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A Report from the Bureau of Governmental Research

ORLEANS AND ST. BERNARD PARISHES, MAY 2, 2015

INTRODUCTION

On May 2, voters in Orleans and St. Bernard parishes will decide the fate of three tax propositions.

In Orleans, voters will decide on a proposed new tax for operating expenses of the Orleans Parish Law Enforcement District. The new tax would gradually replace an existing tax dedicated to debt service, so that the overall tax rate would remain the same. In addition, voters will decide on a new dedicated tax for libraries that would provide a significant revenue increase.

In St. Bernard, voters will decide whether to approve a new property tax to support the Lake Borgne Basin Levee District. The new revenue would go primarily toward meeting new expenses resulting from the post-Katrina rebuilding and expansion of flood protection infrastructure.

The millage requests in New Orleans come at a time when long-neglected problems are coming to a head, creating multiple demands for additional money. As early as October, Algiers voters may face a new tax proposition to support their levee district, and voters citywide may be asked to support new taxes to bail out the Fire Department's troubled pension fund and to support the police department.

The proposed millages would consume a portion of the city's tax capacity. That capacity, which circumscribes the city's ability to provide services and infrastructure, is finite and must be used judiciously. Adoption of a tax for one purpose can, as a practical matter, foreclose the opportunity to seek revenue for another.

The competing demands for revenue are myriad. The City of New Orleans has major obligations on the horizon. In addition, there are serious unmet needs in multiple areas, including basic infrastructure and public safety.

One pressing financial problem involves the Firefighters' Pension and Relief Funds. Poor investments, market misfortunes, an ill-advised financing scheme, underfunding, judgments and excessive generosity have combined to create a crushing burden. For 2015, the city put more than 10% of its general fund budget – $58.9 million out of $536.8 million – toward obligations related to firefighter pensions.[1]

In addition, there are major infrastructure needs for which there is no funding. The Sewerage & Water Board's recently approved rate increases will cover only a fraction of the estimated $3.2 billion cost of overhauling the leaky water distribution network.[2] The S&WB is also facing new drainage expenses that are not covered by the recent rate increases. These include as-yet undetermined operating costs for new pumping stations and annual payments to the federal government for the local share of drainage improvements under the federal Southeast Louisiana Urban Flood Control Project.[3] The S&WB is considering pursuing a drainage fee to cover these costs once they become clear.

Many of the streets in the city are in a deplorable condition, and citizens have expressed increasing frustration. In 2010, the Department of Public Works estimated that it would cost $1.4 billion to address the problems with streets and the drainage pipes underneath them.[4] Data collection is currently under way to update the capital needs. Meanwhile, the amount allocated for annual maintenance has for years been a small fraction of what is needed.[5]

Addressing all unmet needs is impossible. Making a dent in them will require significant new taxes or fees. For that reason, BGR has consistently urged a strategic approach to public spending, based on a comprehensive assessment and prioritization of the needs of the multiple governmental entities operating in the city.[6] It has argued that, to formulate a strategic approach to government spending, all government entities should collaborate to produce a plan that reflects the most critical needs of the community and commit to its implementation.[7] In the absence of that plan, voters will have to set priorities in an ad hoc manner through their votes on the propositions before them.

This report provides an explanation of the Orleans and St. Bernard tax propositions. It explores what their approval or rejection would mean and offers positions to assist voters in making informed choices.

ORLEANS PARISH: PROPERTY TAX FOR THE LAW ENFORCEMENT DISTRICT

What It Would Do

Currently, the Orleans Parish Law Enforcement District levies a 2.8-mill property tax dedicated to servicing general obligation bonds that voters authorized in 2008. The millage rate, which is set each year at a level necessary to cover principal and interest payments, is projected to decline in the coming years as the bonds are retired.

