



# FISCAL REVIEW COMMITTEE

## MINUTES

Friday, April 29, 2016  
1:30 p.m.  
Senate Committee Room F  
State Capitol Building

### I. CALL TO ORDER

Mr. Daryl Purpera, chairman of the Fiscal Review Committee (FRC), called the meeting to order at 1:35 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 Henson, First Assistant State Treasurer  
Designee for The Honorable John Kennedy, State Treasurer

Mr. Wilbur Stiles III, Chief Deputy Attorney General and  
Ms. Elizabeth Murrill, Director of Civil Division  
Designees for The Honorable Jeff Landry, Attorney General

### II. APPROVAL OF MINUTES

Mr. Henson made a motion to approve the minutes of the March 28, 2016, meeting. Mr. Stiles seconded the motion, and with no objections, the minutes were approved.

### III. TOWN OF ST. JOSEPH

Mr. Bradley Cryer, LLA director of Local Government Audit Services, stated that financial stability is defined as the condition in which an entity is meeting its financial obligations in a timely manner as they become due. This includes consideration of whether the Town of St. Joseph (Town) has sufficient revenue to pay current expenditures. LLA believes the Town has the responsibility to provide clean drinking water for its residents and with that responsibility comes a financial obligation. Testimony in the previous meeting stated that it will cost approximately \$8M to repair the water system after all the years of neglect up until this point. The \$8M represents a true debt because the Town cannot afford to pay that debt with its current revenue streams. The Town cannot meet the financial expenditures to repair and maintain the water system.

Mr. Cryer quoted from the March 28, 2016, FRC meeting, where Mr. Karl Koch (Town attorney) stated that “the Town has 90-year-old pipes and there is no way that this small town can afford to replace those pipes”. At the Natural Resources Committee meeting on April 20, 2016, Representative Montoucet asked “Do you have any other taxes in place to pay for that water system” and Mayor Edward Brown responded, “We have sales tax which is somewhat dedicated to several things like streets and sanitation,

law enforcement, that kind of things”. Mr. Koch added, “It doesn’t produce sufficient revenue to cover these, to fix these problems.” The Town does not have the financial ability to pay for the \$8M financial obligation related to the water system. Most of the problem lies with the Town’s lack of financial stability. In 2005 when the water treatment system was first built the Town had a positive net income of \$279,000. From 2006–2014, the Town has had a loss every single year ranging from \$17,000 to \$301,000. That is in spite of the Town receiving \$1.5M worth of state operating capital grants during that same period. Furthermore, the Town has not paid and filed its payroll taxes timely for the last three consecutive years. By appointing a fiscal administrator (FA), not only will the committee ensure the capital outlay money will be properly spent to repair the water system but the FA can also put together a proper maintenance and funding strategy for the new water system. The current disrepair of the Town’s 12-year-old water plant is evidence that the Town is not able to maintain a new water infrastructure.

Mr. Purpera asked about the chart provided in their packets. Mr. Cryer explained that the chart shows the change in the net position and the net loss every single year from 2006 – 2014. The Town is losing money every year. Mr. Purpera asked if the Town is currently charging a fee to the residents for water. Mr. Cryer answered yes. Mr. Purpera said therefore, if the Town is charging a fee for those services, then it has a legal responsibility to provide water. Mr. Stiles asked if the Town should also be maintaining the water system from the fees being charged, and Mr. Cryer agreed.

Mr. Cryer also addressed the noncompliance with the audit law that Mr. Koch brought up in the last FRC meeting as well as the Natural Resources Committee meeting. State funds have been withheld from the Town since January 5, 2016, because the Town did not submit its audit report by the December 31, 2015, deadline. Being on the noncompliance list, the Town is also not allowed to access the state capital outlay funding. This is not a situation that LLA created, but was caused by the Town not complying with the law. Mr. Cryer said that Mr. Koch’s letter dated April 1, 2016, asked LLA to grant an extension on the fiscal year-end (FYE) June 20, 2015, audit. However, LLA policy states that extensions are not granted if the agency did not engage an auditor within 60 days after year-end, which the Town did not. Mr. Koch’s letter also questioned the legality of LLA’s policy. The law allows the legislative auditor to grant, for good cause shown, an extension of time. The law also states that the Legislative Audit Advisory Council (LAAC) may grant an extension with the recommendation of the legislative auditor. LLA does not believe that the Town has shown good cause because it failed to meet the criteria in policy. Furthermore, the LLA cannot in good conscience recommend an extension to LAAC. The Town has demonstrated poor financial management over a period of years. In addition the recent investigative audit report raised questions about whether the mayor has committed illegal acts.

Specifically the investigative audit cited problems with the Town’s contracting for services, including repairs to the water system and possible violations of law. In addition, in the three most recently issued financial audit reports, there have been 29 findings regarding financial management. Three of those findings have been reported three years in a row: payroll taxes not filed timely, segregation of duties, and Local Government Budget Act (LGBA) compliance. Additional findings that have been repeated in the past two years include: financial reporting, personnel file documentation, proper use of public funds, bid law compliance, disbursement documentation, public meeting notification, and utility fund accounting. To be clear, LLA does not intend to grant an extension. The Town’s only viable option to remove itself from the noncompliance list is to issue the audit as timely as possible with an opinion on the financial statements.

Mr. Cryer recapped LLA’s overall position: the Town has an \$8M financial obligation that it currently cannot afford to pay; the Town has shown a financial net loss since 2006; the Town has filed and payed

its payroll taxes late the last three years; and the Town cannot receive any capital outlay funding to repair it's water system until it has issued an audit report with an opinion on the financial statements.

Mr. Purpera asked if the 2008-2015 audit summary provided to the members shows the number of times that the Town has been late on its audit. Mr. Cryer responded that besides the late FYE 2015 audit, the FYE 2014 audit was received on the due date, and the FYE June 30, 2013, report was received six months late. Mr. Purpera noted that the FYE 2010, 2009 and 2008 reports were also received late, so it is not uncommon for the Town's audits to be received late. The document also shows that LLA Advisory Services staff visited the Town because for five consecutive years (2003-2007), the Town failed to ensure that its audits were completed and submitted within six months of the close of the Town's fiscal year, as required by Louisiana Revised Statute 24:513.

Mr. Henson referenced the 2006–2014 change in net position chart and asked how the Town covered those past deficits. Mr. Cryer responded that the Town's cash position has declined over that same period of time. Mr. Henson asked for the cash positions for those years and the source of those cash reserves. Mr. Cryer explained that the cash amounts are broken out on the financial statements between governmental activities and business activities, and explained that the business activities include the water system, sewer system, and other utilities that the Town operates. The governmental activities include the basic functions of the Town such as state general funds, revenues from sales tax and property tax comes through that. Mr. Henson asked if the funds are separated for statutory requirement or an accounting function and if the funds can be comingled at the will of the entity. Mr. Cryer said the funds are separated because of the accounting requirements so no legal requirement to separate them, and funds can be transferred between the two funds which the Town has done previously. However, there are some funds that cannot be transferred for other uses and is on a case-by-case basis. For example, property taxes dedicated to a particular function, those could not be transferred to another fund. Mr. Henson asked if any prior audits noted transfers not done in a legal manner, and Mr. Cryer said he was not aware of that. Mr. Henson said he would like to know if there is a trend on the cash balances from which the cash reserves are drawn to cover the deficits. Mr. Cryer said the cash position as of June 30, 2014, which is the last figures that he has, shows in the total column \$239,349. In 2006, the first year that a deficit occurred, the cash at that time was \$150,800, but bear in mind during that eight-year-period the Town received \$1.5M in capital and operating grants. Mr. Henson asked if those grants were for specific purposes, but Mr. Cryer was not sure.

