

Bond Propositions in Orleans Parish November 7, 2000 Ballot

Two general obligation bond propositions will be on the November 7, 2000 election ballot in Orleans Parish. Each will be voted on separately, and each may be enacted by a majority vote.

Under Purpose A, the City of New Orleans proposes to issue \$150 million in general obligation bonds for six categories of projects shown in Table 1. Voters will not be able to vote separately on the individual components within the \$150 million proposition. BGR supports Purpose A.

**Table 1
PURPOSE A: CITY OF NEW ORLEANS BONDS**

Major streets	\$ 37,000,000
Minor streets	59,500,000
Parks, playgrounds and recreation facilities, "including, without limitation, Brechtel Park, Armstrong Park and Audubon Park, Pontchartrain Park clubhouse and golf course, Stern Tennis Center, Gernon Brown Center, and lighting improvements at NORD playgrounds citywide."	18,050,000
Public libraries, "including, without limitation, the Main Branch and a technology center."	5,350,000
Police and fire facilities, "including, without limitation, Fire Stations 12 and 15, a new Task Force Station in the vicinity of Robert E. Lee Blvd. and St. Roch Avenue, and replacement of firefighting trucks and equipment."	5,525,000
Other facilities, "including, without limitation, City Hall, Gallier Hall, Civil Courts Buildings, Vector Control, Lower Coast Algiers Multipurpose Facility, the New Orleans Museum of Art and Convention Center street lighting improvements."	24,575,000

TOTAL \$150,000,000

Purpose B is a proposal by the Orleans Parish Criminal Sheriff, acting through a special entity ("The Law Enforcement District of the Parish of Orleans") to issue \$27 million in general obligation bonds for facilities, equipment, and furnishings for the entities shown in Table 2. BGR opposes Purpose B.

Table 2
PURPOSE B: LAW ENFORCEMENT DISTRICT BONDS

Criminal Sheriff	\$ 13,500,000
District Attorney	2,500,000
Criminal District Court	8,500,000
Clerk of the Criminal District Court	800,000
Juvenile Court	1,000,000
Municipal and Traffic Courts	700,000
TOTAL	\$ 27,000,000

As with the City's proposition, Purpose B entails an all or nothing vote.

The language of Purpose B would allow the funds to be used to construct new facilities. However, the Sheriff and City officials indicate that the funds would be used only to renovate and furnish existing buildings.

Analysis of the City's \$150 Million Proposition (Purpose A)

BGR Position: Support

BGR supports the City's \$150 million bond proposition.

BGR has a number of reservations about its support, as described in this report. However, the need to continue repairing badly deteriorated facilities, streets, and other infrastructure cannot wait for these issues to be resolved. Moreover, the time is ripe to take advantage of recent growth in assessed property values and a strong economy.

BGR's position, and the analysis provided below, are based on the research for a recently published report, available on BGR's website: [Overview and Status Report on the New Orleans Capital Program](#).

Debt Service Millage

The City's bond proposition will probably not require a millage increase. Strong growth in the assessed tax base has left a substantial "cushion" in the City's existing 26.9 mill debt service levy. The City proposes to issue the bonds in annual increments. Under this plan, the bonds could be issued over the next five years with no tax increase.

If the tax base declines (as happened four consecutive years between 1991 and 1995), millage could be increased without voter approval. However, this scenario is unlikely in the near future.

Need for More Funding and the City's Capacity to Manage New Projects

In 1982, following an extensive analysis of the City's capital needs, BGR recommended a ten-year, \$800 million capital improvement program. Much of the work BGR recommended in 1982 remains undone, and new needs have developed since then.

Against this backdrop, BGR is disappointed at the pace of work the voters authorized in 1995 when they approved the City's last major bond initiative.

Non-street projects have been completed at a reasonable rate; street projects have languished. Roughly \$60 million of the \$96.2 million in 1995-approved bond funds earmarked for streets remains unencumbered.

The City recently implemented project management improvements to address the problem. Further, in programming expenditures of the new bond funds, the City is planning only a moderate level of street expenditures in the first two years, which will allow it to catch up on its backlog of street projects. See Table 3.