The district is proposing a new, 10-year tax that would essentially capture for other purposes the portion of the current millage that the district would no longer need for debt service. The new tax would be levied at 2.8 mills minus the rate of the current tax. As a result, the millage rate of the new tax would increase as the rate of the current tax decreases, keeping the total millage levied by the district at the current 2.8 mills.

The Orleans Parish Sheriff's Office could use revenue from the new tax to pay for operations, maintenance and upkeep of the parish prison and related facilities. The tax would generate at least $4.5 million in the first year, 2016.[8]

The proposition is the same as one that voters rejected last November, except that the rate has been reduced from 2.9 mills to 2.8 mills.

Background and Analysis

Orleans Parish Prison is subject to a 2013 federal consent decree that mandates sweeping reforms to address long-standing problems, including frequent acts of violence, high inmate suicide rates, poor sanitation, readily available contraband, and inadequate staffing and supervision. Among other things, the decree requires the Sheriff's Office to increase staffing levels, provide intensive employee training, and improve medical and mental health care for inmates.[9] Neither the Sheriff's Office nor the City of New Orleans, which is responsible for the cost of housing city inmates, has provided public estimates of how much they believe the reforms will cost. Plaintiffs in the lawsuit that resulted in the decree estimate that, when fully implemented, the reforms will cost between $10 million and $22 million a year.[10]

The consent decree directs the Sheriff's Office and the city to try to reach an agreement on funding levels. If they cannot agree, the federal judge overseeing the decree will resolve the matter. The court has made no final decisions on funding.

Based on information provided by the city, BGR estimates that the city's 2015 budget includes about $9 million for the consent decree. The actual 2015 funding for the Sheriff's Office is still under negotiation.[11]

Officials with the mayor's office, which supports the new tax, said the city cannot afford to shoulder the entire cost going forward. It faces other major new expenses, including costs associated with a separate consent decree for the police department, which are expected to total $55 million over five years, and a $31.4 million judgment for underfunding the New Orleans firefighters' pension system. The sheriff claims that he has no room in his $65 million operating budget to absorb the additional costs.

But the money is going to have to come from somewhere. The proposed tax is an attempt to provide a portion of that funding without cutting into the city's budget or raising the Law Enforcement District's current tax rate.

The Law Enforcement District. The district was created under state law to provide a dedicated funding vehicle for the Orleans Parish Sheriff's Office. For taxing purposes, the district's boundaries are coterminous with those of Orleans Parish. The sheriff is the chief executive officer and governing authority of the district. There is no multi-member governing board, and neither the City Council nor the mayor has a voice in the district's funding or operations.

Currently, the district levies a property tax of 2.8 mills to support $63.2 million in general obligation bonds. The bonds were issued pursuant to an authorization given by voters in 2008 to fund capital projects for the Sheriff's Office and five other criminal justice entities.

Prior to the November 2014 election, the sheriff said that the district would not issue the final $8.2 million in bonds from the 2008 authorization if voters approved the district's tax proposal. Instead, the district would work with city officials to try to identify FEMA funds to cover some of the district's capital costs. After voters rejected the tax proposal, the sheriff issued the remaining bonds. This had the effect of increasing debt service costs and will decrease the amount available for the new tax, should voters approve it in May.

The debt service millage is set each year at a rate necessary to pay principal, interest and other expenses related to the district's bonds. As principal and interest payments on the outstanding bonds fall, the debt service millage rate will decline below the current 2.8 mills.

The rate was set at 2.9 mills from 2008 to 2014 and reduced to 2.8 mills this year. In 2014, the tax generated $8.4 million. This is more than the $5.8 million needed to cover debt service that year. The balance of $2.6 million was placed in the debt service fund for future principal and interest payments. The debt service fund ended 2014 with a balance of $10.4 million.[12]

Now that the remaining bonds have been issued, annual debt service payments are scheduled at approximately $6.7 million from 2015 to 2018. They decline to $4.4 million from 2019 to 2022; $3.3 million in 2023 and 2024; and $830,000 in 2025 and 2026.[13]

The New Tax. The new tax would be set at a rate equal to 2.8 mills minus the rate of the existing debt service millage. As the debt service millage decreases, the new tax would increase by the same amount. The total millage levied by the Law Enforcement District would remain at the current 2.8 mills.