Mr. Henson asked if LLA has received the FYE 2015 audit, and Mr. Cryer answered that he has not. Mr. Henson referenced the minutes of the March 28, 2016, FRC meeting where Mr. Purpera asked Mayor Brown when the audit would be completed and Mayor Brown answered that the audit was expected to be complete on March 31 and that weekly updates were provided to LLA. Mr. Cryer said they have received updates from the auditors but still do not have the finished audit. Mr. Henson asked why the audit is not complete. Mr. Cryer said the auditor is present and can better answer. Mr. Henson said he remembers asking the mayor at the previous meeting what would they see different in 30 days, and apparently nothing is different.

Mr. Henson asked if the 2015 payroll taxes have been paid timely. Mr. Cryer said he has not received an update on the findings. Mr. Stiles asked the amount in fees collected by the Town relative to the water system. Mr. Cryer referenced the 2014 audit which stated that water sales were recorded as \$249,000 and the water expenses were \$299,000.

Mr. Purpera asked if the unrestricted net position of an entity is a gauge of the remaining cash available to be used discretionary. He asked if the unrestricted amount has been declining over the last past 10 years because the Town is losing money. Mr. Cryer answered yes, it has declined in spite of \$1.8M in grants.

Mr. Purpera introduced Mr. Tim Green, CPA, partner of Allen, Green, Williamson, LLP, and cautioned the committee that he may not be at liberty to speak openly about the audit until it is complete. Mr. Henson asked for the status of the audit and his understanding of why it is not complete. Mr. Green said his firm was engaged at the end of January to perform the financial audit for the Town as well as for the Joint Gas Line of the Town of St. Joseph and the Town of Newellton. He was scheduled to complete the Town's audit within 60 days by March 31, but was unable to complete it by then. However, the Joint Gas Line audit has been issued and he is trying to complete the audit of the Town. Currently, the status is that the last major piece of information needed is from the fee accountant who is preparing the financial statements and the notes to the financial statements. Mr. Green said the draft received had three major issues concerning capital assets, accounts receivables, and IRS taxes. They discussed it at the exit conference held on March 25 and the fee accountant is working on making the adjustments to the financial statements and notes to the financial statements. Mr. Green said he expects to receive the statements in a few days but the mayor may be able to better address when the fee accountant will be finished.

Mr. Henson asked if the financial statements were provided to Mr. Green when the engagement was signed at the end of January. Mr. Green said his staff received the draft statements and notes from the fee accountant in February and began the audit. Mr. Green said he was uncomfortable with some of the information and sent it back to the fee accountant to investigate and correct it, so it has been an ongoing process.

Mr. Henson asked if the resubmissions were timely and accurate. Mr. Green said he guessed yes, but as they continued going through the audit, they found more issues, and had to continually go back to the fee accountant for corrections and to figure out the issues. Mr. Henson asked when they expect to get the next requested information. Mr. Green said it should be in a couple of days. Mr. Henson said he understands and asked if he could state when the audit would be complete. Mr. Green said it would take approximately one week once they receive the final statements. Mr. Henson said he understands that Mr. Green is doing the best he can with what he has received but intends to find out why the information is not being provided timely because he believes it is unacceptable at this point.

Mr. Henson asked whether the payroll taxes have been paid timely. Mr. Green responded that he would rather wait until the report is issued for all the details. However he could say that a transcript received from the IRS for the fiscal year currently auditing June 30, 2014 – June 30, 2015, indicated that there were multiple quarters that reports had not been filed and some penalties were involved. Mr. Henson asked if there are serious penalties involved for not paying federal payroll taxes because the feds will come after you. Mr. Green agreed. Mr. Henson asked if the payroll taxes have been delinquent consistently but retracted his question since this is the first audit of the Town performed by Mr. Green. Mr. Green said there were instances where reports were not filed, and significant penalties and interest were accruing. Mr. Henson commented that if the feds sanction the Town and require a payment plan for penalties and delinquent payroll taxes, the Town does not have the funds to pay for that.

Mr. Purpera thanked Mr. Green for coming to the meeting and for doing governmental audits in spite of the burden. Mr. Purpera asked if being engaged at the end of January is typical of how his firm is

engaged for audits. Mr. Green said because of the statutory requirements to have audits issued within six months of year-end, his firm prefers to be engaged even before the fiscal year-end because they can do interim work. So if the fiscal year end is June 30, he likes to be engaged by March or April prior to the year end and ensure that the report is completed in the six-month period. Mr. Purpera stated that the law requires entities to be engaged with a CPA within 60 days of year-end. Based on the fact that Mr. Green's firm has been engaged with the Town for approximately 90 days, that is probably within the normal time period for audits. Mr. Green responded that typically they would do interim work in April or May for a FYE June 30 audit, and sometimes it may be 2-3 months later before they return to auditing so as to allow time for the government to close out its books.

Mr. Purpera pointed out that the Town knows it needs to engage with a CPA, and is important to have it done timely so that the audits are issued timely to provide useful information for decision making. Also if there are any findings, the management can address those sooner. Mr. Purpera said it is the responsibility of the fee accountant who is hired by the Town to provide the financial statements and data to the auditor.

Mr. Stiles asked Mr. Green if he could elaborate on the major issues. Mr. Green said there will be comments in the audit report but many of the issues mentioned by Mr. Cryer from previous audits will probably be repeats in the new report. Mr. Stiles said he appreciates the position that the auditor was in and understood.

Mr. Henson asked if Mr. Green could state the amount involved in delinquent payroll taxes. Mr. Green said from recollection of the discussion at the exit conference, penalties were around \$20,000 for the one-year-period of time. The IRS transcript indicated that payments were made for some of the quarters but not all of the reports were filed; therefore, the IRS does not know the liabilities for those periods of time. After the Town files all the payroll tax reports with the IRS then they can accurately calculate the penalties.

Dr. Jimmy Guidry, State Health Officer for the Department of Health and Hospitals (DHH), said he is responsible for the sanitary code which the Safe Drinking Water program is part of, that ensures water is safe for people to drink. Dr. Guidry said he became heavily involved in January when the weekly conference calls began to discuss how to address the Town's water system and necessary maintenance and repairs. Some information came from the survey done in December 2015 of the pipes and treatment system. Dr. Guidry notified the Town that they must get with his office in 90 days to address the findings in the survey. Since the 90 days have passed and the Town did not meet all the requirements and did not have a response for all the issues, an administrative order was issued the day before. The administrative order delineates what needs to be repaired and replaced for the water system. Previously when he saw that the water system had many deficiencies, he looked for funding to help the Town, but then found out that funding was available in capital outlay. In the conference calls they discussed different options to get the funding since the audit was not completed, and citizens were complaining about the poor quality of the water. Every time the pipes breaks and the Town flushes the system, the water is very dirty brown, and this happens very often. It is almost a weekly occurrence for the system to break and as the State Health Officer he must decide if it is safe to drink. His answer is that every time there is a break in the system, there is a potential contamination of the water with bacteria or chemicals that could make people sick.

Dr. Guidry said obviously the pipes must be replaced and the water system repaired. The longer going without repairing the system, that imminence of contamination is coming. Boil water notices go out

every time there is a break to kill bacteria. He shared the administrative order with FRC to show the findings and highlight the main ones.

Amanda Laughlin, Chief Engineer for the Office of Public Health (OPH), said when an administrative order is drafted it includes any monitoring and administrative violations that have occurred over the past few years. She provided a few of the monitoring violations as well as the Town's failure to give public notices associated with some monitoring violations or failure to meet certain standards. Water systems are also required to send a consumer confidence report every year to all their customers that details any violations that they have had in the past year including any sample results. The Town failed to do that in a couple of years. It also does not have a properly certified operator at the correct level 2 (water production, distribution, treatment operator); it only has a level 1 operator. The Town has had a tremendous number of boil advisories because the water distribution system is losing 90% of the water that is being produced. It also does not have a cross connection control program which basically protects from contaminations. Any facility using water in their processes such as a funeral home, mortuaries, or chemical mixing plants are required to have a backflow preventer. Every time they lose pressure in their system, it could potentially pull in contaminants from businesses that do not have backflow preventers.