Coordination among Local Governmental Agencies

There is a critical need for the City and the Sewerage and Water Board (S&WB) to coordinate on street project planning, selection, and implementation.

The S&WB is well into its \$810 million drainage improvement program, and is in the early stages of a \$450 million sewer rehabilitation program. Together, these efforts will tear up many of the City's streets. In the next five years, the City plans to construct \$156.5 million worth of street projects using existing and proposed bond funds. Good coordination is essential for this level of activity to proceed efficiently.

The interface between the City and the S&WB has been a significant problem for the street program. (The S&WB is deeply involved in reviewing and approving designs for street projects because it is responsible for the sewer and water lines beneath the street.)

In researching the street projects, BGR observed a great deal of "finger pointing" by participants in the design process. Sifting through the interagency squabbling is difficult, but it is clear that there is enough blame to go around.

Three consistent themes emerge from BGR's research:

- The City's project priorities have changed over time, as have project schedules and scope, forcing other participants in the process to work with a moving target.
- Some of the design engineering firms engaged by the City have produced plans that required time-consuming, repetitive design reviews before they were finally corrected.
- On some projects, the S&WB has taken too long to review and approve design drawings. (Some of this is due to staff workload on other projects and a limited number of engineers on staff.)

Table 3
SUMMARY OF PROPOSED EXPENDITURES
\$150 Million New Orleans Bond Proposition
(\$ millions)

	2001	2002	2003	2004	2005	TOTAL
Street Projects						
Major Streets	\$5.0	\$6.0	\$10.0	\$9.0	\$7.0	\$37.0
Minor Streets	5.0	6.0	14.0	14.3	10.7	50.0
ADA* Sidewalks	0.5	0.5	1.0	2.0	1.0	5.0
Non-Street Projects						
Armstrong Park	0.0	0.5	1.0	2.5	0.0	4.0
Audubon Park	2.0	0.0	0.0	0.0	0.0	2.0
Brechtel and	0.2	1.0	0.8	0.0	0.0	2.0

Pontchartrain Park Golf Facilities							
Property Mgmt. Warehouse	0.0	0.3	1.7	0.0	0.0	2.0	
NORD Warehouse	0.3	1.7	0.0	0.0	0.0	2.0	
ADA* Improvements	0.4	0.5	0.5	1.0	0.5	2.9	
Treme Pool Reconstruction	0.0	0.1	0.1	2.6	0.0	2.8	
Acquire Supreme Court Building	0.0	1.5	2.0	0.0	0.0	3.5	
Civil District Courts Improvements and Planning	0.0	0.5	1.5	0.0	0.0	2.0	
NOMA 3 rd Floor Expansion	0.5	0.5	1.0	0.0	0.0	2.0	
Lower Coast Algiers Facility	2.0	0.0	0.0	0.0	0.0	2.0	
Lincoln Beach	1.2	0.8	0.0	0.0	0.0	2.0	
Economic Development	0.5	0.5	1.0	1.5	1.0	4.5	
Other Non-Street Projects	7.4	9.6	4.6	2.6	0.1	24.3	

TOTAL	\$25.0	\$30.0	\$39.2	\$35.5	\$20.3	\$150.0
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*Americans with Disabilities Act

To address the coordination problem, BGR recommends that the City and the S&WB agree on an annually updated work plan before either entity appropriates capital funds for street projects. The plan should list specific agreed upon projects, and should specify a realistic scope, schedule, and cost estimate for each.

Project Selection

Under the City Charter, capital projects cannot be funded until they are considered through the City Planning Commission’s capital programming process. As that process stands now, non-street projects receive a reasonable level of scrutiny.

In contrast, street project selection effectively bypasses the planning process, even though the vast majority of capital funding is earmarked for streets. The City’s current plans would divide the street funding evenly by council district, not by citywide ranked need, cost/benefit tests, or an overall, long-term strategy.

The selection of street projects remains a fundamentally political process that takes place outside of the public limelight, and without effective coordination with other entities.

