on a report from the mayor in 30 days if you could report back to this committee as to exactly how you are going to right the ship. Mr. Henson said I am fine with that particularly given Mr. Cryer's representation that they don't have a full financial picture and perhaps he can share his work at that time and then get an update from the new administration, I think that would be a good idea.

Mr. Stiles said I have no objection to that Mr. Purpera. I would just note that I went to law school because I was terrible at math and really wanted to be an engineer, truth be told, but I have trouble with numbers. But by my calculation your debt service to citizenry is \$9,500 per citizens in the Town of Sterlington. That is a pretty big number and very curious and excited to see your business plan. That is an interesting and kind of disturbing number but I agree that we don't have the information now and I think it is a good thing for us to get a better picture of this before we start making decision. Thank y'all very much for coming today. Mayor thank you for your work and you have lots of work ahead of you.

Mr. Purpera said Mayor you have already met with my staff and they are certainly there to help you anyway we can. Mayor Velasquez said thank you very much.

IV. UPDATE ON VILLAGE OF CLAYTON

Mr. Cryer provided a brief update since the vote to put the Village of Clayton (Clayton) under fiscal administration at the October Committee meeting. We have participated in three different conference calls with the village, governor's office, LDH, DEQ and other officials of the state. The bottom line is there a whole lot of things that need to be fixed regarding infrastructure, water system, sewer system. Until there is a fiscal administrator put in place and funding for that fiscal administrator, a lot of these things really cannot move forward. We have heard a lot of options including individual wells and individual septic tanks to tapping into neighboring Ferriday's water system. But all those options are on the table waiting for a fiscal administrator to be appointed. The village in the intervening time had no real financial changes within the town itself. We understand from talking with the mayor last week that they have a meeting scheduled for tomorrow to do a rate increase of roughly \$18 per connection. Now that number was based on a rural water survey done several month ago with a projection of \$50,000 payment on the bond principle. Remember too that we have a quarter million outstanding. That \$50,000 if that rate increase goes through tomorrow, and assuming that the bank will negotiate a five year term. To our knowledge, there have been no negotiations

with the bank, no formal agreement with the bank that they will accept a five year pay off term. So increasing the rates without that planning is certainly concerning. But right now we just do not have anything else happening until we get someone in place to start numerous negotiations, to start looking at the options for the water and sewer systems, and that all goes back to that revolving loan fund which has not been funded by the state in the past. Without that extra source of revenue coming in from some source – whether it is legislator or appropriation or other, the Town of Clayton will stay in the same position that it has been in for three months. The same thing can happen very well with the Town of Clarence as well. Just because of that lack of initial funding to get the administration kicked off.

Mr. Purpera said I know we have all spoken with various parties. I believe the governor's office is working towards trying to find funding. We are caught between legislative sessions so no way to appropriate the funds at the moment but there are some individuals are looking for other alternatives there may be so we don't have to wait until July and we are in worse shape that we are today.

Mr. Stiles asked to put on the record that we are working together and this is just a matter of funding before we can file the appropriate paperwork which may very well be the same situation for the Village of Clarence. As to my previous conversation or mention that there is really no mechanism available for us to solve these problems. We have DEQ and LDH is here and probably just as frustrated with this process but what's sad is that we have citizens out there that are dealing with raw sewage and untreated or extraordinarily poor or even worse badly treated water while we are sitting up here with our hands tied. We thank you all for your continued support and work with those entities to make these things right.

V. FISCAL ADMINISTRATION UPDATE

Mr. Purpera said we can now here from the success stories of fiscal administration. Mr. Don Frutiger, fiscal administrator for the Madison Parish Hospital Service District (MPHSD), said he is in his fourth year at the hospital and each year he has been able to improve the overall discussion about the success at Madison Parish. On a quarterly basis the Committee has been receiving a report but wanted to summarize where we stand. From a financial standpoint our cash position from the time he started four years ago has increased by \$9 million and that has been holding stable for the last year. The cash is broken down into two: general operating fund \$4.5 million and \$4.5 million in cash set up to designate for capital improvements. That basically represents the two tax revenue sources from sales and ad valorem goes straight into that account and is only transferred to general account to replace capital expenditures or depreciable assets that we might buy during the year. I felt that was necessary considering these are public funds that can tracked or commingled with operating cash. Our other financial indicators are accounts receivable has decreased \$2.1 million down to a little over \$1 million as of November 30. Accounts payable decreased \$2.3 million since I started. The only borrowing we have now is lease payments on equipment that we have been purchasing to upgrade the overall technological capabilities of the hospital.