Mr. Henson asked how frequently pressure loss occurs. Ms. Laughlin said they only have documented what the Town reports to OPH for boil advisories which shows almost weekly losses of pressure. The problem is that there are only about three valves in the entire system so the entire system has to be shut down every time there is a break. Mr. Henson said that Dr. Guidry's commented in the previous FRC meeting that when there is inadequate or lost pressure in the system it is only a matter of time before there are serious consequences because of contamination. Dr. Guidry concurred and explained that the boil water advisory is to kill any bacteria, but if the residents do not get the boil notice or know that there was a repair made that day, then they may be put at risk. That is why water systems are required to report out so that residents can respond and take necessary precautions to avoid any outbreaks and sickness. This system is not performing and losing a lot of water, so every time it loses pressure not only bacteria but chemicals can contaminate the system. When the pressure is low, then any contaminants in the older pipes of homes can flow back into the system.

Mr. Henson said he read in an article after the Natural Resources Committee meeting that the Town is losing 80-90% of their production into the ground, so assume losing the same percentage of the treatment for that water. Dr. Guidry said the high volume of water necessary to keep the pressure is overwhelming the pump, and the filter is not working well and compromising the 12-year-old water system that should be performing well.

Mr. Laughlin said in order for the boil advisory to be lifted, OPH requires samples to be taken, the water system fully pressurized and the chlorine residual has to be good. Mr. Henson asked if samples are taken by OPH or submitted to her office. Ms. Laughlin said it is submitted to OPH's laboratory.

Mr. Stiles asked where the samples have to be captured from. Ms. Laughlin said there are designated sites within their distribution system. The Town's operator pulls from the main, and sends the samples to OPH's laboratories. Mr. Stiles commented that the operator who is not properly certified is pulling the samples. He asked if there is arsenic or any other chemicals in the water that just boiling the water will not take care of. Ms. Laughlin said correct, boiling is only for microbial.

Ms. Laughlin said other significant violations include their treatment process used their same filter and the median needs to be replaced. As discussed earlier, when there is that much pressure on a system that is not designed for producing that much water, and not treating it properly, the median needs to be backwashed and replaced more frequently. Also cited in the administrative order: aerator is not working; softeners are not working; and their distribution has significant leaks. The order has time frames that the Town must comply with. In the first 30 days after the order is issued, the Town must ensure all their monitoring is correct, and maintain the chlorine residual. In the state of Louisiana, OPH requires a minimum of .5 milligrams per liter of chlorine in the system at all times, and the Town has failed to meet that at certain times so that is a mandate.

Mr. Purpera asked if Ms. Laughlin knew why the Town failed to meet that requirement. Ms. Laughlin said there could be several reasons and cannot answer for sure. But every time there is a break in the water system, the water has a chocolate milk color until flushed out and they get the chlorine residual correct. Some other items that need to be met within 30 days include public notices and consumer confidence report because it was not done for 2013 or 2014. Ms. Laughlin answered Mr. Purpera's question explaining that the consumer confidence report is prepared by DHH for the water systems. The Town only has to ensure that the report is accurate and add anything necessary, and then send out to their customers.

Ms. Laughlin said the Town is also required in 30 days to have a level 2 certified operator, and require a professional engineer licensed in the state of Louisiana to conduct an evaluation of the system. She understands that the Town already had some of that done based on trying to get funding, but OPH wanted to be sure that all is covered in one concise plan that covers everything that is needed because the Town currently has several different engineers working with them.

Ms. Laughlin continued that the Town is required to have either a local ordinance or a written plan for cross connections that can be enforced. The backflow prevention devices go on the customers' side of the meter to prevent contamination from backflow, and the Town must be sure they are installed. Mr. Purpera asked if that was a new regulation. Ms. Laughlin said no, it has been around for a while and the Town has been cited for that in the past. However, regulations have been refined to define a significant deficiency and have the ability to actually enforce it.

Ms. Laughlin said the 2015 consumer confidence report also needs to be done by July 1, 2016. All construction and repairs to the water system are required to be completed by June 30, 2017. This includes repairing all leaks, repairing the sand filter, repairing or replacing the media, repairing or replacing the brine tank, repairing the aeration tower, and repairing the iron and manganese control equipment. Ms. Laughlin stated that if the water system fails to comply with the administrative order, the next process is the penalty phase and the penalties are up to \$3,000 per day for each active violation.

Mr. Henson asked if the Town's citizens' health is at risk until all these issues have been addressed. Dr. Guidry said yes because every time there is a break or the chlorine is at a lower level there is the opportunity for bacteria or chemicals to enter the water and their bodies. The Town must really address these issues.

Mr. Matthew Block, Executive Counsel to Governor Edwards, said he appreciates this hearing to allow people to speak about this request. The governor's office has been working on this issue since almost the first day that Governor Edwards went into office, and has spent a considerable amount of time since January 23 to try and find a way to get the Town clean drinking water. As discussed at the previous

FRC meeting, it is a unique position for the Town and the state because there is funding available to do the work and get the Town clean drinking water. But the funds cannot get to the Town because of the issues with the audit and the failure to provide a clean audit, so this option in law which provides for this committee to meet and decide whether to petition the court to appoint a fiscal administrator is something that the governor is strongly in favor of. On behalf of the governor's office, he asked the committee to approve the request for there to be a petition filed to appoint a fiscal administrator.

Mr. Block said he believes the fiscal administrator statute clearly provides two decision points for the committee to consider: 1) the Town is not meeting a legally required service, or 2) the Town does not have sufficient revenue to pay current expenditures. The Town cannot meet either of those conditions. There is not a more fundamental responsibility of the government than to provide clean drinking water. That is one of the most fundamental concepts we should have. The Town for a long time has not done that. He said that he keeps a bottle of drinking water that came from the Sloan family on his desk to remind him that they have to help the Town get what they need. This is not complicated nor should it be out of reach for 2016 to provide clean drinking water. It is very clear that the Town does not have the assets to get this done yet the money is there. The only way to get the money to the Town in a way that will make sure that the money is spent wisely so that all can be accountable to the taxpayers for the way the money is spent is through a fiscal administrator which is exactly what this statute was enacted for. The governor's office requests that the committee please approve appointing a fiscal administrator, and file the petition in court. The governor's office offers any assistance necessary to help in that process.

Mr. Block said he has spoken with the FRC members regarding this issue but believes this is the most responsible method for the work to get done. Mr. Purpera asked if the governor's office receives calls from citizens of St. Joseph. Mr. Block said they do and that is what started the process, the calls and emails from people within St. Joseph showing the water coming out of their faucets. This is something that can and has to be fixed. Mr. Purpera asked if the citizens were strictly concerned about their water or other issues in the Town. Mr. Block said water is the primary driving factor but obviously after the auditor's investigative report that raised concerns about how the Town is being managed, that has caused more calls and concern. The governor's office's main focus is the drinking water. He has spoken at other legislative committees and regardless of the decisions made today, the governor's office will continue to do all they can to get clean water for the Town.

Mr. Richard Hoffpauir, Community Programs Director with United States Department of Agriculture (USDA) Rural Development, responded to Mr. Purpera's questions regarding the Town's outstanding loan with the USDA created in 2004 for \$430,000 and the current balance is approximately \$350,000. Mr. Hoffpauir said the loan is current.

