



# ON THE BALLOT

A Report from the Bureau  
of Governmental Research

---

## JEFFERSON PARISH TAXES, DECEMBER 10, 2016

---

### INTRODUCTION

On December 10, 2016, voters in Jefferson Parish will consider renewing four dedicated taxes: a sales tax for parish sewerage, road and drainage projects, law enforcement and municipal governments in Jefferson; and three property taxes for parish drainage, recreation and public schools. The taxes generate \$83.7 million for the Jefferson Parish Government (Parish)<sup>1</sup> – 14% of its budget – plus another \$30 million for the Sheriff and municipal governments and \$15 million for the Jefferson Parish Public School System.

In this report, BGR examines the four tax renewals, provides analysis and offers positions to assist voters in making informed choices.

### SALES TAX RENEWAL

#### What It Would Do

Voters will decide whether to renew for 20 years, beginning December 2, 2022, a 1% sales tax that funds:

- Sewerage, road and drainage projects performed by the Parish in the unincorporated area and the Town of Jean Lafitte.
- Law enforcement by the Jefferson Parish Sheriff's Office in the unincorporated area.
- General purposes of the other five municipalities in the parish.

The proposition would continue to allow the tax proceeds to support bonds.

### Background

*The 1% Sales Tax.* Voters first authorized the parishwide 1% sales tax in 1984. Originally, they restricted the use of Parish's share for the unincorporated area and Jean Lafitte solely to sewerage improvements.<sup>2</sup> In 1998 voters extended the tax through December 1, 2022 and expanded permissible uses of the Parish's share to include roads. In 2008, voters added drainage improvements to the list of permissible uses. Today, the Parish can use the tax revenue for either building or maintaining sewerage, road and drainage works.

By law, the 1% sales tax does not apply to the purchases of food sold for preparation or consumption in the home, or to purchases of prescription drugs, medical devices or medical equipment.<sup>3</sup>

If voters approve the proposition, the tax will be extended at the current level of 1% from 2022 to 2042. The purposes of the tax will remain the same. If voters reject the proposition, the tax will remain in effect at least until December 1, 2022. The Jefferson Parish Council could resubmit the renewal proposition to voters before the tax expires. Expiration of the tax would drop the overall sales tax rate in the parish from 9.75% to 8.75%, assuming the current rate remains in place in 2022.

The tax generated a total of \$77.8 million during the 12 months ended June 30, 2015, based on the most recent audited tax collection figures reported by the Jefferson Parish Sheriff's Office. Of this amount, the Parish Government received \$48.1 million for sewerage, road and drainage projects in the unincorporated area and Jean Lafitte. The municipalities other than Jean Lafitte received a combined \$15.1 million for their general purposes. The Sheriff's Office received \$14.6 million,

which reflects a one-eighth share of the tax for law enforcement in the unincorporated area plus the Sheriff's commission on tax collections.<sup>4</sup> (See Chart A.)

Revenue from the sales tax has shown little growth during the past few years. The proposition estimates collections during the initial year of the renewal at \$78.6 million, up slightly from current collections.

The tax is a significant source of general-purpose funding for the Sheriff and the five municipalities. The Sheriff's share represents 12% of the office's general revenues.<sup>5</sup> For the municipalities, the tax provides between 5% and 22% of general purpose revenue.<sup>6</sup>

The tax is a core component of the Parish's funding for roads, sewerage and drainage. In 2015, it provided about one-fifth of the systems' combined revenue of \$231.9 million.<sup>7</sup>

*Proposed Road and Sewerage Bond Financing Plan.* The Parish is seeking renewal of the tax now so that it can refinance existing sales tax bonds and finance new road and sewerage projects. As of September 1, it had \$213.8 million of bonds outstanding. If the proposi-

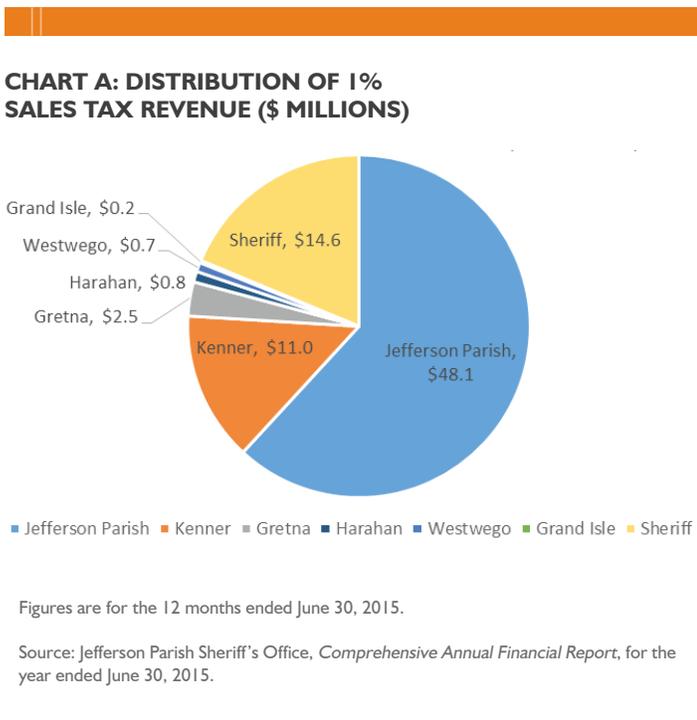
tion passes, the Parish plans to refinance approximately \$100 million of that debt by 2019<sup>8</sup> and issue new bonds to finance \$329 million of road and sewerage improvements.<sup>9</sup> It will retire the rest of the existing debt by 2022 according to current debt payment schedules.

The Parish estimates that it can accomplish this financing plan and keep its annual debt service about the same as the current level. It estimates that annual debt service under the new plan will approximate \$35.8 million.<sup>10</sup> The Parish plans to continue directing the balance of its share of the 1% sales tax revenue, or approximately \$12 million, to sewerage and road improvements on a pay-as-you-go basis.

The new bonds will pay for all or part of the costs of 68 road projects and 64 sewerage projects, according to plans prepared by the Parish administration and adopted by the Parish Council in September. The administration excluded drainage projects from the bond plan because that system has received extensive local and federal investment since Hurricane Katrina and has a large capital fund to continue improvements on a pay-as-you-go basis.