According to the district's bond counsel, the two taxes are expected to net about $8.33 million in 2016, the first year of the new tax. Of that amount, $3.87 million would come from the existing tax for debt service.[14] The remaining $4.46 million would come from the new tax for operating and maintenance costs. The revenue from the new tax would increase over time as principal and interest payments on the bonds declined. The tax will generate about $53.3 million over its 10-year duration.[15]

The proposed tax is the same as the one voters rejected in November 2014, except that it is one-tenth of a mill lower.

If voters approve the proposed tax, taxpayers would continue paying property taxes at the current rate of 2.8 mills for the Law Enforcement District. A homeowner with a homestead-exempt property valued at $300,000 would continue to pay $63. For each additional $100,000 of value, the tax would be $28.[16] Commercial property owners would pay $39.20 per $100,000 of value.[17]

If voters reject the proposition, their taxes will decline as the amount needed for debt service falls. The district projects that it will need 1.3 mills for debt service in 2016. Thus, if voters reject the new tax, the tax rate for the district will decline 54%.

The ballot proposition indicates that the proposed tax would provide "additional funding for the operation, maintenance and upkeep of jails and related facilities." In a letter to BGR, the sheriff committed to using the funds generated by the millage exclusively to meet consent decree obligations. These include funding the positions of corrections chief and compliance officer; increasing wages for deputies to improve retention and recruitment; hiring 200 deputies; and providing enhanced medical services to inmates. The sheriff estimates that, on an annual basis, increasing deputies' salaries will cost $1.6 million, hiring 200 new deputes will cost $4.3 million, and providing upgrades to medical treatment will cost $8 million.

Governance Concerns. In 1989, 2000 and 2008, BGR took positions against proposed Law Enforcement District bond issues, in part because of concerns about the district's governance. When the district was created in 1989, the Legislature approved two pieces of enabling legislation. In one version, the district was to be controlled by the sheriff, like all other law enforcement districts across the state, and in the other by the City of New Orleans. The sheriff-controlled district was implemented.

BGR argued that the city-controlled district was superior because it contained more safeguards. For instance, the City Council, which would have served as the governing board, would have been required to release a spending plan and hold public hearings before placing a new tax on the ballot.

The sheriff-controlled district lacks these basic checks and balances. As noted earlier, the sheriff is the sole governing authority of the Law Enforcement District. The City Council and mayor would have no say in how the revenue from the proposed tax would be spent. The sheriff could use it for any operating expenses that he chooses, including costs that have nothing to do with the consent decree. As noted earlier, he has committed to use the funds exclusively to help implement the consent decree. The federal court's oversight provides a potential check on spending.

Contracting Issues. While it is clear that court-mandated costs associated with the consent decree will have to be funded, there are serious questions about the use of the Law Enforcement District's current resources. Over the past few years, multiple problems with the sheriff's contracting processes and oversight have surfaced. It emerged that for nearly a decade the sheriff's office had in place a flat-fee contract to pay a law firm $68,000 every two weeks, regardless of how much work it did.[18] The sheriff's former purchasing director pleaded guilty for his role in a bid-rigging and bribery conspiracy concerning Sheriff's Office contracts.[19] In February 2015, *The Times-Picayune* and *Fox 8 News* disclosed the details of woefully inadequate invoices for a million-dollar-a-year information technology contract.[20] In March 2015, the city asked the federal judge overseeing the consent decree to void an $83 million contract for inmate medical services, criticizing both the procurement process and the "exorbitant" price tag.[21] The city's Inspector General had previously criticized plans to conduct that procurement process "in private."[22]

BGR Position

FOR. BGR is extremely concerned about the governance of the Law Enforcement District and the sheriff's contracting practices and believes that major reform is needed. BGR is supporting the tax proposition only because it is clear that the public will have to directly or indirectly provide additional revenue to implement the costly court-ordered reforms at the parish prison.