Mr. Henson asked what collateral was used for the USDA loan. Mr. Hoffpauir responded that it would be municipal revenue bonds for collateral, and this was a loan and grant combination. Mr. Henson asked if the maintenance and upkeep of the facility was part of the agreement. Mr. Hoffpauir said when the USDA does their scheduled inspection of the facilities, they noted the maintenance and water loss has been concern. Their counter part is the Louisiana Rural Water Association who has also done some assessments. Mr. Henson said he understands that the facility has not been maintained including excessive rust, building deterioration, weak supports, etc. Mr. Hoffpauir said one concern as they do regular inspections periodically is to ensure they are maintained. However, they do not see maintenance and conditions expected for a 12 year old facility. The life of the loan was based on revenue bonds so hope to see the life of the loan correlate to the life of the system working properly without major renovations or repairs. In this case, the system is not there. Mr. Henson asked if the system would make



it for the life of the loan, and Mr. Hoffpauir responded not in his opinion and has the same concerns that DHH has noted.

Mr. Purpera asked if Mr. Hoffpauir might know why this water system has not been maintained. Mr. Hoffpauir responded that he is not sure of the exact reason, but having the right operators and in management to support the system. Also when it loses 90% of the water due to leaks, very difficult to reach the daily values on ratios and production levels that is expected.

Mr. Purpera said there were many cards of people wishing to testify but would allow Mayor Brown and his legal counsel to speak first. Mr. Koch said for the record that he is the Town attorney and represents Mayor Brown in his capacity as the mayor. Mr. Purpera said after hearing the testimony in this committee, and the previous FRC meeting, and their testimonies in other legislative committees, he would like to allow Mayor Brown and Mr. Koch to inform them of anything they like.

Mr. Koch stated that he did not have much to say. He said that if it is this committee's pleasure to seek the appointment of a fiscal administrator based on a claim that the Town's inability to reach in its pocket and pull out \$8M makes that lawful, he will look forward to hearing that and discussing that in court. Mr. Koch said that is beyond ridiculous and if that were the standard then communities across the state would be in the same situation. He said it is ridiculous to suggest that a town's inability to fund a capital project like this qualifies for the fiscal administrator law. The statute is clear about what the court has to decide. If the Town fails to make a debt service payment, and the only debt service was testified by the gentleman from the USDA.

Mr. Purpera asked Mr. Koch to read the entire law. Mr. Koch read from R.S. 39:1351 B.(1)(a) *"If the court finds from the facts and evidence deduced at the hearing of the rule that the political subdivision is reasonably certain to fail to make a debt service payment (he said that is not the case), or reasonably certain to not have sufficient revenue to pay current expenditures, excluding civil judgments."* Mr. Koch said if it is this committee's belief that that includes capital projects such as this, but that is not what the law says, because it is not a current expenditure. He said the rest of that section applies to schools.

Mr. Koch read from R.S. 39:1351 B(1)(b) *"If a political subdivision has failed to provide an audit required by R.S. 24:513 to the legislative auditor for a period of three consecutive fiscal years."* He said that obviously is not the case either. The Town has come to the one person that state law says has the unfettered authority to allow this project to go forth and said that is Mr. Purpera. He agreed that the water situation is important and want to get started because the money is available and the engineers have done the work, and the project is ready to go. The gentleman from Facility Planning at the last FRC meeting testified that the Town has spent money that was made available to it, and proceeded forward with the project. That office is required to monitor and approve all expenditures. Mr. Koch said that they have offered to agree to whatever level of control for these funds that this committee or anyone else would choose.

Mr. Koch continued, "We don't care. This isn't about us being in charge of the water or in charge of the loan, it's about getting the money going and getting the project going. And the legislative auditor has the authority to grant an extension to the audit requirement to allow that to happen. Now we heard earlier today that 'well we can't grant the extension because the policy and the Town doesn't apply to the policy'. And one thing we heard about they did not even hire an auditor until January, but come on, I know you know, and I don't know if the other gentlemen on the committee know, but you know that

the Town and Mayor Brown made extraordinary efforts to secure an auditor. That he sent out letters to at least 50 different audit firms trying to hiring an auditor. That when that did not work, he requested that the Legislative Auditor's office to perform the audit as you are statutorily allowed to do under that circumstance if the Town cannot find an auditor.”

Mr. Purpera responded that he does not regularly do so.

Mr. Koch said, “Maybe so, but this situation is not a regular situation, this situation is anything but regular. Nothing regular about it. The Town's citizens need water and to be honest with you, I'm getting a little tired of coming to public meetings and listening to government officials tell me how important the water is. And the abject hypocrisy to say that and then to refuse the authority you are given to grant the Town an extension is breathtaking. No let me finish, sir, I am not quite finished yet. I am told that we can't grant extension because of the policy. I am pretty confident that you already know that your office responded to a public records request for me yesterday. Did so timely and very professionally, by the way. And provided me with information because I asked the specific question, hey, do you ever grant extensions as exceptions to this policy? And I was given information regarding 20, I'll get the number right, 29 times. Twenty-nine times in which the legislative auditor has granted extensions, even though the policy that was put into place would appear to forbid the extension from being granted. That included municipalities, and included situations in which municipalities requesting the extensions for multiple years”

“Um, so. Extensions are given. I won't bore the committee right now with what I put in my letter to you regarding whether or not that policy is even lawful or valid. Um, the statute makes it clear that your authority to grant extensions is not withstanding any other provision of law. That policy was not adopted as a rule under the Administrative Procedure Act. I question that it is certainly not a legally-binding policy. I think that you can grant exceptions to it and you have. I implore the committee to take the fastest trek from where we are now to getting this water flowing, which is to grant an extension to the Town as needed for this one limited purpose to allow the money to flow, and we will agree to whatever level of controls that you might wish to place on that money. That is the fastest way to get this water fixed and the fastest way to get this committee going, to get this problem solved. I mean, it is a little bit frustrating for the Town.”

“We come here today and I heard that the state health officer read an Administrative Order, y'all we don't have stuff that you have. It's interesting that that's the level of cooperation. I mean, we can't get a copy of an order that applies to us. You know, I mean if you want to solve this problem then take the shortest path and let's solve it. That's what I ask and if the water is that important to y'all as it is to us, then that's the way to do this. Not to try to make some adventurous foray into an usual and unprecedented interpretation of the fiscal administrator law that I think is questionable. Thank you.”

Mayor Brown said, “First let me thank you all for being patient back to the Fiscal Review Committee. Mr. Green was here who's our auditor. That firm sent the adjustments to the fee accountant last night. Uh, I talked with Mr. Richardson, I think about two hours ago. He is making adjustments to the financials and assured me that they will be at the accountants office by Monday. Provided it takes five days for them to do whatever they need to do, you should have those by Friday. But what I need to say regarding the audit process. I've been involved in audits since I left Grambling. Mainly internal audits while I was in Tenneco Oil up in Houston.”

“And there, I’ve not seen a process conducted in audit the way I have in this instance. For example, had I not called the partner, Mr. Green on Wednesday I would not have not known that you already had the audit for the joint gas line. I mean that was not given to me or even discussed with me prior to my telephone call. Once I made the call I received an email twenty minutes later saying that you all had reviewed and approved this audit. Which I was like wow, that happened! But needless to say we have my citizens here who have complained about the water. I have complained about the water because myself, my family members, my friends, we all are confronted with this situation so there is no one in St. Joe more adamant than I am about getting this matter resolved. I heard quite a few things here today mainly about the investigative report and since I was born and grew up in St. Joseph except the time I was in Texas. I have, I wouldn’t say a reputation but a situation that my family has built and to have that, I guess for a lack of a better word, questioned, smeared, not only in Tensas Parish and the state of Louisiana but throughout the world. And I’m at home a lot of nights thinking about the report. What it actually portrays me as a person and then to sit there and think about, wow, what did I do? I mean, my situation was from a small town of 1,100 people and trying to keep that place going.”