Mr. Frutiger said our income statement or financial position holds pretty much at about \$100-\$200,000 from operations. You may ask why we have not improved that. The reason is the way we are getting paid to take care of our patients. I would say 60-70% of our patients are paid by Medicare and Medicaid on a cost basis reimbursement methodology. So that should stay pretty stable. Overall when including the tax revenues our profitability has been sitting around \$1.5 - \$2 million each year. Overall I am pretty pleased. I have attached to the provided summary more details of what has happened over the last five years. From a compliance and operation improvements that we have had, this is one area that I think was very important. To set up the internal controls so that the problems that occurred prior to Dr. Topolewski or I arriving at the hospital do not occur again. The major thing has been the corporate compliance program which is a self-reporting program that if any employee thinks that something is not up to snuff they report it to our corporate compliance chairperson and if you ever met her, she is a bulldog and she follows up that. I am very pleased with the

overall internal control situation at the hospital. If you notice the last three audits we have had only one deficiency as far as internal control and that was a misunderstanding as far as an emergency purchase that we had to make for a generator.

As I explained last year, we settled the OIG problem at \$1.8 million and making all the payments and will be paid off in 2021. We got our ad valorem tax renewed for another 20 years back in November. The police jury appointed five new commissioners in the fall. Four are new and one is a holdover from the prior board prior to me arriving. The chairman and vice chairman were elected in October so the governance is in place. That took a little more time. I know last year when I was here Mr. Stiles said it was time that I moved on but we needed to get the governance in. They have been oriented and I believe we do have five good commissioners that have business and can serve the hospital efficiently. The one thing we have going on because of our financial condition, about two years ago we decided to investigate a replacement facility. We are well on the way of groundbreaking at some future date as far as the new health care facility. USDA has approved our preliminary application which gives us the authority to submit the final application and we have no indication based upon our financial position and other things that go into this that we won't be successful as far as the USDA is concerned. We hired an architect firm and asked Dr. Topolewski for what percent of the architectural design has been completed.

Mr. Ted Topolewski, MPHSD CEO, said that approximately 50% is done. We have been paying all the up front and soft costs ourselves. We have including land approximately \$1.3 million into the project. That will also count as part of the down payment because we have to put up at least 10%. The project is estimated between \$28 -30 million. So we have already funded half of the portion required for the down payment. We still have roughly \$10 million in the bank.

Mr. Frutiger said we have engaged a general contractor using the Construction Manager at Risk (CMAR) process that allows us to work with the contractor and not take the lowest bid. If you have been around a hospital the lowest bid may not always be the best way to build a hospital. We engaged a contractor out of Ruston, Lincoln Builders, and they are working with our architects right now and their engineers to get the final construction cost estimate. We engaged a CPA firm to do audited projections by looking at supporting assumptions. That was submitted to the USDA. It cannot be finalized until we have the estimated construction costs will be on this project. We purchased six acres of land behind the hospital to build the new facility. CMS has basically given the approval to move it to a new building. We have engaged with a municipal advisor which is required when working with the USDA. Based upon where we stand right now I believe it is time for me to move on. I would like to put the drop dead date as April 1. The commissioners have come to the forefront to take over but running a hospital and being on a board of commissioners - it will take a few more meetings to make them more comfortable and secure in their position. Once the chairman was approved at the last meeting she ran the last meeting and the commissioners voted and I voted too in case they did something that I did not approve of that I could veto their decision based on my position as fiscal administrator. The commissioners have been engaged in the process and after two to three more meetings they will be ready to take over the reins on April 1. I am not sure of the process but assume as appointed to go before the same judge to remove me. I believe the police jury would be more than happy for that transition timeframe.

