



From the Bureau of
Governmental Research

QUESTIONS ? FOR A NEW MAYOR

PART I OF IV: A BUDGET IN CRISIS

JANUARY 19, 2010

INTRODUCTION

It's no secret that New Orleans is in the midst of a budget crisis. The 2010 budget process opened with the announcement that the city faced a \$68 million shortfall in revenue. The Office of Inspector General issued a report criticizing the city for poor documentation, weak financial reporting and a failure to fulfill budgeting requirements. As the process drew to a close, news reports revealed conflicts between the mayor and City Council, with both sides accusing the other of pushing extreme cuts in expenditures.

In May 2007, BGR highlighted the impending financial trouble in its report *Budgeting in a Time of Crisis: A Review of the City of New Orleans' 2007 Budgets*. It found that, despite the city charter's mandate of a balanced budget, the city was in fact making ends meet using disaster relief loans. It also found that the city administration failed to provide lucid budgetary information and that capital expenditures were occurring without clear prioritization. In a follow-up report, *The Clarity Deficit: New Orleans' Capital Budget* (November 2007), BGR found that little had improved in the 2008 budget. BGR's recent reports on the budget are available at www.bgr.org/reports, under Budgets.

The budget crisis underscores the need for building the city's tax base and other sources of locally generated revenues. It also underscores the importance of carefully reviewing expenditures and available resources in the post-Katrina era.

For this installment of *Questions for a New Mayor*, BGR asked candidates how they would increase revenue and address the weaknesses in the tax base. It also asked them how they would cut expenditures while providing an appropriate level of city services. We present the candidates' answers in alphabetical order. We will rotate the order with each installment of this series.

About this Series

With the mayoral primary on the way, BGR submitted questions to all candidates on topics in four areas: the city's budget, city services, infrastructure and blight. Rob Couhig, John Georges, Mitch Landrieu and James Perry responded. BGR is presenting the Q&A to the public in this web-only, four-part series. This installment, *A Budget in Crisis*, is the first of four. We will issue the following three parts this Thursday, Jan. 21, next Tuesday, Jan. 26, and next Thursday, Jan. 28.

Question 1: The recent city budget crisis is a sign of things to come for the next administration. As state and federal recovery funds run dry, the burden will fall increasingly on local government to maintain itself financially. What measures would you take to increase revenues? What measures would you take to protect and expand the tax base? Be specific about your strategy, including your approach to tax increases, exemptions and economic growth.

Rob COUHIG We must budget for the population we have, not the one we wish to have. We cannot tax our way to increased revenue. Every additional tax will cause a diminution in the number of people and businesses that actually pay taxes.

I will make city government business friendly. That is, it will work with citizens and businesses to make it easier to open, expand, and maintain business in Orleans Parish. I will sign the public-private partnership for economic development. There will be no tax increases.

John GEORGES We need new businesses to collect taxes from. Continue the implementation of automation in City Hall including, but not limited to, the computerization of sales tax collection to ensure all monies due to the City reach the treasury with minimal delays. I will take the lead in actively recruiting small and mid-size companies from across the U.S. I would work closely with GNO Inc. to attract new businesses in the creative industries, digital technology, the film industry and the bio-medical fields.

Mitch LANDRIEU The city faces a major revenue short-fall caused by inconsistent property and sales tax collections, fiscal mismanagement and political wrangling. My top priorities are to operate government efficiently and honestly, while providing a better level of services.

Upon entering office in 2004 as Lt. Governor, I launched a multi-year transformation project for the Office of Lt. Governor/ Department of Culture, Recreation and Tourism. As part of the transformation project, we pioneered Budgeting for Outcomes. The goal of Budgeting for Outcomes is to cut smart, reorganize and invest in what works.

Currently, the City of New Orleans claims to use this process, but it does not. As mayor, I will implement a true Budgeting for Outcomes system to assess all city programs to identify functions that can be reorganized or cut out entirely.

In addition, I will foster open communication with City Council on budget matters by hosting regular meetings as budget proposals are drafted. I will also order a review of city properties and consider the sale of unneeded buildings. I support reforms in tax assessment procedures to ensure that owed taxes are collected and will push a broad business development agenda to expand the tax base.