The Parish's Department of Public Works chose the road projects based on several factors, including existing road conditions, traffic loads and the ability to leverage state and federal road funds for major arterial roads. It has identified \$105 million in potential matching funds, a ratio of more than \$1 for every \$2 of Parish funds. The funds are not yet in hand: They will require the approval of the Regional Planning Commission, and the state Department of Transportation and Development, which administers the funds, must review design plans and bid the construction work.

The state and federal matching funds will allow the Parish to conserve more of its own bond funds for other local road projects. For example, the largest individual project on the Parish's list is a long-awaited interchange connecting Causeway Boulevard and the Earhart Expressway. The \$50.6 million project will be more than 80% paid by state and federal funds, requiring only \$7 million of Parish bond funds.



Approximately 60% of the bond funds will go to the road projects, and 40% to the sewerage projects. The road projects will, among other things, improve a number of major arteries in the unincorporated parish, such as Causeway, David Drive, Harvey Boulevard, Lapalco Boulevard and Manhattan Boulevard. The bonds will also expedite the design of the future widening of the Lapalco Bridge over the Harvey Canal to relieve a traffic bottleneck.<sup>11</sup> Besides traditional road and bridge improvements,<sup>12</sup> the Parish plans to build out its network of bicycle paths, consistent with its Bicycle Master Plan.<sup>13</sup> In addition, it plans to enhance several roads and intersections with new pedestrian walkways, lighting, landscaping and other features to make them more attractive and accessible.

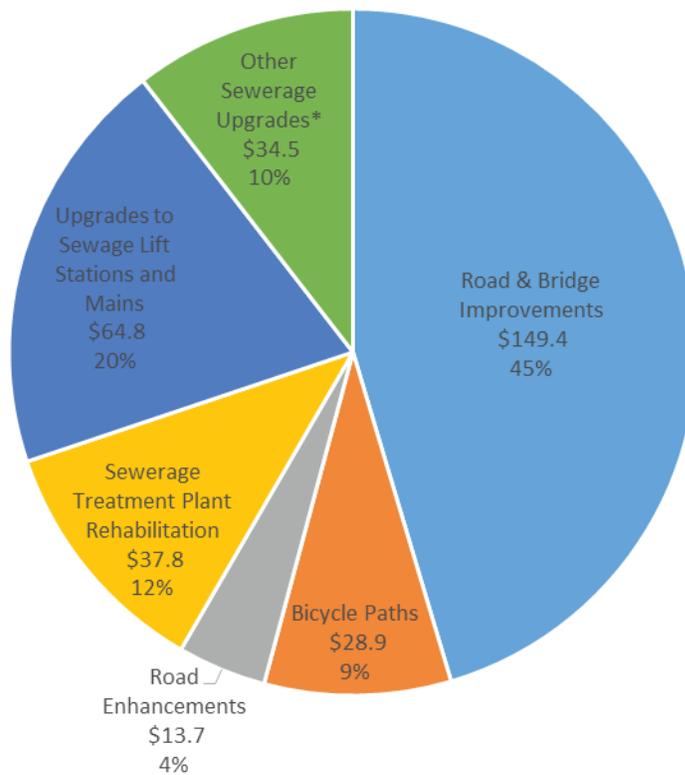
The sewerage bond projects aim to shore up the Parish’s aging sewerage system. The Parish faces pressure from state regulators to rehabilitate the system, in particular

its three West Bank treatment plants. In addition, Parish officials say they often field complaints from citizens and businesses about sewage backups, including those caused by infiltration of rain water into deteriorated sewer pipes or pumping failures during power outages. The Parish must invest in overflow monitoring equipment, valve replacement, backup pumps and other upgrades to sewer mains and lift stations on both sides of the river.

The sewerage bond projects will address part of the system’s overall need for new investment. The Parish estimates that the system as a whole requires at least \$1 billion of rehabilitation and upgrades over the next 20 years to sustain the system and ensure proper collection, treatment and discharge.<sup>14</sup>

Chart B shows the planned allocation of bond funds between road and sewerage projects.

**CHART B: ALLOCATION OF BOND PROCEEDS FOR ROAD AND SEWERAGE PROJECTS, ALL PHASES (\$ MILLIONS)**



\* These consist of upgrades for overflow and backup reduction, overflow monitoring equipment, alternative fuel backup pumps to operate primary lift stations during power failures, redundant sewer connections to prevent overflows, predictive maintenance and repair to force mains, and valve repairs.

BGR analysis of Jefferson Parish Council Ord. 25226, adopted September 21, 2016.

## Analysis

For more than 30 years, the 1% sales tax has been a core funding source for local government in Jefferson Parish. It supports not just the Parish's major infrastructure, but also the general purposes of the Sheriff and the municipal governments of Kenner, Gretna, Harahan, Westwego and Grand Isle.

Renewing the tax now – and enabling the proposed bond financing – would let the Parish initiate a much larger program of road and sewerage improvements than it could on a pay-as-you-go basis. The Parish would also take advantage of the current low interest rates on municipal bonds, saving taxpayers significant money. If the Parish delays the financing plan, it risks an increase in interest rates that could reduce its capacity to execute the road and sewer improvement program.

The road bond program would jump start long-awaited improvements to major roads. For example, the Causeway-Earhart interchange has been planned for nearly a decade. It will substantially improve access to the expanding Ochsner Medical Center and the Elmwood Business Park area, and alleviate traffic congestion on Clearview Parkway. In addition, the program's potential to leverage more than \$100 million of state and federal funds would stretch the value of local taxpayers' contributions.

The road projects also include quality-of-life investments for parish residents. The Parish administration views the \$29 million investment in bicycle paths, as well as the \$14 million of road enhancements, as improvements designed to attract and retain residents.

The sewerage bond projects would target pressing problems with sewage treatment on the West Bank and sewer

age collection and pumping on both sides of the river. Without these improvements, residents and businesses in several areas will continue to face sewerage back-ups and problems. The Parish must also avoid potential regulatory penalties.