The court's oversight provides some assurance that the sheriff will spend the additional tax revenue to implement the mandates of the 2013 federal consent decree. However, the public is entitled to transparency and accountability. Accordingly, the sheriff should regularly report to the public on the use of the new tax revenues.

ORLEANS PARISH: PROPERTY TAX FOR THE NEW ORLEANS PUBLIC LIBRARY

What It Would Do

Voters in New Orleans will decide whether to approve a new, 2.5-mill property tax levied to support the library. The new tax would take effect in 2016 and remain in place for 25 years, expiring in 2040.

Background and Analysis

Background. The New Orleans Public Library system (the Library) is governed by a nine-member board appointed by the mayor with City Council approval. The board is responsible for administering the system and hiring its director, but it is not financially separate from the city.[23]

For most of its history, the Library was funded through the city's general fund and private donations.[24] However, in 1986, as the city's general fund contributions for the Library began to diminish, voters approved a 4-mill, dedicated tax to cover the system's operating expenses.[25] In 2008, the millage was rolled back to 3.14 mills.[26] It has remained at that level since.[27] It expires in 2021.

In 2004, the Library had 13 locations and received $7.8 million in dedicated tax revenue.[28] The Hurricane Katrina disaster in 2005 flooded nine of the library buildings, forcing six of them to close. The library closures resulted in the layoff of approximately 90% of the Library's staff.[29] The closures and layoffs significantly reduced the Library's operating costs, and during the years following Katrina, it was able to set aside approximately $12 million in reserves.[30]

In 2008, the Library developed a $277 million master plan for creating a 16-branch library system (including a new main branch).[31] That plan was discarded and was not replaced with any other comprehensive assessment or rethinking of the library system.

Instead, the city began rebuilding its existing branches using federal funding. By 2012, all of the libraries except the Nora Navra branch in the Seventh Ward had been reopened. The city also opened two new branches, bringing the total number of open libraries to 14.[32]

As the city reopened branches and added new ones, the Library's costs began to significantly exceed its revenues.[33] This resulted in a structural deficit that has averaged approximately $2.7 million per year since 2012.[34] To offset the deficit, the Library has been drawing on reserves. Unless the proposed tax passes, the Library expects to fully deplete its reserve by mid-2016.

The Library claims that the creation of the deficit was difficult to avoid. It says the deficit occurred largely because the libraries were rebuilt and the system expanded after Hurricane Katrina without identifying recurring funds to cover the new operating costs. The Library states that FEMA funding determined the sizes and locations of the branches. Rather than devising a long-term plan for funding the associated operating expenses, the Library dipped into its reserves to cover them.

In 2014, the Library's operating revenue totaled $9.6 million. Property taxes accounted for 97% of that amount. The remainder came from the Library's two supporting foundations,[35] a trust and fines and fees.[36]

The Library's 2014 operating expenditures totaled $12.5 million. Personnel costs of $9 million accounted for nearly three quarters of them. (The Library employs 184 people.)[37] The remaining expenditures went to the Library's collection, technology and telecommunications, and other operating expenses.[38] The Library spent about $2.9 million from its fund balance to help meet these expenses.

Analysis. The ballot proposition indicates that the new millage would generate up to $8.25 million. For reasons discussed below, this appears to be an overly optimistic estimate.