Mr. Purpera asked for the payoff on the hospital. Mr. Frutiger said we would be given 40 years. Mr. Topolewski explained that for a critical access hospital the first couple of years it will be flush with cash because of accelerated component depreciation so we intend to pay off sooner. There are three parts of funding including the USDA and expect to do a 20-25 year bond. There is 10-15% through a local bank and intend to pay that off within five years. Then there is the 10% of the hospital's contribution. We are looking at the shortest possible. The 20 year renewal of the ad valorem tax was key to the USDA when they basically said no tax, then no loan.

Mr. Purpera asked for the bed capacity of the new hospital. Mr. Topolewski responded that the hospital currently has 20 beds out of the 25 in operation and the highest census he has seen was 10-11 beds in use so for the new hospital they are going down to 16 beds. We are also adding additional services such as space for an MRI, space for special procedure rooms, and doubling the size of the clinic. We have had several systems speak with him about having medical affiliation to wheel through specialty clinics every week but must have an MRI and more. The hospital is being equipped for the future by having the medical affiliations with LSU and others. He has had a difficult time recruiting doctors in their current hospital.

Mr. Purpera said that a few years ago the accounts receivables were old and asked the average time frame. Mr. Topolewski said the receivables are about 40 days past due but the largest issue is the five Bayou Plans taking so long to pay.

Mr. Frutiger added that the USDA wants to lend the money to the hospital directly and not while he is still the fiscal administrator so April 1 is a perfect cutoff date so that the commissioners will have the quotes from the contractors and can go to the USDA for the loan.

Mr. Stiles asked Mr. Topolewski if he was still having issues with getting staff certified with the five Bayou Plans as testified at a previous meeting. Mr. Topolewski said it is still a problem. He has one physician who has been a physician in Tallulah for 20-25 years and was credentialed with 4 of the 5 plans but one will not credential him for X-Y-Z. Mr. Stiles asked if that hinders reimbursement for certain procedures. Mr. Topolewski said he tries to vector patients on that plan away from the doctor but when he practices at the rural health clinic and a patient walks in then he must see that patient. Those expenses are lost and not reimbursed so a loss for the hospital adding up to around \$10,000. If I send the same bill to each of the five Bayou Plans which he cannot do, but he would get different amounts back because one bundles these charges differently, and one has a disclosure of this charge, etc. All is perfectly legal but I would get different amounts back or if I don't jump through the hoop properly for approvals and prior authorizations I can get it denied. But as a critical access hospital, I am going to get that money anyway for my cost. But they still keep their capitation amount.

Mr. Stiles thanked them both for all their work and was not trying to get rid of Mr. Frutiger but only trying to get the governance back to the people. This whole experience has been a success and thanks them in face of headwinds. He has spoken with other rural hospital administrators and they are struggling to keep the doors open with the limited number of patients and with Medicaid and Medicare reimbursements and all the headwinds with the medical system. Mr. Topolewski said on the Medicaid supplemental payments he is owed \$1.6 million from the state and that is six months behind. Fortunately he has enough cash to keep going. He assumes that if he is owed that much then all rural hospitals are owed some too.

Mr. Henson asked who in the state needs to be spoken with about that. Mr. Topolewski said it all comes down to cash flow. Mr. Henson commented that it seems like every other week the Treasury cuts about a \$600 million Medicaid check so not sure why they cannot pay your \$1.6 million. Mr. Topolewski said there are quite a few other rural hospitals and about \$200 million in supplemental payments to rural hospital and that becomes a political football. That should be in the rates instead so not subject to the whims of politics but that is the way it is now.

Mr. Henson echoed Mr. Purpera and Mr. Stiles comments because he remembers when this hospital came before this committee and it was a mess. Quite frankly I was not optimistic about saving it because it looked like it was about to implode. I look at this financial sheet and see the improvements in the cash position and receivables and payables and find that to be phenomenal. I really do hate to let you go but exit strategy is part of it. You, the doctors, and the community have done a great job and it is really a great success story.