The Parish's bond financing plan to pay for these projects is based on conservative assumptions, but it is impossible if voters do not renew the tax. The Parish cannot issue bonds for just six years; it needs the 20-year extension of the tax beyond 2022 because bonds typically require a maturity period of 20 to 25 years. If the proposition does not pass, the Parish would have to scale back its capital investment plans, delaying many of the proposed road and sewerage projects.

The administration views the road and sewerage investment as higher priority funding needs than additional funding for drainage, the other eligible use of the Parish's share of the tax. The drainage system has substantial dedicated tax funding from other sources (assuming voters renew the property tax millage discussed below), and it closed 2015 with a capital fund balance of \$136.9 million. By contrast, the Parish's sewerage system depends on revenue from the 1% sales tax for most of its capital needs. It ended 2015 with a capital fund balance of \$12.3 million.

## BGR Position

FOR. Renewal of the sales tax would enable the Parish to finance much-needed road and sewerage improvements on both sides of the Mississippi River. The Parish also could leverage additional state and federal dollars for major road projects. In addition, the Sheriff and five municipalities would retain an important funding source for an additional 20 years.

**“Renewal of the sales tax would enable the Parish to finance much-needed road and sewerage improvements on both sides of the Mississippi River. The Parish also could leverage additional state and federal dollars for major road projects. In addition, the Sheriff and five municipalities would retain an important funding source for an additional 20 years.”**

## DRAINAGE TAX RENEWAL

### What It Would Do

Voters parishwide, except in the Town of Grand Isle, will decide whether to renew a 4.64-mill property tax for drainage for 10 years, beginning in 2017. Because the renewal would set the maximum tax rate at the previously authorized level of six mills, it could result in a 1.36-mill tax increase.

### Background

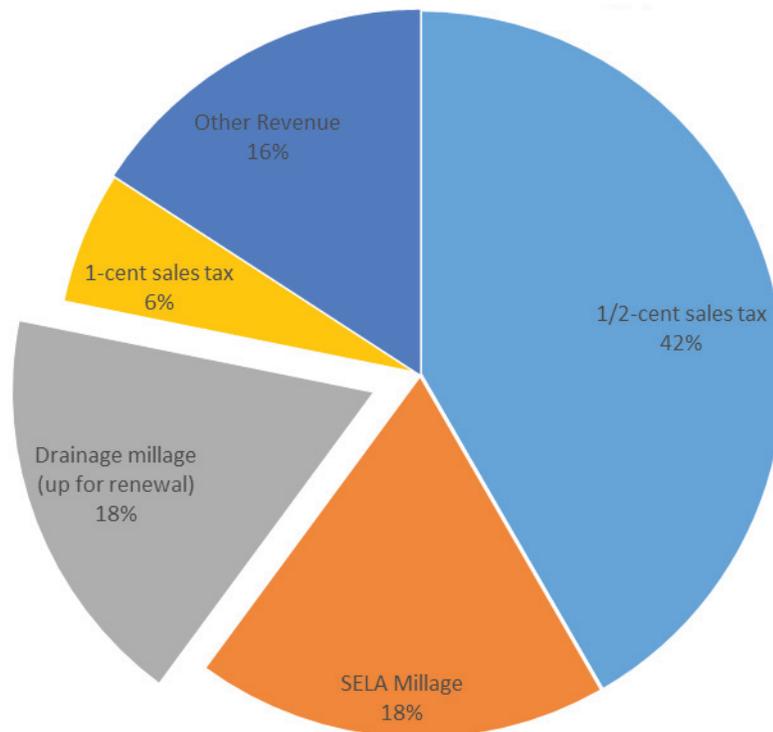
The Parish levies the drainage tax throughout the parish, except for Grand Isle.<sup>15</sup> Voters last renewed the millage in 2007. The tax will expire at the end of this year.

In 2007, voters approved a tax rate not to exceed six

mills. The Parish Council levied that rate initially, but has since lowered it to 4.64 mills, its 2016 level, to offset the growth of property assessments in the district. Voter renewal of the drainage tax will reset the maximum rate to six mills in 2017, although the council could choose to levy a lower rate. If the council levies the maximum, taxpayers would see an increase of 1.36 mills. The Parish administration initially told BGR it planned to request the full six-mill levy. More recently, the administration stated that its “present intent” is for the millage level to remain at its current 4.64-mill rate if the tax is renewed. Ultimately, the council will determine the tax levy.

According to the proposition, the tax would yield an estimated \$19.4 million at the full six-mill rate for 2018. This would increase revenue from the tax by \$4 million, or 26%, over the 2016 adopted budget amount.<sup>16</sup>

CHART C: REVENUE SOURCES FOR PARISH DRAINAGE, 2015



BGR analysis of drainage-related operating, capital and debt service funds in Jefferson Parish, *Comprehensive Annual Financial Report*, for the year ended December 31, 2015.

The millage provides both operating and capital funding for the drainage system. The revenue first funds operations and maintenance. To the extent that operating needs and reserve targets are satisfied, the Parish directs the balance of the revenue to the drainage capital fund.

This year, the Parish budgeted \$15.4 million in total revenue from the millage. This money, plus about half of the revenue from a half-cent sales tax<sup>17</sup> (a funding source different from the previously discussed 1% sales tax) and other miscellaneous sources, pays to operate and maintain 1,465 miles of subsurface drain lines, 340 miles of drainage canals and 69 pump stations.<sup>18</sup>

The cost of operations and maintenance has increased, on average, only 1.3% annually for the period 2007 through 2014.<sup>19</sup> Careful budget management and greater automation of pumping stations have helped to control costs. However, Parish officials caution that costs could begin rising faster as equipment and facilities age.

Unlike in prior years, the current budget does not transfer millage revenue to the drainage capital fund. The Parish will use other revenue sources for drainage capital projects, including the remaining revenue from the half-cent sales tax, a dedicated property tax to pay the local share of the costs of the federal Southeast Louisiana Urban Flood Control Program (SELA), and certain other sources.<sup>20</sup> At the end of 2015, the Parish had accumulated a balance in its drainage capital fund of \$136.9 million.<sup>21</sup> As shown in Chart C, the millage up for renewal provides 18% of the approximately \$85 million in total annual revenue for the Parish's drainage system.