If voters approve the millage, taxpayers would pay an additional 2.5 mills to support the Library, for a total rate of 5.64 mills. A homeowner with a homestead-exempt property valued at $300,000 would pay an additional $56.25 per year and see his library taxes increase from $70.65 to $126.90.[39] For each additional $100,000 of value, homeowners would pay $25 more than they do now. Commercial property owners would pay an additional $35 per $100,000. The owner of a commercial property valued at $600,000 would pay an additional $210 per year. Its taxes for the Library would rise from $263.76 to $473.76.[40]

If voters reject the proposition, they will continue to pay 3.14 mills.

The Library estimates that $3.5 million of the proposed millage would go towards eliminating its structural deficit and maintaining the services that are now funded from reserves.

The remainder would go toward improvements to the library system. These include increasing library hours by 30%, increasing investment in library resources and the re-opening of Nora Navra, which would bring the total number of branches to 15. Table 1 shows the Library's breakdown of expenditures by type and cost.

The Library's projected expenditures are based on the revenue projection contained in the ballot proposition. We note, however, that the Library may receive a substantially lower amount for a number of reasons. First, the projection in the proposition is highly optimistic, because it assumes a 100% collection rate. Second, due to various deductions, the amount that actually reaches the Library would be approximately 5% less than what is collected.[41]

TABLE 1: PROJECTED EXPENDITURES FROM NEW LIBRARY TAX

Expenditure	Projected Cost
Address Structural Deficit	$3.5 million
Expand Hours	$2.1 million
Expand Collection	$750,000
Add Programs	$750,000
Create New Reserve	$500,000
Reopen Nora Navra	$400,000
Technology Upgrades	$250,000
TOTAL	**$8.25 million**

Source: New Orleans Public Library.

If one calculated the proceeds from the new millage using the per-mill revenue assumptions employed in the city's 2015 budget, they would total approximately $7.3 million. This is approximately $1 million less than the Library's projected expenditures. The discrepancy suggests that the Library has not carefully planned for the new revenue.

The Library will have to cut expenses by approximately $3 million a year, once its remaining reserves of $4.9 million are exhausted, unless it receives additional money from other sources. Based on its 2015 budget,[42] this would be about a 25% reduction in its expenditures.

The Library has made inconsistent statements about the impact of the failure of the millage proposition. In the information the Library provides to the public on its website,[43] it states that it would have to decrease its hours of operation by 35%, close seven of 14 libraries, *and* decrease funding for collections, programs and technology. In correspondence with BGR, the Library indicated that cuts in hours and closures were alternatives. The Library further indicated that these were not the only possible scenarios. Rather, there are numerous possible variations for absorbing the budget cut. All personnel could be maintained with nothing directed to collections or technology. Instead of closing seven smaller branches, the Library could close three or four large ones. In short, the Library has not yet decided what it will do if the millage does not pass.

As noted earlier, the Library's branch network was not rebuilt and expanded pursuant to a strategic plan. The Library says it will devise a strategic plan for the future once its funding has improved. In the meantime, it is unclear whether the system is designed to efficiently and effectively serve the population. In other words, voters are being asked to increase support for a system that might not best meet their needs.

TABLE 2: LIBRARY SIZE, USE AND SUPPORT, 2013
(Ranked by Total Operating Expenditures)

Parish	Population Served	Tax Dedication	Total Operating Expenditure	Number of Library Locations	Average Expenditure per Branch	Total Operating Hours	Circulation	Visits
E. Baton Rouge	445,227	$37,020,285	$31,266,936	14	$2,233,353	48,630	2,434,723	2,212,004
Jefferson	434,767	$20,180,215	$18,375,273	16	$1,148,455	44,304	1,824,591	1,219,084
Orleans	378,715	$8,712,845	$11,338,311	14*	$809,879	30,854	986,268	922,533
St. Tammany	242,333	$8,936,452	$8,329,806	12	$694,151	30,556	1,223,719	828,144

Source: State Library of Louisiana, Public Libraries in Louisiana: Statistical Report, 2013.