James PERRY As part of my comprehensive economic development plan, we will work to increase revenue and protect our tax base by utilizing existing resources and focusing on smart, sustainable development. Programs to redevelop our riverfront and incubate innovative local businesses will build our economy and tax base. My plan will sustain successful initiatives, including tax incentive programs for the port and creative industries. I will aggressively work to support, encourage and grow local businesses and work to attract private industry, being careful not to overly subsidize it. Each tax incentive will be carefully considered so that our investment in large industries will work to further our community and economic development goals. I will establish a review process for tax subsidies that considers the long-term costs and benefits and includes a mechanism for review, including evaluation criteria and community input. Our communities must be part of moving forward with new and carefully considered Tax Increment Financing districts. I will make sure that TIF proposals are connected to local planning goals and set out specific processes for evaluating and approving TIF proposals. Additionally, my administration will promote the enforcement of our existing revenue streams through more efficient collection of tax and services fees.

Question 2: What measures would you take as mayor to decrease expenditures while ensuring an appropriate level of city services? Name at least three specific measures.

**Rob
COUHIG**

(a) I will start with an affordable budget, one with no new taxes.

(b) I will open up the budget process to the public and the Inspector General the preceding May and develop it on a line item budget by department.

(c) I will consolidate clerical staffs between departments for greater efficiency. I will also consolidate staffs for various boards and commissions until there can be a change in the charter to eliminate some of those boards and commissions.

**John
GEORGES**

Although many say that the city's budget has already been cut to the bone, I would review the services offered by city government to determine what else could be cut. I would reduce large consultant contracts and outside legal counsel, except when specific expertise is required. I would also review fee schedules for architects, engineers and contractors.

**Mitch
LANDRIEU**

Upon entering office in 2004 as Lt. Governor, I launched a multi-year transformation project for the Office of Lt. Governor/ Department of Culture, Recreation and Tourism. As part of the transformation project, we pioneered Budgeting for Outcomes, an innovative budgeting process which is now being implemented across state government. Currently, the City of New Orleans claims to use this process, but it does not.

In five years, I have transformed the Office of Lt. Governor/Department of Culture, Recreation and Tourism from a respectable bureaucracy into an engine for economic development and a model of good government. Using Budgeting for Outcomes, I have saved taxpayers \$16 million through smart cuts, reorganization and outsourcing while continuing to deliver quality services.

I will immediately bring together the City Council and my finance team to initiate a thorough review of the current city budget and financial management system and insist that every city department and agency participate in a budgeting process that focuses on results. I will consider downsizing the city workforce and may eliminate city operations that are not essential.

**James
PERRY**

As Mayor I will work to close the budget gap while maintaining programs and services that put us on track for a more prosperous future. Rather than simply reducing services, my plan focuses on reducing the *cost* of services. In fact, greater efficiency will not only lower costs but also improve quality. First, I will harness our existing assets by implementing more efficient collection of taxes and city service fees, and through a strategic divestiture of city property. Next, we can cut costs by making government more efficient. As Mayor, I will oversee a strategic consolidation of city agencies to avoid redundant costs and improve services for residents. For example, I would consolidate Parks and Parkways, and any other department that handles city streets, into Public Works so that residents could place one call to city hall for any problem, sidewalk to sidewalk. Years of mismanagement means that New Orleans must make some tough decisions. As Mayor, funding decisions will be made in accordance with an improved Budgeting for Outcomes process in order to ensure that budgeting priorities meet community priorities. By preventing wasteful spending, reforming the budget process, and promoting efficiency we can greatly reduce spending and improve services.



Bureau of Governmental Research
938 Lafayette St., Suite 200
New Orleans, Louisiana 70113

BGR

The Bureau of Governmental Research is a private, non-profit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

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Rethinking the World Trade Center Building Transaction (2009)

The Clarity Deficit: New Orleans' Capital Budget (2007)

Stop the Insanity on Subsidies (2007)

Budgeting in a Time of Crisis (2007)

Seeking Subsidies on Top of Subsidies (2007)

Protecting New Orleans' Tax Base: Which PILOTs Should Fly? (2007)

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