### Analysis

Drainage is a perennial concern in Jefferson Parish, and the millage before voters covers almost half of the current cost of operating and maintaining the pumps, pipes and canals that make up the system. The Parish has controlled operating costs, making excess revenue from the tax available for capital purchases and improvements on a pay-as-you-go basis.<sup>22</sup>

As Parish infrastructure goes, the drainage system is reasonably well funded. However, the future capital needs of the drainage system dwarf even the substantial capital fund balance. The most costly need is the replacement of hundreds of miles of low-capacity pipe installed in areas developed before the Parish adopted drainage design standards in 1981. The Parish's Drainage Department estimates that upgrading local drainage infrastructure to handle the impact of a 10-year storm – the current standard for the Parish's drainage pipes, canals and pumps – will cost between \$2 billion and \$3 billion.<sup>23</sup>

If voters approve the proposition and the Parish levies the full six mills, the Parish would direct the increase in millage revenue to capital needs. Using computer modeling, the Drainage Department has developed a master plan for drainage which it continually updates.

If the council were to levy the full six mills, a homeowner with a homestead-exempt property valued at \$200,000 would pay an additional \$17 per year, an increase from \$58 to \$75.<sup>24</sup> For each additional \$100,000 of value, the new tax would cost approximately \$14. Commercial property owners would pay an additional \$19 per \$100,000. The taxes on a commercial property valued at \$600,000 would increase by approximately \$114 per year, rising from \$390 to \$504.<sup>25</sup>

If the proposition fails, the Parish could wait at least six months and resubmit the same proposition to voters to continue the millage in 2017.<sup>26</sup>

Loss of the millage would deal a severe blow to drainage operations and maintenance, putting an essential service at risk. The Parish's approximately \$90 million General Fund budget<sup>27</sup> could not absorb the loss of more than \$15 million of drainage revenue without triggering severe cuts to the other services it funds. The General Fund faces its own financial burdens caused by flat growth in sales tax revenue<sup>28</sup> and substantial state-mandated costs, primarily for the parish's court system.<sup>29</sup>

Alternatively, the Parish could redirect revenue from drainage capital projects or revenue from the 1% sales tax (discussed above) in excess of future debt service

costs. However, this would come at the detriment of drainage, road and sewerage capital improvements and put the Parish further away from meeting the drainage system's capital needs.

### **BGR Position**

FOR. Renewal of the tax will preserve a critical funding source for day-to-day operation and maintenance of the drainage system and provide revenue to help fund capital needs the Parish has identified in its drainage master plan.

## **RECREATION TAX RENEWAL**

### **What It Would Do**

The proposition would renew the existing 7.8-mill property tax for recreation in the parish's unincorporated area and the Town of Jean Lafitte for 10 years, beginning in 2017. Because the renewal would set the maximum tax rate at the previously authorized level of 10 mills, it could result in a 2.2-mill tax increase.

### **Background**

Voters in the unincorporated area and Jean Lafitte (the Consolidated Recreation District) will consider the renewal.<sup>30</sup> They last renewed the recreation millage in 2007. The tax will expire after this year.

As property assessments have grown since 2007, the Jefferson Parish Council has lowered the tax rate to its current level of 7.8 mills in 2016. Voter renewal of the recreation tax will reset the maximum rate to 10 mills in 2017, although the council could choose to levy a lesser rate. If the council levies the maximum, taxpayers would see an increase of 2.2 mills. The Parish administration initially told BGR it planned to request the full 10-mill levy. More recently, the administration stated that its "present intent" is for the millage level to remain at its current 7.8-mill rate if the tax is renewed. Ultimately, the council will determine the tax levy.

According to the proposition, levying the full 10 mills

would yield \$26.3 million for 2018. This would increase revenue from the tax by \$5.9 million, or 29%, over the 2016 adopted budget amount.<sup>31</sup>

The millage provides both operating and capital funding for the Consolidated Recreation District. The revenue first funds operations and maintenance. To the extent that operating and maintenance needs, and then reserve targets, are satisfied, the Parish directs the balance of the revenue to capital needs. The millage does not fund certain large parks and facilities located within the unincorporated parish, namely Lafreniere Park, LaSalle Park, the Alario Center and Parc des Familles. Each of these parks has its own separate funding sources.<sup>32</sup>

Currently, the millage provides 93% of the annual revenue for the district. The millage pays to operate and maintain 28 playgrounds and 29 parks, as well as the Bucktown Marina, Bonnabel Boat Launch, Estelle Senior Center, Segnette Field and other facilities. All told, the property portfolio exceeds 2,500 acres. In addition, the millage funds a wide variety of recreation and leisure activities, including youth and adult athletics, senior citizen activities, and programs for the disabled. The balance of the district's operating revenue comes from interest income, charges for services and other miscellaneous sources.

The district averaged 3% annual growth in operating costs from 2007 to 2014.<sup>33</sup> By controlling the district's operating costs, the Parish has been able to direct excess millage revenue not just to fund new equipment and facility repairs, but also to build up the district's reserves. In addition, the district received a total of \$5.4 million in one-time funding from the federal government and the BP oil spill settlement.<sup>34</sup> The Consolidated Recreation District currently has \$15.5 million on hand. It has \$6 million in its operating fund, consisting of a \$2.7 million reserve for emergencies mandated by Parish policy and \$3.3 million uncommitted. The district has another \$9.5 million in a separate capital fund, the accumulation of unspent current and prior-year capital budget allocations.<sup>35</sup>

If voters renew the tax and the Parish levies the maximum 10 mills, the Consolidated Recreation District would realize an annual surplus of \$5.9 million, or

**Table 1: Proposed Capital Improvements for Future Recreation Millage Funding**

The Parish administration has proposed the following capital projects for the next millage cycle, to the extent that additional funding is available. Projects are listed by dollar amount, not by priority.