**This number will increase to 15 if the Nora Navra branch reopens.*

BGR compared the revenues and other characteristics of the library systems in East Baton Rouge, Jefferson, Orleans and St. Tammany parishes. It found that the New Orleans Library receives significantly less property tax revenue than its counterparts in East Baton Rouge and Jefferson parishes. In 2013, New Orleans public libraries received approximately $8.7 million in property taxes, while East Baton Rouge libraries received approximately $37 million and Jefferson parish libraries received $20.2 million.[44] The New Orleans Library received approximately the same amount as the St. Tammany libraries.

The Library received significantly less revenue per capita than the library systems in East Baton Rouge, Jefferson and St. Tammany parishes in 2013. New Orleans public libraries received approximately $23 per person, compared to $83 per person in East Baton Rouge, $46 per person in Jefferson and $37 per person in St. Tammany.[45]

The number of branches is roughly similar across the four parishes, ranging from 12 to 16. The East Baton Rouge and Jefferson library systems spend far more, have significantly longer hours of operation and are far more heavily used than either the New Orleans or St. Tammany libraries. The New Orleans Library spends significantly more, including more per branch, than does St. Tammany's system, yet the two systems' total operating hours are roughly equivalent.

Ultimately, such comparisons may be somewhat academic. The Library's structural deficit indicates that it cannot sustain the expansion that has occurred in recent years, much less expand further, without additional revenue.

However, in a city with so many pressing financial needs, it is critical that all requests of voters for new revenue be driven by clear strategic plans. The Library has not presented voters with a plan for how it will remain relevant and effective in the 21st century. Instead, it intends to create such a plan once its funding improves.

BGR Position

AGAINST. BGR is supportive of a properly funded library system. However, the Library should not ask voters for additional revenue without presenting a well-conceived strategic plan, based on sound numbers, for the future. Unfortunately, there is no such plan. The city and the Library created the system's current structural deficit by reopening and adding libraries without a strategic plan, and the Library has not yet articulated one.

BGR notes that the Library has adequate funding until mid-2016. It urges the Library to go back to voters in the fall with a well-developed plan showing that the new tax revenue will go toward a system that best meets the public's needs.

ST. BERNARD PARISH: LAKE BORGNE BASIN LEVEE DISTRICT PROPERTY TAX

What It Would Do

Voters in St. Bernard Parish will decide whether to approve a new, 7.5-mill property tax to support the Lake Borgne Basin Levee District. The new tax would take effect in 2015 and remain in place for 30 years, expiring in 2044.[46]

Background and Analysis

Background. The Lake Borgne Basin Levee District (the Levee District) is governed by the regional Southeast Louisiana Flood Protection Authority-East (SLFPA-E). SLFPA-E also oversees the East Jefferson Levee District and the Orleans Levee District.[47]

The Levee District is comprised solely of St. Bernard Parish and is responsible for those portions of the regional flood protection system located within the parish.[48] Revenues raised by the East Jefferson, Lake Borgne Basin and Orleans levee districts are not pooled together. Rather, they can be spent only within the levee districts that generate them.[49]

The Levee District maintains portions of three types of regional levee systems:

- The federally-built Hurricane and Storm Damage Risk Reduction System (the Perimeter System) provides regional flood and storm surge protection from Lake Pontchartrain and nearby wetlands.[50] The system protects the east banks of Jefferson and Orleans parishes and the developed portions of St. Bernard.
- The federally-built Mississippi River Levee System provides flood protection along the east bank of the Mississippi River.[51]
- The Forty Arpent and Florida Avenue Levee System, sometimes referred to as the Back Levee System, is a local levee system providing flood protection in St. Bernard and the Lower Ninth Ward of Orleans Parish.