“There are decisions that I have made perhaps that may not have always agreed with standard procedures but when you have a disaster or emergency, you have to take care of that situation right then, right there, right now. So I want to make sure that not only the people here on this committee and my citizens, this country, the people understand that I am not a so called crook, I am not that. I do what I need to do to take care of the citizens of St. Joseph. Now, numerous occasions that my citizens have seen me out on my personal tractor mowing grass, ditches, that kind of thing. I don’t get paid for that. All of the money that is received from the state of Louisiana for that goes directly to the Town. So my prayer today is that you grant us this extension so we can move the money not tomorrow but Monday and have those, my engineer contact the contractors and proceed with bid. We have a lot of problems in St. Joseph. Number 1, the pipelines are 90 years old. Number 2, the elevated water tank is 45 years old. The plant, of course, is only 12 or 13 years old but because of these leaks in the distribution system that plant is overworked. And I think I noticed in one of the reports from the Rural Water when they first came in, the technicians, they watched the employees repair a leak and as soon as they finished that repair maybe seventy-five hundred yards away the pressure burst the line again. So this is a constant problem for us.”

“Now as far as the certified operator, I have two. Right now both of them technically are considered class 1’s but there was, the man is still there, he had to leave for a minute, I think he was a class 3. He’s still there and so we are prepared to send them back to school so they can receive their proper classification. So, in any event, I am here today to plead to you all if we could either get this extension granted. We plan to move as soon as possible and I don’t know any other way to make that request. Thanks.”

Mr. Purpera addressed Mayor Brown and Mr. Koch saying, “I guess in spite of the comments by Mr. Koch that as the legislative auditor, I take very seriously the finances of the Town and of all municipalities and all our governmental entities. And think very seriously of the audits, and the reason for the audit, and the timeliness of the audit, and why we receive audits – the public has an absolute right to know how you are spending their funds. They absolutely have a right to know that. The idea behind extensions of time, to conduct or perform an audit, it is for the rarest occasions and I understand what Mr. Koch said but I will guarantee that every extension we offered is done in accordance with those policies, those rules and regulations that not only my office drafted but also the Legislative Audit Advisory Council adopted as our current policy. So I think we adhere to that very strictly. We do so because it is very important that the Town’s people get adequate and accurate and timely information.

And to grant extensions means that we are not getting that information timely. You, whether you contacted 1, 50, or 200 auditors, the issue is the law says that you are supposed to engage an auditor within 60 days of year-end. You did not do that. That's one of the first things we look at when we look to whether we will grant an extension. Did the entity comply with the audit law? You did not comply with the audit law right after that. So that is one of the first things."

"And Mr. Koch, maybe I do have some discretion, I could not tell you, maybe my lawyers can tell you whether I have discretion or not, but I can tell you that based on upon what I see and based upon the audit that my auditors did do of the Town, and what I see of the current financial situation of the Town and the way the Town's finances have been operated, and the policies and procedures and how they have been violated over and over again. I have absolutely no intention of issuing an extension to the Town to do its audit. So, without that extension, I know what both of you have said here today to please grant the extension. I can tell you I have no intention of granting an extension. Without the extension, does the Town have the proper funding to operate its water system?"

Mayor Brown asked if that question is for him, and Mr. Purpera said yes.

Mayor Brown responded, "We have operated that system for at least 15 years and we plan to continue operating the system like what we have been given to do". Mr. Purpera asked, "Mayor Brown, you would say that you will continue to operate it at the level you are operating it today, no better, and that you will continue to provide the same level and quality of water that you have provided to your citizens today and in the future?"

Mayor Brown said, "Well, what I hear is not necessarily true or accurate. That these bottles of brown looking water are consistently coming out of the system. I heard the testimony talking about when the mains break, that is when you are going to get that color water, when we are flushing the lines. Every person in St. Joseph, I believe, knows that. They know when that system is going to go down. If it goes down at night, you will wake up and know there's no water. But I really believe that the lines will be repaired, and like I said...."

Mr. Purpera said, "Mayor Brown, I have to tell you, I get calls every day in my office. I am sure you do too. The water pressure is not adequate for homes, water is inadequate to be consumed, and you testified previously that you do not drink the water." Mayor Brown said, "No, I don't". Mr. Purpera said, "I understand, I wouldn't either, and this committee is not the water committee, we are the fiscal review committee so we are looking at the Town from a fiscal perspective."

Mayor Brown said, "When you say that, you need to understand that I have not drank tap water from a system since I left Houston, even while I was in Houston which is over 30 years ago. That's just a preference that I have." Mr. Purpera asked, "So you would drink the water in the Town of St. Joe?" Mayor Brown said, "I am saying that I have not drank water from tap sources since I was in Houston because a preference."

Mr. Koch said, "I just cannot believe you are saying, and by the way, so we can be clear, I don't fault you if you don't know this. Yesterday received via email and it is coming via certified mail, a response to my public records request. Among the questions I asked was, please produce the documentation reflecting the granting of any extension of a required audit to an agency as an exception to the new extension request policy, that is what it is called on your website. By this request my client seeks the record of the granting of an audit extension when such an extension would be prohibited by the terms of

the new extension request policy such that the exception was granted or made to this policy. That is the request that produced a list of 29 and documentation that pertains to those 29 separate instances in which you have granted extensions. You know, there is no suggestion of money being stolen, or ripped off, or missing, there's no exception like that. As its worst case scenario, your investigative audit shows..."

Mr. Purpera asked, "You are saying there is no allegation of that right now?"

Mr. Koch said, "That's all I am saying, your investigative audit at most says there is a disagreement about whether some of Mayor Brown's travel was for a business related purpose and in all told it added up to what \$20,000 or \$30,000. That's...look, I guess it's a question of how important this is. We are offering to whatever level of control you wish to exert or assert, however you want for the water."

Mr. Purpera said, "Mr. Koch, that is off the table."

Mr. Koch said, "Well, that's fine! Look that's okay, I recognize that is your authority but don't at the same time say, I've got power and I know I can control the monies so there is no chance anything bad will happen to it, so I know the money will be properly handled, but I will not let it flow because I chose not to, and then look at us like it's our problem. It's your problem. You are the one that's not letting it happen."

Mr. Purpera said, "Mr. Koch, I am going to be very clear. I very much care about this town."

Mr. Koch said, "Then grant the extension."

Mr. Purpera said, "I very much care about the people and I want to see that their town and not just their water, but I want to see their town is run properly and the finances of that town are run properly. (Mr. Koch inserted, "And it has been.") And that is what I am going to do. I started doing that a while back when I produced this report about ¾ inch thick. (Mr. Koch said, "That must mean it's really important then if it's ¾ inch thick.") And it includes a little more than just a little mismanagement."

Mr. Koch said, "Look, Mr. Purpera, the thing about this report is your get to write it and it's not like it's in court, you know, just like you get these people up here to testify. So they hear just your questions, whatever you want to ask them, but we'll have our day in court, we'll have our time."

Mr. Henson asked, "Mr. Mayor, you indicated to Mr. Purpera that you were going to continue to maintain the system as you have the last 12-15 years, is that right?"

Mayor Brown answered, "I intend to maintain it with the funds I have, that I am given and that includes whether its appropriated monies, collections, utilities, services. We have set out even today to make sure that we collect all funds that are due to the Town so we can go about maintaining the system, the best we can. If I am not given the money from the appropriations process, I don't see how that town will be able to operate the water plant in the distant future. And so..."

Mr. Henson asked, "Excuse me for interrupting, but do you feel like you have adequately and properly maintained the system in the past?"

Mayor Brown answered, "Well, that's all relative... we have done so the best we can with the money we have. Now, for example, the quarter of a million dollars that was appropriated by the state through

emergency funding - that was actually because I called Baton Rouge about five in the morning. I had gotten out of bed and was down in a hole working with the employees trying to get a leak repaired and we had not been able to access those funds all because of the audit. I do understand when reports come out like the investigative audit, everybody is so concerned and upset, but you know there is one person in this room that knows the truth and that is me about that situation. So..."