\$ millions	Project (Location)
5.0	Extensive upgrades to large gymnasiums (Up to five facilities)
4.0	Second phase of improvements to Bucktown Marina based on master plan (Bucktown Marina)
3.0	Roof replacements (Various facilities)
3.0	New or replacement parking lots (Five playgrounds)
2.0	Installation of rubber tracks and synthetic turf football fields (Pontiff and Jefferson playgrounds)
1.7	Gym and field lighting upgrades for energy efficiency (Various facilities)
1.2	Renovated “tot lot” play areas (Eight community centers)
1.0	Installation of gymnasium air conditioning (Delta and Bridge City playgrounds)
1.0	Bleacher upgrades for safety and code compliance (Various facilities)
0.9	New or replacement “tot lot” play areas (Five playgrounds)
0.8	Site fencing replacement and upgrades for safety and code compliance (Various facilities)
0.8	Restroom buildings (Bucktown Marina and Bonnabel Boat Launch)
0.8	Installation of security camera systems (15 playgrounds)
0.8	Addition of sidewalks to all fields for safety and code compliance (Various facilities)
0.7	Additional building for storage and administrative office space (Department’s main office on West Bank)
0.6	Synthetic field softball complex (Saints Drive facility)
0.6	Three soccer fields (Estelle Playground)
0.4	Special Needs Center athletic field (Multipurpose center near Mike Miley Playground)
0.2	Various improvements, including heating and air conditioning, electrical switch gear, and fencing (Various facilities)
<b>\$28.5</b>	<b>Total Projected Cost</b>

29%, over the current millage revenue of \$20.3 million. The Parish anticipates directing any excess revenue to a mix of capital and operating needs.

It would direct approximately \$28.5 million of the new money to capital improvements. These consist of both capital repair and replacement projects and new sports fields, play areas, parking lots and other additions to existing facilities. The Parish administration identified the proposed projects, summarized in Table 1, in response to BGR’s review of the tax renewal proposition. The Parish explained that the Parks & Recreation Department has been tracking these unfunded needs over time and is now committing to pursue them should the millage pass. All of the projects still require Parish Council approval for budget appropriations. This could affect the timing of their completion during the next 10 years.

Beyond these improvements, the Parks & Recreation Department will continue its annual evaluations of capital needs and identify additional projects, addressing safety concerns as the top priority. The department wants to maintain some flexibility to address unplanned capital repairs.

The Parish has no current plans to use millage funding to build additional parks and playgrounds. The only new project on the horizon is a \$25.5 million West Bank youth sports complex funded entirely by a state capital outlay and built by the Louisiana Stadium and Exposition District (LSED).<sup>36</sup> Jefferson Parish has agreed to manage, operate and maintain the complex and receive all operating revenue. The LSED’s initial estimate of annual operating costs is \$1.4 million.<sup>37</sup>

Further, the Parish would direct additional millage funding to cover increases in facility operating costs that have accumulated in recent years. This includes approximately \$750,000 per year to operate and maintain new walking trails, a new boat launch facility, and a new state-financed multipurpose recreation center that opened in Metairie in 2016 for residents with physical and mental disabilities.<sup>38</sup> In addition, it must offset the increase in utility and maintenance costs due to the installation of heating and air conditioning systems at 20 gyms.

## Analysis

Since voters last renewed the millage in 2007, the Parish's Parks & Recreation Department has worked to enhance the facilities and programs in the Consolidated Recreation District. It has upgraded gyms with air conditioning and added a few new facilities. It has regularly evaluated the district's programs for improvement. The Parish administration views recreation facilities and programs as a key element in attracting and retaining residents.

Moreover, the department appears to have carefully managed the taxpayers' dollars. It has kept growth in the district's operating costs to an average of 3% annually since 2007. As one example of its cost-control efforts, the department has agreements with several private schools and other organizations to use its facilities in exchange for their assistance with maintenance, lighting and other operating costs.

The Parish's cautious approach to expanding recreation facilities in the district is consistent with recent trends in the population and facility usage. According to Census data, the population within the Consolidated Recreation District has increased only 1% during the past five years. During that time, the recreation district has seen some growth in participation in youth athletic programs (19,800 to 22,000), but little change in participation in organized classes and activities and programs for senior citizens and persons with disabilities, and a slight decline in participation in adult athletics. The Parish anticipates an increase in participation by disabled residents at the new multipurpose facility.

If voters approve the proposition and the Parish levies the full 10 mills, the Parish would direct the \$5.9 million annual gain in revenue to both capital and operating needs in the recreation district. The Parish administration has identified \$28.5 million of facility repairs, replacements and upgrades at its existing facilities. The upgrades will improve safety, expand recreational activities and extend the useful life of those facilities. In addition, the Parish would use at

least \$2.2 million annually to meet anticipated new operating costs.

If the Parish Council were to levy the full 10 mills, a homeowner with a homestead-exempt property valued at \$200,000 would pay about another \$28 per year, an increase from \$97 to \$125.<sup>39</sup> For each additional \$100,000 of value, the new tax would cost \$22. Commercial property owners would see their tax bills increase approximately \$31 per \$100,000. The taxes on a commercial property valued at \$600,000 would increase by approximately \$185 per year, rising from \$655 to \$840.<sup>40</sup>

If the renewal proposition fails, the Parish must wait at least six months before resubmitting the same proposition to voters.<sup>41</sup> If voters approved the tax in 2017, the Parish Council could still levy the tax in time for it to continue without interruption.

Loss of the millage would force widespread closures of playgrounds, parks, community centers and other recreation facilities and bring athletics, programs and services to a halt. If no alternative funding source is found, the \$6 million fund balance for operations would run out in just over three months. The Parish's approximately \$90 million General Fund budget could not absorb the loss of more than \$20 million of recreation revenue without triggering severe cuts to the other services it funds.

## BGR Position

FOR. Renewing the millage will preserve the core funding source for recreation facilities and programs in the unincorporated parish and the Town of Jean Lafitte for the next 10 years. Without it, the Parish's recreation system would suffer a tremendous funding loss. The Parish has established a track record of carefully controlling the recreation district's costs.

## SCHOOL TAX RENEWAL

### What It Would Do

Voters parishwide will decide whether to renew a 4-mill property tax for the Jefferson Parish Public School System for 10 years, beginning in 2018. The tax will continue to fund school technology, capital projects, and school facility maintenance and improvement. Renewal of the tax would maintain the current tax rate of 4 mills.