Prior to Hurricane Katrina, the Levee District's responsibilities included 60 miles of levees and 14 floodgates. Since Katrina, the federal government has invested $1.4 billion in flood protection infrastructure in St. Bernard Parish. As a result, the Levee District's responsibilities have expanded to include 23 miles of new floodwall, 19 additional floodgates[52] and a portion of the surge barrier wall across the Mississippi River Gulf Outlet, Bayou Bienvenue and the Gulf Intracoastal Waterway.[53]

In addition, the Levee District handles most of St. Bernard's drainage system. This includes 55 miles of drainage canals and eight pump stations. Seven of the eight pump stations are located along the Back Levee System and reduce flooding risks by pumping water out of the populated area of St. Bernard Parish into the adjacent wetlands. St. Bernard Parish handles minor drainage, such as catch basins and smaller subsurface pipes.

The Levee District is the only district in SLFPA-E with responsibility for drainage. In Orleans and Jefferson parishes, drainage is managed and funded by other entities.

Currently, the Levee District receives revenue from three dedicated property taxes: a 3.83-mill tax that does not expire,[54] a 4.27-mill tax that expires in 2020 and a 3-mill tax that expires in 2044. The three millages total 11.1 mills.[55] Approval of the proposition would increase the total to 18.6 mills.

In 2014, the Levee District's revenue totaled $3.8 million. Ad valorem property taxes accounted for $3.4 million, or 91% of the total. Expenditures totaled roughly $4.3 million. The Levee District tapped its reserve fund to meet the funding shortfall.

Pump station operations and maintenance cost $2.1 million in 2014. Expenditures for levees, floodwalls and gates were $1.4 million. The remaining expenditures, totaling $800,000, went to administrative expenses.[56]

The Levee District has been operating at a loss for the past three years, forcing it to draw $500,000 each year from its cash reserves. At the end of the 2014 fiscal year, $4.5 million remained available in its general fund balance.[57]

Property tax revenue has rebounded since Katrina,[58] but has not kept pace with expenditures. To increase funding for the Levee District, SLFPA-E asked voters to approve a 7.5-mill property tax in December 2014. Voters defeated the proposition, with 61% voting against the millage.[59] SLFPA-E declared an emergency in order to present the millage proposition to voters once again in May.[60]

The proposed millage would increase the Levee District's annual revenue by about $2.6 million, or 68%.[61] If approved, the millage would be placed on the 2015 tax bills, and the Levee District would receive the new revenue starting in 2016.

TABLE 3: PROJECTED SPENDING FROM NEW TAX REVENUE

Expenditure	Projected Cost
Pump Stations	$855,239
Levees, Floodwalls, and Gates	$830,479
Address Structural Deficit	$500,000
Funding to Replace Equipment	$160,941
Administrative Costs	$86,828
Reimbursements to SLFPA-E	$54,650
TOTAL	**$2,488,137**

Source: BGR calculations based on data provided by the Lake Borgne Basin Levee District.

Analysis. If voters approve the millage, taxpayers would pay an additional 7.5 mills to support the Levee District. A homeowner with a homestead-exempt property valued at $126,000 would pay an additional $38.25 per year and see his taxes for the Levee District rise from $56.61 to $94.86.[62] For each additional $100,000 of value, the new tax would cost $75. Commercial property owners would pay an additional $105 per $100,000. The taxes on a commercial property valued at $600,000 would increase by $630 per year, rising from $932.40 to $1,562.40.[63] If voters reject the proposition, taxes will remain at 11.1 mills.

The Levee District expect to net approximately $2.5 million in new revenue from the tax, after mandatory pension deductions. It will use the revenue to address a variety of needs.

The Levee District will use $500,000 of the new revenue to meet its structural deficit.

The Levee District will spend an additional $855,000 on the Levee District's pump stations. Currently, the Levee District employs 15 operators to man four pump stations 24 hours a day. Two are manned on a more limited basis and two are currently out of commission for repairs. The new revenue would allow it to add four pump station operators to its staff. It would also allow the district to add an operations manager to oversee the pump station and levee functions.[64] The additional revenue would also cover deferred maintenance and future capital expenses at the drainage pump stations.[65] The Levee District points out that replacing a single broken pump station engine would cost about $1 million, and it must put money aside for such eventualities.