Analysis of the \$27 Million Proposition (Purpose B)

BGR Position: Oppose

There is a real need for physical improvements to criminal justice facilities in New Orleans. But BGR believes that the Law Enforcement District is a fundamentally flawed funding mechanism to implement those improvements. BGR therefore opposes Purpose B.

BGR’s position is not a criticism of the incumbent Criminal Sheriff. BGR’s concern is with the District’s basic enabling legislation. It is the same concern that motivated BGR to oppose the original bonds issued by the Law Enforcement District in 1989.

State law gives total operational and financial authority for the District to the Criminal Sheriff personally. There is no accountability to a board or commission, the City Council, the Mayor, or the legislature. The checks and

balances inherent in the structure of general purpose units of local government are not present in the way the District is set up.

The City and the Law Enforcement District are cooperating on the bond proposal, and have both committed to execute an agreement to handle the bond proceeds. But this good faith cooperation cannot rehabilitate the basic structure of the Law Enforcement District. It does not provide a sound, publicly accountable funding mechanism governing current and future officeholders.

A more appropriate alternative for funding criminal justice facility needs would be for the City to serve as the bond issuing entity for the same improvements. The District's debt service millage could be reduced to offset a corresponding increase in the City's millage. The millage swap could finance the same improvements without increasing the total millage rate. This would also have the advantage of not perpetuating a structurally inappropriate entity for the 15-year life of the new bonds.

BGR's General Concerns

Debt Load

Since BGR's 1982 comprehensive capital improvements study, the City completed fewer capital improvements but accumulated more debt than BGR had anticipated. The problem is not the legal debt limit. The City has over \$300 million of unused general obligation bonding capacity; the \$150 million issue falls comfortably within this limit. The problem is protracted debt payment schedules. A major debt refinancing in 1991 (necessitated by the City's dire financial circumstances) took debt that would have been retired by 2004 and extended it to 2021.

Robust growth in assessed property values provides the financial wherewithal to handle this debt at the present time, although a serious economic downturn could change this.

BGR's concern for the local public debt load is not limited to the debt of the City itself. The combined long-term debt of local government in Orleans Parish (including schools, the airport, the S&WB, etc.) stood at \$1.56 billion at the end of 1999. This is about \$3,386 per capita — well over the national average of \$2,952. More than 60% of this local debt load belongs to independent local entities and quasi-independent boards and commissions. This high debt load underscores the need for the different entities in Orleans Parish to coordinate their capital plans to avoid piling up debt without regard to the activities of other entities.

At this point, there is no such coordination mechanism available. BGR supported the City's 1995 bond proposition based in part on the administration's commitment to establish a capital planning process addressing the capital needs of all local tax-levying agencies. This process has not been implemented. Nonetheless, BGR believes that the capital improvements needed in the City cannot wait for disparate local governments to come together.

Property Tax Structure

BGR has long advocated, and will continue to support changes in the homestead exemption to provide a broader, more equitable tax base to finance local government. Unfortunately, the City has no immediate funding options that can meet its extensive capital improvement needs, other than general obligation bonds funded by an inequitable property tax base.

Given the large property tax disparity that already exists between the City and suburban parishes, it is imperative that the City aggressively pursue other funding options.

Competitive Selection of Consultants

Selection of the design consultants for the City's capital projects ultimately remains a mayoral privilege, in spite of the 1995 Home Rule Charter change and efforts by groups like BGR to promote an objective, non-political selection process.

If approved, the November bond propositions would trigger tens of millions in professional service contracts. For the City's bond proposition, the City Charter requires a competitive selection process. However, the process is established by an executive order, which gives the Mayor final word on who is hired from a list of professionals screened primarily by his appointed staff. For the Law Enforcement District's proposition, the Criminal Sheriff has practically unfettered personal discretion in choosing consultants.

BGR is a private, nonpartisan, nonprofit citizen-supported research organization founded in 1932 and dedicated to informed public policy-making and the effective use of public resources in the New Orleans metropolitan area. ◆

[*Top of Page*](#)