### Background

Voters originally approved the 4-mill tax in 1998.<sup>42</sup> They renewed it in 2007. The tax expires at the end of 2017. Renewal of the tax will extend it through 2027.

During the past 10 years, the Jefferson Parish School Board has consistently rolled forward the millage rate as property tax assessments have risen, thus keeping the tax at the 4 mills previously authorized. If voters renew the tax, there will be no tax increase.

The proposition would dedicate the millage revenue to the same three purposes it funds today:

- 1 mill for the continuation and expansion of the Technology Department to include personnel, equipment and supplies for educational purposes.
- 2 mills for capital projects.
- 1 mill for the maintenance and improvement of existing school facilities, including the repair and replacement of roofs and heating and air conditioning systems.

The School Board can pledge any of the 4 mills to bonds to finance capital needs. Currently, it has pledged the 2 mills for capital projects and the 1 mill for school technology to pay outstanding debt on capital repairs and renovations and the purchase of technology equipment, respectively. All of those bonds mature in 2018, the last year in which the School Board will receive revenue from the current tax.<sup>43</sup> The School Board currently has no plans to issue new bonds supported by the millage, if it is renewed.

The proposition estimates that the 4-mill tax will yield \$13.9 million in 2018. However, this estimate was based on the budget for the 2015-16 school year and made prior to the 2016 property reassessment.<sup>44</sup>

In its 2016-17 budget, the School Board projects \$14.6 million of total revenue from the 4-mill tax.<sup>45</sup> It has allocated \$2.8 million of the millage revenue for debt service on the outstanding bonds<sup>46</sup> and the remaining \$11.8 million to school technology costs, cash-funded capital projects and facility maintenance. The school system tracks expenditures of millage revenue to ensure it is spent in accordance with the eligible purposes of the tax proposition.

The 4-mill tax is not the sole source of funding for school technology, capital projects, or facility maintenance. Rather, it supplements other revenue streams, such as other property and sales taxes and grants. For example, the school system has allocated \$12.1 million of other revenue to capital projects in 2016-17, exclusive of bond proceeds.<sup>47</sup> Revenues other than the millage cover slightly more than half the costs for the technology department and facility maintenance and repair.<sup>48</sup>

The School Board levies a total of 22.91 mills of property tax, providing 15% of its total funding.<sup>49</sup> The remainder comes from sales taxes (34%), the state's Minimum Foundation Program (39%), and federal grants and other sources (12%).

### Analysis

Voters would not see a tax increase if they renew the millage. The current 4-mill tax rate would continue.

If the millage is not renewed, a homeowner with a homestead-exempt property valued at \$200,000 would pay \$50 less per year in school taxes, beginning in 2018.<sup>50</sup> For each additional \$100,000 of value, the homeowner would pay \$40 less. Commercial property owners would see a decrease of \$56 per \$100,000. The taxes on a commercial property valued at \$600,000 would decrease by \$336 per year.<sup>51</sup> It should be noted that if voters reject the renewal proposition in December, the School Board could resubmit the same proposition to voters after waiting six months.<sup>52</sup>

The 4-mill tax provides only 3% of the School Board's overall funding. However, its renewal will continue dedicated funding for several important purposes.

The millage helps to pay for diverse technology purposes in the School Board's 84 schools. These include technical support to 3,100 teachers and school administrators, as well as the maintenance of laptop computers, telecommunications, interactive classroom white boards and other equipment. The 1-mill tax does not support central office technology needs.

The tax also provides a possible source for future replacement of school technology equipment, if grant funding falls short of needs. Although the School Board has no current plans to issue bonds to fund large equipment purchases, renewal of the millage would preserve that option. For example, the interactive white boards in each classroom are near the end of their useful life. The school system estimates the overall replacement cost at \$16 million to \$18 million.<sup>53</sup>

The combined 3 mills for facility maintenance, repair and capital improvements are also important. The school system struggles to keep up with the mounting maintenance and repair needs of its aging facilities – the average school building is 52 years old.<sup>54</sup> Without the millage, its capacity to address facility needs could diminish.

To offset the losses and maintain a balanced budget, the school system expects it would have to decrease technology support and facility maintenance, defer some capital projects and make cuts in other areas. In the school system's view, significant cuts would diminish the quality of school facilities and operations.

### **BGR Position**

FOR. Renewal of the tax will preserve significant funding for school technology, a key component of classroom education in the Jefferson Parish public schools. It will also preserve funding for the maintenance, repair and improvement of the school system's aging stock of school buildings.

## ENDNOTES

1 In this report, Jefferson Parish Government (the Parish) refers to the general purpose government led by the Parish President and the Parish Council. It does not include other independent parish government entities, such as the Sheriff or the School Board.

2 Since 1984, the Parish has received seven-eighths of the 1% tax collected in the parish's unincorporated area, as well as all of the tax collected in Jean Lafitte. The Sheriff receives the remaining one-eighth collected in the unincorporated area. And municipalities other than Jean Lafitte receive the 1% tax collected within their jurisdictions.

3 See La. R.S. 47:338.52.

4 By law, the Jefferson Parish Sheriff's Office receives a commission of 9.5% on collections of school sales taxes and 11% of other sales taxes, excluding collections on motor vehicle sales. The state collects vehicle sales taxes and remits them to the Sheriff's Office, which then passes them through to the tax recipient bodies. Neither entity receives a commission. The Legislature set the commission rates at 9.5% and 11% in an effort to stabilize funding for the Sheriff's Office and reduce its need to compete with other parish agencies for tax levies. Jefferson Parish Sheriff's Office, *Comprehensive Annual Financial Report*, for the year ended June 30, 2015, p. 85, and information provided by the Sheriff's Office.

5 The Sheriff reported \$122.6 million of general revenue in 2015, out of total revenue of \$143 million. Jefferson Parish Sheriff's Office, *Comprehensive Annual Financial Report*, for the year ended June 30, 2015.