Mr. Henson asked, "Did you just say that you can't do anything right now because of the auditor?"

Mayor Brown said, "No, because we don't have the funding to do this project, to move the project on. I mean we...we were give the funding, appropriated by the previous governor, since that time, I have done just about everything I could think of to do to get this project moving. I mean constantly back and forth to Baton Rouge to the Bond Committee meetings, to my senator, my representative, all these people who help us to fill out the proper paperwork to give to the Legislature so it can become a part of the Appropriations process. So I don't know what else I can do, and certainly don't have money in my pocket to make these repairs. So I have to rely and I am sure you are aware of that because of my constant pleading here, the matched portions that the town would have been required was waived because I was able to convince the governor's office that the Town of St. Joe, the people there just don't have that kind of money. House Bill 23, are we sure that people will have that kind of money to meet those standards? I don't know, I asked the question a week ago how much this will cost the Town. Even if we have a fiscal administrator, \$10,000 a month just for that? \$8,000 a month, I don't know the answer to that and no one really has given me the answer to that question. How much is it going to cost the Town? When I say Town I mean the people."

Mr. Henson said, "I certainly appreciate that. Mr. Hoffpauier was just at the table and his testimony was that the plant since 2006 has not been maintained properly. We've only been dealing with these audit situations in the last several years, so what happened in the beginning? Why was this trend and period of non-maintenance initiated and why's it carried forward? Don't tell me it was because the system was overworked because that is not the total answer. With all due respect please let me finish. I would like to know why it has not been maintained up until now. All new pipes and the expenditure of \$6M or \$8M is not going to fix that plant and if you are not maintaining the plant that the US government loaned you the money which is also testified it's not even going to come half way close to meeting its economic lifetime. So what are you going to do if the plant goes away? Secondly, how are we to look at providing you with additional monies to build something new when you are not even maintaining what you got? Are you going to let the new pipe infrastructure system go by the wayside just like the filtration plant and aeration plant?"

Mayor Brown answered, "When you said not maintained the plant, in other words..."

Mr. Henson said, "Those were the words of Mr. Hoffpauir who funded the project."

Mayor Brown said, "Now, if you cannot take that plant offline because on all of these leaks. Then I would invite anyone to tell me how you will maintain it. You know my previous testimony back was that we were losing 50% of the water, it's more now. So if I am going to maintain this plant by shutting it down to clean the aerator. We actually shut it down to clean the inside of the tank on Saturday but we will still have that problem with brown water each time we shut the entire system down. We also testified that the valves where you can isolate a certain part of the Town, we found that on one occasion the valves were covered with three layers of asphalt. That is not something that happened yesterday or 25 years ago, that's been a long time ago, so in order to isolate certain parts of Town so to prevent the

contamination, that's a problem. I heard testimony about this cross connection, backflow preventer. We have an ordinance in place for that but we actually had a company to come in and go to these various businesses which we don't have very many that would meet that test. So it's not like we have not done anything. There is an ordinance in place, and records in place of the businesses that were visited and that kind of thing."

Mr. Koch said, "I believe that the plans that the engineer has created that we are waiting for the funding for includes some upkeep and upgrades with respect to the water plant. I don't have the plans with me here today but part of that project involves work on that water plant."

Mr. Henson said, "Mr. Mayor, I think you asked me probably rhetorically, asked for anybody to tell you how to accomplish what needed to be done. Let me be one person to suggest that the governor's office sat at that table a few moments ago and offered you a way to take care of your problem. This committee is considering a way to offer you of how to take care of the problem. If you turn your back on the governor and you turn your back on this committee, the citizens are the ones who are going to suffer and continue to suffer."

Mayor Brown said, "My question would be the difference between the fiscal administrator, myself as mayor working with facility planning and all the other state groups. The funding would release to the fiscal administrator but not the mayor... then my question and I don't recall the representative's name was how much is this going to cost the Town."

Mr. Henson said, "That would be up to the fiscal administrator to design the budget to make it pay."

Mr. Koch said, "I believe he means how much will the Town incur in expenses for a fiscal administrator."

Mr. Henson said, "I just answered that question, Mr. Koch. By the way, just, I don't mean any disrespect, how much is your contract?" Mr. Koch said, "My amount has been approved by the attorney general, \$200 an hour."

Mr. Henson asked, "How much is your contract for?" Mr. Koch answered, "It's not on a contract basis, it's an annual thing that's been submitted. I bill the Town for served time as spent."

Mr. Henson asked, "How much is your total billing for 2015?" Mr. Koch answered, "I don't have those figures with me. I think it's in our budget for last year." Mr. Henson said, "I have asked for the budget but have not yet seen it."

Mr. Purpera said he had several witness cards turned in and asked for three witnesses to come to the table at a time. Mayor Brown and Mr. Koch left the committee room and did not return for the remainder of the meeting.

Mr. Chip Sloan, citizen of the Town, pleaded for the committee's help for the Town. He has lived there approximately five years and found it to be an incredibly wonderful town to live in and safe. Some of the nicest people ever met and has lived in over 33 towns in his life and a neat place to live. Mr. Sloan said that the previous year the garbage truck broke from lack of maintenance and he saw the trash was being dumped and burned close to the water treatment plant. All the citizens around that area had

problems with smoke inhalation and that went on for a while until a new contract for garbage service was made by the Town.

Mr. Sloan commented that Mr. Koch testified previously that he was “tired of you all telling him what to do”. At a Town meeting where they discussed the water problems and Mr. Sloan commented that they would have to go to Baton Rouge to talk about this, the mayor yelled at them saying “Baton Rouge will not tell me what to do”. Mr. Sloan thanked the committee for being allowed to speak because he is not normally allowed to talk in Town meetings, and had been thrown out twice. He said for the so-called boil bans which are constant, the mayor will only put a little sign on his window stating that there is a boil ban. Several citizens created larger signs and posted them all over Town to let the citizens know there was a boil ban. When the mayor found out about the signs, he threatened to arrest whoever made the signs. Mr. Sloan said they desperately need help and need a fiscal manager to run the town. Mr. Sloan said about 2 ½ weeks ago the water pressure in his home was about a gallon every two minutes and has continually gotten worse. He reported the water problem and other citizens also called to help him, but nothing has happened and the town workers just drive by. Now he has no water running in his home. He said that happens all the time and can be in the shower and the water just stops. Also the water is almost always yellow and lots of time it is brown. These water problems have been going on for 4 ½ years and cannot believe the citizens of St. Joe has to endure this. He begged the committee to please help the Town.

Ms. Valerie Sloan testified that she also attended Town meetings when the public is not allowed to talk or ask any questions. She has even been thrown out of Town hall meetings for asking a question. She begged for the committee to help. Mr. Purpera asked about their water pressure. Mr. Sloan said only the outside water hose works with very low pressure so it slowly fills a bucket so they can have water to fill their toilet tanks so they can flush it.

Minister Roy Bowman said he was born and raised in St. Joseph. He testified before the Natural Resources Committee about the serious water problems and thanked the committee for getting involved. Minister Bowman said they have been crying out for help for a long time and seems like this year they are finally being heard. His concern is that the residents do not understand the ramifications of bringing in a fiscal administrator and hear both good and bad. They know that help is needed and the job is not getting done. But the number one issue is they need water to drink right now. He understands the repairs will take about one to two years to get it all fixed and up to the standards, but in the meantime the citizens need clean water. They still really cannot take baths because many do not have water pressure to do the basic simple things.

Minister Bowman asked the committee to inform the citizens by mail or a website, so they can understand the process. He said they do not want to select between the lesser of the two evils because they are in hell basically. Minister Brown said the people are extremely confused and really need to understand exactly what their options are because concerned about being taken advantage of due to a lack of knowledge. He knows something should have been done many years ago because the problem is getting worse. He and others have been going to Baton Rouge continually to do what they can to help move the process along and said it is worth going into debt buying gas for those trips. The area is very impoverished and residents just do not want to be taken advantage of.