Mr. Frutiger recommends any fiscal administrator when they go into the position to do as he did by telling the board and police jury that he was in charge and they have no control. He told them that he would make the decisions and did not receive any pushback. He laid the groundwork for why he was there and what trying to accomplish and kept them all informed throughout the process. Mr. Frutiger asked Mr. Stiles to call him when ready to process the exit paperwork in the courts for April 1st departure.

Mr. Purpera said on April 1st they can give Mr. Frutiger one of the towns that need a fiscal administrator. Mr. Frutiger said he is familiar with hospitals and health care but not so much towns.

Mr. David Greer, Fiscal Administrator for Town of St. Joseph (St. Joseph) and the City of Jeanerette (Jeanerette), provided an update on St. Joseph's new water system completed with clean, clear, safe, reliable drinking water. The approximate cost for that system was \$9.1 million all said and done. He said at the last meeting he was ready to leave and still am but the holdup has been getting through the final phases of the construction, clean up, metering system was not working yet, and things not functioning as they should. They still have retainage payments to make and my signature has been the one required for all of those payment documents. We have closed out the Delta Regional Authority funding and ready to close out the capital outlay funding and close the construction project. The one biggie is the operation of the water and sewer systems. The existing water plant was only 13 years old when he stepped into St. Joseph but it looked like it was 150 years old. It had no media in the filter, the building was rusted, and all the piping was rusted and leaking. So I felt we could not leave the operation without having a competent and qualified water and sewer operator. I won't go through the entire story unless you want me to. We brought in JCP Management who does water and sewer operations in that area and they stepped in to run it.

We did not have working metering system until September 2018 and could not enter into an agreement until he had a comfort factor of how many customers and how much were we actually billing. So after September when I had those numbers I took them to the town attorney and USDA also needed to review the third party operator agreement and needed a letter from the town attorney saying that it was legal. The town attorney said it was fine and did not need to be publicly bid; however, he took it up to the attorney general for an opinion anyway before he will give me a letter to take to the USDA. That is where we are right now. I am waiting on the final closeouts, retainage payments to close out the contracts. I am waiting on the attorney general opinion to the town attorney Mr. David Dowdy so that he can prepare a letter to the USDA. When the USDA says the operating agreement is fine, then I sign it, then I prepare my final report to exit St. Joseph.

As you see in my handout the revenue stream is sufficient to pay for the services. That revenue stream projection, I mentioned the metering. The last time I talked to you that water and sewer revenue stream was about \$2,000 higher than you see in this handout. That's because I now have more accurate numbers on the meter readings and number of customers. That's the long and short of St. Joseph.

Mr. Purpera asked of the \$9.1 million total, how much was capital outlay. Mr. Greer responded that it was \$7.9 million. Mr. Purpera said that a good bit of it was the State of Louisiana stepping in and providing assistance to the town. He asked if going forward with JCP operating the water that the town will have the revenue in the future and maintain the system as it should be. Mr. Greer said yes.

Mr. Purpera asked about the financial stability, bookkeeping and record keeping. Mr. Greer said it looks great and seeing surpluses. The 2018 audit was just filed at the LLA and has a clean opinion with zero findings. There is a fund balance and surplus in the enterprise and general funds. A town like St. Joseph will always – it is not a wealthy town so they will struggle at times to make all ends meet but the finances look good, the new town clerk is doing a good job, the records are in good shape. Otherwise we would not have gotten a clean audit. Mr. Greer said that internal controls are good and they use an external accountant to come in

monthly and do bank reconciliations, review certain transactions. Everything is signed off by the mayor and/or the town council. It is working as expected.

Mr. Henson asked if the water system is metered now as opposed to a flat rate. Mr. Greer answered that it is not only metered but is satellite read metering that is read from a single location in city hall and can be read 24/7. Mr. Purpera commented that they can see at any moment when someone has their spigot open.