6 BGR calculations based on the fiscal 2015 financial report of each municipality.

7 The systems received tax revenue from the following sources in 2015: the Parish's share of the 1% sales tax, \$47.9 million; a half-cent sales tax for drainage and sewerage, \$35.6 million; a half-cent sales tax for roads, \$32.2 million; a millage for local participation in federal Southeast Louisiana Urban Flood Control (SELA) drainage projects, \$15.7 million; a millage for drainage, \$15.4 million; and a millage for sewerage, \$9.1 million. BGR analysis of revenues reported in the operating, capital and debt service funds for the three systems in Jefferson Parish, *Comprehensive Annual Financial Report*, for the year ended December 31, 2015. The total includes tax revenue, sewerage service charges of \$23.7 million and other revenue of \$52.3 million.

8 BGR calculation based on the Parish's estimated debt service schedules for the refinanced special sales tax bonds as of March 1, 2016.

9 Jefferson Parish Council Ord. 25226, adopted September 21, 2016.

10 The Parish has conservatively assumed zero growth in future sales tax revenues and interest rates averaging 5.5% and 6.0%, respectively, on projected bond issues in 2017 and 2019. The projected debt service approximates 75% of the Parish's projected annual collections, the maximum allowed by state law and bond covenants. The current debt service for 2016 totals \$36.3 million, according to the Parish's March 1, 2016 debt service schedule.

11 The Parish intends to widen the bridge from two lanes to three lanes on each side, making it consistent with the rest of Lapalco Boulevard.

12 Road improvements consist primarily of road construction, reconstruction and rehabilitation projects, but also include turn lane improvements, road widenings, and traffic signal installation.

13 The Parish Council adopted the plan in 2014. The Parish and the Regional Planning Commission jointly developed the plan.

14 BGR received this estimate from the Parish sewerage department in 2013. The Parish did not provide a more current figure. See Bureau of Governmental Research, *On the Ballot: October 19, 2013*, p. 5.

15 The Parish Council levies the tax through Consolidated Drainage District No. 2, a taxing district it created in 2000 from the consolidation of multiple drainage taxing districts. The Parish Council is the governing body of the district, and the parish's Drainage Department administers the drainage works funded by the millage.

16 The 2016 budgeted revenue from the millage is \$15.4 million. Jefferson Parish, 2016 Adopted Budget, p. 46.

17 In 2016, the Parish budgeted \$17.4 million of revenue from the half-cent sales tax for Consolidated Drainage District No. 2. Ibid.

18 Ibid., p. 201.

19 BGR calculated the cumulative average growth rate for Consolidated Drainage District No. 2's actual budgeted operating costs from 2007 (\$29.1 million) to 2014 (\$32.1 million), the last available year of actual audited budget data. BGR excluded 2015 and 2016 because these figures do not reflect actual costs, but rather the Parish's all-in estimates of anticipated expenditures that it uses to manage budgets conservatively.

20 The SELA millage generated \$15.7 million in 2015. Other sources included FEMA funding and \$5.1 million of the Parish's share of the 1% sales tax for roads, sewerage and drainage that paid debt service on drainage bonds issued in 2009. BGR analysis of data in Jefferson Parish, *Comprehensive Annual Financial*

*Report*, for the year ended December 31, 2015.

21 *Ibid.*, p. 20.

22 The Parish has for many years maintained a pay-as-you-go capital improvement policy that requires departments to fund capital purchases from current operations whenever possible. It seeks to limit the issuance of debt to major infrastructure projects. Jefferson Parish, 2016 Adopted Budget, p. 27.

23 Information provided by the Jefferson Parish Drainage Department.

24 BGR calculations. BGR used a value of \$200,000 based on data from the New Orleans Metropolitan Association of Realtors, which show the average sale price for a single family home in Jefferson Parish during the 12 months ending June 2016 was \$197,000. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," [www.nomar.org/gsrein-mls-public/market-statistics-public.html](http://www.nomar.org/gsrein-mls-public/market-statistics-public.html).

25 BGR calculations. BGR assumes that land value accounts for 20% of total value.

26 See La. Const. Art. 6, Sec. 30(B).

27 Jefferson Parish, 2016 Adopted Budget, p. 51.28 Revenue from the fund's largest individual source, a half-cent undedicated sales tax, has plateaued during the past few years. The sales tax provides 35% of the \$90.6 million General Fund budgeted revenue. Jefferson Parish, 2016 Adopted Budget, pp. 18, 22-23.

28 Revenue from the fund's largest individual source, a half-cent undedicated sales tax, has plateaued during the past few years. The sales tax provides 35% of the \$90.6 million General Fund budgeted revenue. Jefferson Parish, 2016 Adopted Budget, pp. 18, 22-23.

29 In 2016, state-mandated costs will eat up 43% of the General Fund budget. After offsetting them with court-related revenues, the General Fund budget must still direct \$30.3 million to those costs. Jefferson Parish, 2016 Adopted Budget, p. 18.

30 The taxing district is called the Consolidated Jefferson Recreation and Community Center and Playground District (Consolidated Recreation District). The Parish Council formed the district in 2004 by consolidating multiple recreation taxing districts. Jefferson Parish Council Ord. 22161, adopted March 31, 2004.

31 The 2016 budgeted revenue from the millage is \$20.4 million. Jefferson Parish, 2016 Adopted Budget.

32 Lafreniere Park and Parc des Familles receive service charges imposed on water bills, in addition to facility user fees. LaSalle Park receives funding from the East Bank Hotel Occupancy

Tax and the state's East Bank Convention Center & Tourism Fund. The Alario Center receives facility user fees, as well as intergovernmental revenue. Jefferson Parish, 2016 Adopted Budget, pp. 160-166.

33 BGR calculated the cumulative average growth rate for the Consolidated Recreation District's actual budgeted operating costs from 2007 (\$16.2 million) to 2014 (\$20.5 million), the last available year of actual audited budget data. BGR excluded 2015 and 2016 because these figures do not reflect actual costs, but rather the Parish's all-in estimates of anticipated expenditures that it uses to manage budgets conservatively.