Minister Bowman said his limited understanding is that a fiscal administrator takes over the entire affairs of the Town and not sure if that is a good or bad thing. He said that he is sure the committee will recommend what is in the citizens’ best interest but need to understand why. He would like to know how



long the fiscal administrator would be appointed and if the scope could be limited to water management only if possible. He said more information would give the residents peace about decisions being made concerning their livelihood. The water quality is already a health issue because several people have skin rashes and other health symptoms that began in the last few years. He would like the health department to check the citizens because many cannot afford health insurance.

Mr. Purpera said he respects all the citizens and wants to answer all their questions. He explained that fiscal administration laws have been around for many years and has applied this law very cautiously because the committee respects the Town's right to select its leaders. The fiscal administrator law provides for situations such as this where it meets the law, and the FRC committee requests the attorney general's office to petition the court to appoint a fiscal administrator. The court will appoint a fiscal administrator who then must report to the court. All members of the FRC committee will continue to be involved in the process and offer assistance. Typically a fiscal administrator serves for one to two years depending on the situation. The fiscal administrator is not an advisor but a decision maker with the authority to make the best decisions for the Town with the mayor and board of aldermen serving as advisors. The fiscal administrator has the responsibility and authority to make decisions to operate the town in the best interest of the town. That individual will also understand municipalities, municipal laws, water systems, and everything necessary to do the job.

Mr. Purpera said from his perspective the issue is not simply water, there are fiscal issues such as inadequate funds to properly maintain the water system in the past and the future. If a fiscal administrator is appointed to the Town, he/she's goals will be to have the town's finances and budget in order, and financial statements are being presented in a regular basis to the board of alderman, and has educated them to read and understand the statements, and audits are being done on time. When the fiscal administrator is no longer needed, then the court removes that person. Mr. Purpera said he appreciated the suggestion and will decide how best to inform the residents to have a better understanding of fiscal administration. He shared some examples of other entities that have benefitted from being under fiscal administration.

Minister Bowman requested that the fiscal administrator be from south Louisiana but not be related or in any relationship with anyone in the town.

Ms. Wanda Bowman said she is very angry and confused because of the information she received. The citizens of Tensas Parish and those affected by the water are majority black people. She said no one has come forth in the past four years to inform them of the condition of the water. She said that Mayor Brown was trusted because he was their leader and over the recent days since attending the Natural Resources Committee she has been very confused. They believed that House Bill 823 would make a difference for their community. She said promises were made and not kept. Elected officials should not look at black or white but at people as a whole. She questioned if black or white people were calling the Governor's office. She said black people in her community are afraid and do not know who to call unless someone tells them. Ms. Bowman said she had been getting petitions signed.

Ms. Bowman said that Representatives Hunter and Jackson are scheduled to speak to the citizens on the following Sunday so they can explain to the community what is happening and what HB823 will do. She said that Mayor Brown is from their community and a friend who they trust, but after hearing discussions in this meeting she is hurt. The community is suffering and needs help and her priority is clean water, not friendships. Her prayer is that the best decision is made for the community – blacks and whites – that need good clean healthy water.

Ms. Bowman said she had testified in another committee meeting that she has a son who drinks the water every day who is a mental patient and can become enraged and she has to call the law to remove him for several days. She is concerned about her son drinking the tap water because he throws up. She expressed concerns about the money going to the right place to fix the water system, and the lack of communication to the community about what is going to be done and how it will affect them. She reiterated that she was very confused by what has been happening. She asked for help and information for the citizens because they have suffered and gone without for long enough. She prayed that they would be led by God and to consider making decisions as though it affected their own family.

Mr. Purpera said if the committee decides to ask the court to appoint a fiscal administrator and if the court proceeds to do so, then he would request Ms. Bowman's assistance to put together a meeting so the community can be properly informed.

Ms. Janie Jones, President of the Foundation for Education, Equity and Sustainable Development, and chairman of the Council for Social Impact, said her organization assists communities in crisis and help with sustainability plans for communities especially those of color because feel that their voices are not heard. Ms. Jones said she is from Tensas Parish. For the past year and a half, she has worked across the country helping the Ferguson community after the death of Michael Brown. She has family in Waterproof and St. Joseph. She is from Michigan and dealing with the issue in Flint.

In January, when Ms. Jones saw the video on television about St. Joseph, she first called the Diocese to see how she could help and next she called the Mayor's office and then the Governor's office. She offered assistance on any level including bringing in accountants to help with the audit, or providing water. She was told by Mayor Brown that the citizens needed water immediately but was called back in January and the mayor asked her not to deliver the water.

For the last three months, Ms. Jones has been making cost assessments to provide each household with water for the next 18 months – two years. She reached out to the Tensas faith community and agreed to help with short and long term water resource coordination and provide support to the local leadership groups that are forming so that they will have confidence that they are not left out of the loop. She is developing a communication and education strategy to keep residents informed of the progress for fixing the water system and options for water sources so they have access to clean drinking water.

Ms. Jones pointed out that the children of Waterproof and Newellton go to school in St. Joseph so whatever effects St. Joseph affects the homes of every child that lives in Tensas Parish. Her goal is to help St. Joseph immediately and has reached out to Coca-Cola who will ship in a truckload of water by the following Monday. The cost factor needs to be considered in calculating how much water is used by families on a weekly basis. It is not feasible to expect to get donations for 1,000 people for two years so even if the money is released today, they still need a plan on how families get clean drinking water. She has reached out to establish a task force to develop a way forward.

Ms. Jones said her organization is not telling St. Joseph residents how they should deal with their elected officials but believes after the testimony today, St. Joseph should still be allowed to decide what they want their government structure to look like. Her recommendation is that if the committee appoints a fiscal administrator to limit the scope to the water utility only so the people can be educated to the point where they feel they have a voice in how they are represented. The reality is what they are looking at are long standing racial issues, and poverty issues. She urged listening to the Tensas Parish people who are

the poorest in the state. The residents have migrated from the cotton fields to the homes and had limited resources to provide them another way to become sustainable. She said the fears Ms. Bowman spoke of is because historically speaking up and out has caused some type of penalty. When the people feel they have no participation in the system and it changes, and they are not educated in the process, then they feel like they do not matter.

Ms. Jones asked that the committee stay hyper focused on the reality that if there are issues with the budget and finances to be managed to not turn a blind eye to that, but to remain sensitive to the people. The focus is to bring the African-American and white communities together to the same table so that the crops do not get better water than the people.

Ms. Bowman shared information about her abusive childhood but said that the water situation is the worst abuse ever because water is a necessity for humans. Ms. Jones said there is always a bright spot in everything and this is a perfect opportunity for Tensas Parish and the state to work together to create a beautiful model on how government and local communities can work together to solve problems.

Mr. Purpera explained that the current fiscal administrator law only provides for them to request the court to appoint a fiscal administrator who will have broad authority but they are there to fix the problems.

Mr. Henson asked Ms. Jones if her organization had arranged for fresh water to be brought to St. Joseph in January and was told by Mayor Brown to not deliver the water. Ms. Jones said yes.

Mr. Stiles said people from the St. Joseph community came to speak because the elected officials are not taking care of their people. He explained that what is happening in this committee is an extraordinary measure provided for by the Louisiana Legislature and state government to allow a fiscal administrator to go into the community and take control of the fiscal responsibilities. But first a judge must determine if the laws are being met and whether or not this meets their legal burden to bring that relief to the community. He pointed out that the community is already coming together and thanked all the witnesses for coming to the meeting.

Mr. Purpera read through the witness cards submitted and asked for anyone else would like to give public testimony to speak but no one else came forward to testify.