Mr. Greer moved on to his progress since he began as fiscal administrator for Jeanerette in March 2018. Jeanerette has more than its share of issues. The last completed audit was for fiscal year ending June 30, 2014. We have now the 2015 and 2016 audits completed and filed but both are disclaimer of opinion audits. We have 2017 which will soon be issued and will probably also have a disclaimer of opinion. We have engaged a firm to do the 2018 audit. All of the conditions that caused the disclaimers for 2017, 2016, 2015 still existed in 2018 so I do not know what the impact and result of the 2018 audit will be yet but it is entirely audit that the 2018 audit may be a disclaimer. We may not see a clean opinion audit until the June 30, 2019 audit possibly but I am only making speculations.

I am still working on personnel issues and to be frank it has taken me nine months to get a clear picture of what we got. We haven't had an audit and no clear financials and know things were not posted and taxes were not paid, debt service was not made. I've had allegations come to me that former employees deleted and threw away transactions. I have no comfort or confidence that any of the financial information that I had was anywhere near reliable. So we have the second treasurer that I have hired and she is doing a good job. The first treasurer was doing a good job but just let for other employment. I now have a better understanding and a clearer picture of the reliability of the data. We have developed budgets and operating under the budget. The budget was adopted and I am about to amend that budget. Included in your packets is information about rate increases for water, sewer and garbage. I can spend as little as much time on that as you may have questions about but long story short we have been losing money in all three utility operations. We must increase those rates. The board will be voting on Monday, January 14 on the water and sewer rates and do not know if they will adopt them or not but if they do not adopt it then I will implement them. It is a must. The garbage rates will be the same thing.

Jeanerette has not paid state or federal withholdings and had penalties assessed. We paid approximately half of that and will be paying that off as rapidly as possible. In fact I am aggressively working to get all tax liabilities paid in the month of March this year. We have had some higher than anticipated sales tax collections over the last four months because of audit of tax payers for past payments so planning to use those funds to pay the IRS and state tax liabilities.

Mr. Greer said that four employees were terminated partially because somebody was stealing money. We had undeposited collections of approximately \$33,000 so we terminated two who were heavily suspected to be part of that missing money. We also have witness fees by law, off duty officers are to be paid \$50 per court appearance when they are off duty for testifying. Iberia Parish Government sent the money for the officers to Jeanerette but would not pay the officers. So now we have caught up on paying the officers what was due and paying them on a regular basis. The housing assistance program provided a section 8 housing voucher program and they had no records or documentation. I had to dismiss that individual and now are contracted with the Lafayette Housing Authority to operate it for the city with the intention of permanently transferring the operation to another entity other than Jeanerette. Still will serve the people of Jeanerette but be managed by someone who knows what they are doing. The USDA debt is my newest issue because Jeanerette has not been meeting the reserves. The bond payments have been made but not putting the money into the reserves as required. I have been working with the USDA and we are going to modify the budget to catch that up and make regular monthly payments for USDA debt service.

Mr. Greer said some of the other issues having to address includes water infrastructure because need a more positive plan for handling a section of the city's very old distribution lines. The water plant is in pretty good shape but has a few minor things that need to be addressed. We just had the LDH sanitary survey which is a three year survey and there are some deficiencies to address. The sewer system is in good shape. I contracted with a third party to operate the sewer system primarily because there was no one else in city employment who had the proper credentials to maintain it. That has been a success story in itself. We still have some lift stations that need to be repaired and replaced but we are doing good there. Mr. Greer said that is an overview of the situation but can answer any questions.

Mr. Purpera complimented the progress made by Mr. Greer in eight months in Jeanerette based on the magnitude of problems he faced. We expect a fiscal administrator has to first get their feet on the ground and determine all the issues before able to correct all the problems and then want them to stay some period of time to be sure that the ship is righted and the operations are going smoothly before handed back over to the local officials. He asked if Mr. Greer would need at least another year in Jeanerette.

Mr. Greer responded that his goal today is - and shouldn't say because does not want the CPAs to hear this – they may not be able to express an opinion for the June 30, 2018 audit and keeping my fingers crossed that there is a possibility. Best case is a June 30, 2019 audit filed on or before December 31, 2019 which is 11 months away. I would like to be able and in a position if we can obtain that opinion on an audit that everything else will be running as it should. I have a good city clerk and good treasurer, and the personnel will be at the right level that hopefully come December I can request to leave – that is a best case scenario. The fiscal administrator law is not as specific, but the court order says that we must have an acceptable audit filed with the legislative auditor.