34 The district received FEMA funding (\$1.1 million), BP settlement funds (\$0.6 million) and a share of federal Community Disaster Loan proceeds (\$3.7 million). The Parish received the loan proceeds after Hurricane Katrina, but placed them in reserve in anticipation of having to repay them. FEMA forgave the loan in 2013, which freed the funds for Parish spending.

35 Operating and capital fund balance information provided by Jefferson Parish Finance Department. The reserve for emergencies is 13% of operating costs.

36 The state capital outlay will fund all costs from land acquisition through construction. The LSED will build the project, but will not contribute any of its own funds. Information provided by SMG, the private manager of LSED facilities, September 21, 2016.

37 The LSED will not be responsible for facility operations. Information provided by SMG, the private manager of LSED facilities, September 21, 2016.

38 The multipurpose center is located near Mike Miley Playground and was built with state funding. Rainey, Richard, "Jefferson Parish touts plan to build sports complex for disabled residents," *Nola.com | The Times-Picayune*, July 9, 2012.

39 BGR calculations. BGR used a value of \$200,000 based on data from the New Orleans Metropolitan Association of Realtors, which show the average sale price for a single family home in Jefferson Parish during the 12 months ending June 2016 was \$197,000. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," [www.nomar.org/gsrein-mls-public/market-statistics-public.html](http://www.nomar.org/gsrein-mls-public/market-statistics-public.html).

40 BGR calculations. BGR assumes that land value accounts for 20% of total value.

41 See La. Const. Art. 6, Sec. 30(B).

42 In 1998, the school system retired its general obligation bonds and terminated a 4-mill tax imposed to pay that debt. Voters approved the current 4-mill tax to replace that millage. See School District No. 1 of the Parish of Jefferson, State

of Louisiana, *Official Statement \$22,000,000 Limited Tax Certificates of Indebtedness, Series 1999*, March 1, 1999, pp. 3-4 and Appendix D.

43 Jefferson Parish property owners begin paying property taxes in December each year, so the taxing bodies spend the collections in the following year.

44 Information provided by the school system's finance department.

45 BGR calculated approximately \$3.6 million per mill, based on total budgeted collections of \$83.3 million and a total property tax levy of 22.91 mills. Jefferson Parish School Board, Fiscal Year 2016-2017 Adopted Budget, p. 31.

46 The 2-mill tax for capital projects will contribute \$2.1 million to debt service on bonds issued in 2008 for capital repair and renovation. The 1-mill tax for school technology will pay \$0.7 million to debt service on bonds issued in 2010 for the purchase of technology equipment. *Ibid.*, pp. 174 and 182.

47 BGR calculation based on *ibid.*, pp. 186-198.

48 The School Board budgeted \$6.2 million for the technology department in 2016-17. The 1-mill tax, net of \$0.7 million in revenue for debt service, will provide \$2.9 million for that department. The School Board budgeted \$7.4 million for facility maintenance and repair. The 1-mill tax will provide \$3.6 million for that cost. Information provided by the school system's finance department.

49 The School Board has budgeted \$83.3 million in property tax revenue for 2016-17, which represents 15% of its total funding of \$548.3 million. Jefferson Parish School Board, Fiscal Year 2016-2017 Adopted Budget, pp. 30-31.

50 BGR calculations. BGR used a value of \$200,000 based on data from the New Orleans Metropolitan Association of Realtors, which show the average sale price for a single family home in Jefferson Parish during the 12 months ending June 2016 was \$197,000. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," [www.nomar.org/gsrein-mls-public/market-statistics-public.html](http://www.nomar.org/gsrein-mls-public/market-statistics-public.html).

51 BGR calculations. BGR assumes that land value accounts for 20% of total value.

52 See La. Const. Art. 6, Sec. 30(B).

53 Jefferson Parish School Board, Fiscal Year 2016-2017 Adopted Budget, p. 22, and information provided by the school system's finance department.

54 Information provided by the school system's facilities department.



## **BGR Review Committee**

Norma Grace, *Chair*

Robert W. Brown

Joseph I. Giarrusso III

Mark A. Mayer

Steven W. Usdin

James P. Favrot

Glenn W. Hayes

Anthony Recasner

Dennis Woltering

## **BGR Research Staff**

Amy L. Glovinsky, President & CEO

Peter Reichard, Director of Research

Stephen Stuart, Principal Author

## **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.

This report is available on BGR's web site, [www.bgr.org](http://www.bgr.org).

## **Become a Member**

To preserve its independence, BGR relies on financial support from a diverse membership of individuals, corporations and foundations. To find out how you can become a part of BGR, go to [www.bgr.org/membership](http://www.bgr.org/membership) or call us at 504-525-4152 x108.



### **BUREAU OF GOVERNMENTAL RESEARCH**

1055 St. Charles Ave., Suite 200

New Orleans, LA 70130

Phone 504-525-4152

Fax 504-525-4153

[www.bgr.org](http://www.bgr.org)

## **BGR Board of Directors**

### **Officers**

Mark A. Mayer, *Chairman*

Hardy B. Fowler, *Vice Chairman*

Ludovico Feoli, *Secretary*

J. Storey Charbonnet, *Treasurer*

### **Past Chairman**

J. Kelly Duncan

### **Board Members**

Toya Barnes-Teamer

Nicolas G. Bazan

Kelly R. Brown

Robert W. Brown

Charmaine Caccioppi

Caroline Zetzmann Calhoun

Maureen Clary

Leah N. Engelhardt

Joseph S. Exnicios

James P. Favrot

Joseph I. Giarrusso III

Norma Grace

Glenn W. Hayes

Hunter G. Hill

David A. Kerstein

H. Merritt Lane, III

Martin Mayer

Todd McDonald

Anthony Recasner

Melissa Sawyer

Nathalie G. Simon

Steven W. Usdin

Robert J. Whann, IV

James M. Williams

Dennis Woltering

Luis Zervigon

### **Honorary Board**

Harry J. Blumenthal, Jr.

Louis M. Freeman

Richard W. Freeman, Jr.

Ronald J. French

David Guidry

Hans B. Jonassen

Diana M. Lewis

Anne M. Milling

R. King Milling

George H. Porter III

Lynes R. Sloss

Sterling Scott Willis