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BGR RELEASE

The Clarity Deficit New Orleans' Capital Budget *November 28, 2007*

As the principal stakeholders in the City of New Orleans, citizens should be able to access and understand the finances that officials administer on their behalf. As with the operating budget, the City should produce a capital budget that includes a best-effort accounting of all capital revenue sources and all capital expenditures. It should be presented in a comprehensive and project-specific fashion.

For the second year in a row, the City administration has produced a capital budget and a capital improvement plan that provide only a partial report of where the City is investing the public's money. This falls short of the City Charter requirement for a comprehensive capital budget and program.

The City Charter spells out the procedure for crafting and adopting the capital budget and program. It calls for a five-year capital improvement plan, the first year of which forms the basis for the coming year's capital budget. It specifically requires that the capital program detail all improvements that the City plans to finance with funds that "are or *may become* subject to control or appropriation by the Council during each of the ensuing five years" (emphasis added). It also requires that the capital improvement plan identify for each project the amount of money that the City has expended or encumbered or expects to expend or encumber in the next five years, as well as the sources of the funding for each project. Likewise, it requires that the capital budget ordinance show in detail the capital expenditures to be made or incurred in the next year.

The charter requirement serves a critical function. It forces government officials to take a long-range view and set priorities for the expenditure of limited funds. The charter-mandated approach allows citizens to follow the money, discover the City's priorities and evaluate whether the City is properly allocating its resources. It adds fiscal discipline and transparency.

For 2007, the City government adopted a capital budget of a mere \$150,000 and a five-year plan that reiterated pre-storm priorities. The administration maintained that at the time revenues from sources such as FEMA reimbursements and insurance proceeds were too uncertain to include in the capital budget. With respect to the five-year plan, the

administration indicated that it was awaiting the adoption of a citywide recovery plan by the City Planning Commission and the City Council.

As City government prepares and finalizes the 2008 budget, the situation is different. The City has completed the citywide recovery planning process, going so far as to identify specific projects. It clearly is confident that funds will be available. Indeed, the mayor's budget message to the council included a slide headed "Checks are No Longer in the Mail!" that listed multiple sources of capital funding.

Yet the capital budget and the capital improvement plan remain unacceptably vague. The capital budget ordinance includes only \$80 million in bond proceeds and \$400,000 in miscellaneous capital funds. The motion for the capital improvement plan includes only the anticipated proceeds from bond issues and a small amount of miscellaneous capital funds. The budget ordinance and the capital improvement plan provide no information on LRA infrastructure funds, Federal Highway Administration funds, federal matches, insurance or FEMA reimbursements. The administration has proposed adding \$75 million of bond funds, \$200 million of State revolving funds and \$40 million of state funds for specific projects to the 2007 budget on the same date that City Council is expected to adopt the 2008 one.

This falls short of the City Charter requirement for a capital budget and a capital improvement program that pull together all anticipated capital sources and identify projects over a five-year time line.

Conclusion

The City has more money to spend on capital projects than ever before. Given the variety of sources, uncertainty as to the timing and amounts of FEMA reimbursements, and the loss of manpower and experience in the corridors of City Hall, creating the capital budget is more difficult than in the past.

But now, more than ever, a transparent and comprehensive capital planning process is crucial. The City must pull the various pieces of the puzzle together so that citizens can see one complete picture of capital finances. The budget should honor the citizens it is meant to serve by speaking clearly. It should illuminate priorities, forge fiscal discipline and create transparency.

A comprehensive capital budget is not just good for the citizens. It's the law.

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