Mr. Purpera asked if any single most or largest reason why they are not able to express an opinion – what is the hurdle. Mr. Greer said first there were no bank reconciliations done as you may recall from previous meetings. Then when they started doing bank reconciliations there were upwards of 40 plus adjustments each and every month for 20 plus bank accounts. Of course only three or four of those were primary accounts. Then the city was the one entering the adjustments so they were entering them wrong or did not enter them. I would have rather them not enter adjustments than enter wrong in some cases. Then you start searching for the documentation and that is just the cash transactions. I ask for the invoice and they said “huh, I don't know”, so we could not find the supporting documentation or the records. Then you start looking at the receivables and what is recorded as the collections that we will be making tomorrow – the noncash transactions. The receivables were okay on the utilities side, not so much on the tax side. Last month I paid invoices from 2014. They did not record, did not track, did not know and I really do not think they had the personnel with the capabilities to know the difference.

Mr. Purpera said so you are building the tracking system and hiring the right personnel. Mr. Greer said yes sir. Mr. Purpera asked if Jeanerette is paying Mr. Greer as he works. Mr. Greer said he is paying himself in Jeanerette and still approximately \$35,000 in arrears in St. Joseph. Mr. Purpera said that is because of the funding issue in St. Joseph and thanked Mr. Greer for coming.

VI. OTHER BUSINESS

Mr. Cryer said his staff receives monthly financial information from the Morehouse Parish Hospital (MPH). It has been nearly two years since CHC took over the operations. We are seeing positive trends, positive fund balances and positive operations. At a future meeting we will bring full financial workup since CHC took over and will request to cease monitoring from this Committee since positive directions. Mr. Purpera said that is another success story because MPH was considered for fiscal administration and they

took the reins and corrected their correction. Mr. Cryer said this Committee was very patient as MPH went through two different contractors trying to get the agreement worked out but seeing very positive results there.

Mr. Cryer pointed out the Town of Melville's new Mayor Hendrix and previous Mayor Mayes in the audience. The biggest issue they face is getting the water system updated and repaired. At the last meeting, Mayor Mayes presented the fact that the USDA provided \$4.3 million of funding and three-quarters of that was grant funding and one-quarter was lump. We have been working with State Bond Commission staff to make sure we understand exactly how much it will cost the citizens to fund the utility rates to cover that loan for roughly \$1.2 million bonds issued. The State Bond Commission is meeting in January to approve that bond issue. Our staff has been looking at that and making sure the numbers come out positive. Right now because of the history of Melville and breaking even on operations and assume it is still break even. So there is no surplus to go to that debt service and everything has to be paid by increasing the utility rates. I believe just this past week Melville passed an ordinance to increase their rates by \$12 per connection. Going forward, once that update has taken place there will be leaders in place to do real billing based on the volume of water. Right now it is still a flat rate. The project is still looking at 2020 as per the bond council for the completion date of that project. The reason we are staying involved is because of what happened to the Village of Clayton when they overextended themselves for debt. That is the reason we are working with the Bond Commission and Melville to be sure they understand exactly how much it is going to cost them to have to raise those rates and what the citizens will have to pay. Mr. Cryer said he is satisfied that Melville is still on track and things are positive.

Mayor Hendrix said she was sworn in two days ago. Mr. Purpera commented that she is following behind someone who was a very good mayor.

VII. ADJOURNMENT

Mr. Stiles made a motion to adjourn, and with no objection, the meeting of the Fiscal Review Committee adjourned at 3:15 p.m.

Approved by the Fiscal Review Committee at their meeting on: February 18, 2019

The video archive of this meeting can be found in the House of Representatives Video Archives:
http://house.louisiana.gov/H_Video/VideoArchivePlayer.aspx?v=house/2019/jan/0107_19_FiscalReview