Mr. Purpera said he is ready to make a motion that the Fiscal Review Committee request the attorney general as it applies to law to file an action in the proper court to appoint a fiscal administrator at the recommendation of the legislative auditor, attorney general and state treasurer as it is stated in the law for the Town of St. Joseph. Mr. Stiles seconded the motion. Mr. Henson said he absolutely agrees with the motion. Mr. Purpera said based on the unanimous approval, the committee will seek court action to appoint a fiscal administrator for the Town of St. Joseph. Mr. Purpera thanked all who came to the meeting and for providing testimony. Mr. Henson suggested that as soon as appropriate in the proceedings to set up the community meeting and to discuss the process. Mr. Purpera agreed and said it will definitely help the community.

Mr. Stiles stepped down as the attorney general's designee and Ms. Murrill stepped in as designee.

#### **IV. UPDATE ON MOREHOUSE PARISH HOSPITAL SERVICE DISTRICT NO. 1 D/B/A MOREHOUSE GENERAL HOSPITAL**

Mr. Mike Battle, LLA Advisory Services Manager, stated that the legislative auditor's office has been fiscally monitoring the Morehouse General Hospital (Hospital) for the past 2-3 years. At the FRC meeting on August 15, 2015, the Hospital's declining financial situation and issues with not making contributions to the pension system were discussed. At that meeting, continued monitoring was decided because the Hospital had submitted Requests for Proposals (RFPs) for a management company. The Hospital board selected IASIS Healthcare and was negotiating for the leasing of the Hospital but unfortunately that agreement fell through just recently. However, the Hospital CFO and Interim CEO Mr. Jim Allbritton informed Mr. Battle that another proposal from Community Hospital Corporation (CHC) based in Plano, Texas, was approved by the Hospital board just the night before.

Mr. Battle shared the fiscal concerns because of the decreasing revenue and declining cash flow projections provided by the Hospital. He pointed out that \$1.2M shown in the 17 month cash flow will only be available to the Hospital if they have a manager to take over the operations. The USDA has to approve the manager prior to the Hospital receiving the remaining \$1.2M of the bridge loan.

Mr. Battle explained the delinquent pension contributions and accounts payables and how it effects the cash flow situation if the Hospital were to get current on those debts. The auditor in the management letter for the FYE 2015 audit suggested that the Hospital make monthly payments to their pension plan. A new millage was approved on November 21, 2015, and the tax increase will go into effect 2016, which is positive assistance. In summary, the financial condition of the Hospital is declining and the Hospital board and CFO are aware of that and working on finding a management company.

Mr. Battle further explained that the USDA loan for \$2.8M was made after August 2015, and the Hospital can only access 60% of the loan (\$1,680,000) until they hire a management company. The Hospital has already spent approximately \$1M, and has \$680,000 still available.

Mr. Purpera asked if the Hospital does not hire a management company and unable to access the remaining \$1.2M of the USDA loan, would the Hospital be negative in cash flow within 4-5 months. Mr. Battle responded affirmatively.

Mr. Purpera asked Mr. Allbritton if he has been able to make a plan to improve the cash flow and make the Hospital viable. Mr. Allbritton explained that the management company is the only remedy and after months of negotiating with IASIS, they pulled out of the deal on April 13, 2016. Mr. Purpera asked if IASIS pulled out because of the continued decline in the health of the Hospital. Mr. Allbritton said IASIS did not believe it would provide a return on their investment quick enough. He said the Hospital does have other plans but because they were on the track for IASIS to lease the Hospital, they did not pursue other plans.

Mr. Purpera asked what happens when a Hospital employee retires considering that the Hospital is behind on the pension contributions. Mr. Allbritton said several people have retired and can withdraw the funds that are available in their plan which right now is paid through September 2014. Mr. Purpera asked if the employees receive basically an IOU for the remaining amount not funded in their pension account. Mr. Allbritton said yes, and the employees are trusting that the Hospital will eventually pay it all in full.

Mr. Henson asked if the budgetary loan went before the Bond Commission. Mr. Allbritton responded yes, it did. Mr. Henson asked if the millages passed were dedicated to the Hospital. Mr. Allbritton said all the taxes go toward the general operation of the Hospital as it needs it, and that projected amount is reflected in the cash flow projection when received in January or February 2017.

Mr. Allbritton explained the cash flow projection is the worst case scenario if nothing improves but hopeful that the management company will work out. He could if necessary make a bridge loan for \$4.5M against that tax revenue.

Ms. Murrill asked if any conversations were made with Department of Health and Hospitals (DHH) for potential revenue sources for rural hospitals or other additional sources of funding. Mr. Allbritton said they have used all available funding for every possible program but knows of no other sources. Ms. Murrill asked for the greatest drains on the revenue. Mr. Allbritton explained the various factors effecting small hospitals such as inability to attract surgeons and specialists, and cannot cut expenses enough and still be able to provide necessary services. Ms. Murrill expressed concern that the Hospital will get to the point of no return if it continues to decline. Mr. Allbritton said that they are trying to reach out to the community to bring them to their Hospital instead of going to Monroe but need the specialists and extended services.

Mr. Purpera asked if the board works well together and in agreement. Mr. Allbritton said the board is great and good cross section from the community. Mr. Purpera asked if it would help to have a fiscal administrator appointed at this time to help in negotiations. Mr. Allbritton said they are working on the agreement with CHC and have a target for the new CEO to start on May 26, 2016. They are trying to not incur any more expenses at this time.

Mr. Richard Hoffpauir, Community Programs Directors for USDA Rural Development, testified that his concern is the shortfalls and possible point of no return is not that far away. He just wants to see the Hospital get into a better financial situation whatever that takes – a fiscal administrator or a management contract which he has not seen yet. If the Hospital is getting paid on the front end, they have nothing to lose, but he must see the management agreements. He has faith in the board and Mr. Allbritton's negotiating skills. After all these months of waiting for IASIS lease and now they are no further than before. The Hospital is current on their debt payments, but the \$2.8M loan has to be paid back too. After hearing the numbers discussed he is concerned.

Mr. Allbritton said his projections were based on the worst case scenario and believes the Hospital can make it until June 2017 if nothing improves but is hopeful this fall to see improvements. He speaks with Mr. Battle and Mr. Dickey at the LLA's office on a regular basis.

Mr. Purpera asked if the board approved to proceed with negotiations with CHC. Mr. Allbritton said the Hospital's legal department is already negotiating with CHC. He wants to get the contract negotiations fairly worked out before sending to the USDA for their review and ensure they approve the agreement. Their hope is to have the contract signed and go into effect by May 26, 2016.

Mr. Henson asked Mr. Hoffpauir if that timeline is good for the USDA. Mr. Hoffpauir said along with the management proposal he would also like to see a feasibility projection on the cash flow to show that the management agreement will work. He may require independent analysis to show that it is a feasible option. Due to the size of the loans, the USDA will require some due diligence and assurances. Mr. Henson asked that the Hospital provide an update at the next FRC meeting.

Mr. Allbritton said the board also approved the 2017 budget the night before that includes management fees and other savings. That budget shows a reduction in their deficit from \$3M to \$1.5M over the next year. The Hospital plans to only have to draw down \$1.2M of the budgetary loan. Their budget does include continued pension and debt payments.

Mr. Purpera said his staff will continue monitoring the Hospital and if there is no management company agreement in the next four weeks then a fiscal administrator may need to be appointed and would like there to be some funds available for the administrator to work with.

## **V. OTHER BUSINESS**

No other business was discussed.

## **VI. ADJOURNMENT**

Mr. Henson made a motion to adjourn and with no objection the meeting of the Fiscal Review Committee adjourned at 4:35 p.m.

**Approved by Fiscal Review Committee: February 21, 2017**

Video Recording: [http://senate.la.gov/video/videoarchive.asp?v=senate/2016/04/042916FISCALREV\\_0](http://senate.la.gov/video/videoarchive.asp?v=senate/2016/04/042916FISCALREV_0)