The Levee District anticipates spending about $830,000 annually on levees, floodwalls and gates, and interior drainage canals. Currently, nine employees handle the operations and maintenance for the three levee systems and the parish's drainage canals. The Levee District would add three new positions to its levee personnel to keep up with its increasing responsibilities. The Levee District also plans to use the additional revenue for levee maintenance. Among the most expensive maintenance items are the new Bayou Dupre and Caernarvon Canal navigation floodgates, which require dewatering every 10 years at a cost of $1.5 million per gate.[66]

The Levee District plans to spend approximately $161,000 from the new tax revenue to replace old equipment.[67]

The Levee District projects an $87,000 increase in administrative costs. Most of the new costs relate to pay raises for administrative employees and increases in related pension and health insurance costs.

About $55,000 in new revenue will go to SLFPA-E. The three levee districts pay a pro rata share, based on population, of the regional authority's expenses. The Levee District estimates that it is responsible for approximately 12% of the regional authority's operating costs. The increase in SLFPA-E reimbursements is mainly for new staff positions, including in-house counsel and engineers.

The Levee District is also facing other significant needs that it intends to address by other means. Specifically, the Levee District must construct a floodwall near the Violet Canal to bring the Back Levee System into full compliance with federal standards.[68] The Levee District says that, without that project, flood insurance rates in St. Bernard and the Lower Ninth Ward of Orleans Parish could go up.

Construction costs for the floodwall are projected to total $4 million.[69] SLFPA-E has approved a loan from the Orleans Levee District to the Lake Borgne Basin Levee District in case it is needed to cover this cost.[70] However, the Levee District expects to cover part of the cost through FEMA's Hazard Mitigation Assistance program.[71] Voter approval of the millage would give the Levee District enough leeway to tap its reserves to cover the remainder.

If voters reject the millage, the Levee District says there will be both short- and long-term consequences.

In the short-term, the Levee District will immediately reduce its current staff of 30 employees to 21 or 22.[72] The impact of the cuts will fall mainly on the drainage system. Two of the pump stations that are manned around the clock will be manned for fewer hours and may be closed until needed. This could lead to delays in pumping and an increased risk of flooding within the parish. The Levee District claims that, even without an increase in flooding events, a reduction in pump station operations could lead to an increase in flood insurance rates.[73] There will also be less frequent mowing of canal banks and removal of debris from the canals.

In the long-term, the Levee District says insufficient funding will lead to a reduction in maintenance, increased capital repair costs and the deterioration of infrastructure. Without the millage, the Levee District will be unable to save for the major dewatering costs associated with the Bayou Dupre and Caernarvon Canal navigation flood gates. The Levee District will also be unable to maintain its pump stations.

BGR Position

FOR. The Lake Borgne Basin Levee District's flood protection responsibilities in operations and maintenance have increased significantly in recent years. Should voters reject the millage, drainage needs in St. Bernard Parish will suffer, increasing the risk of flooding and possibly resulting in higher flood insurance rates.

ENDNOTES

1 Based on City of New Orleans, 2015 Adopted Operating Budget, p. 209, and information provided by the city administration.

2 Bureau of Governmental Research, *Time to Pay the Pipelayer? The Proposed S&WB Rate Increases in Perspective*, December 2012, p. 6.

3 In October 2013, the S&WB's consultant provided a preliminary estimate of $35 million a year in new revenue. However, the consultant has not completed its study yet and the estimate is subject to revision.

4 Bureau of Governmental Research, *The Price of Civilization: Addressing Infrastructure Needs in New Orleans*, August 2010, p. 3.

5 Bureau of Governmental Research, *Street Smarts: Maintaining and Managing New Orleans' Road Network,* October 2008.

6 See BGR, *The Price of Civilization*. See also BGR, *Budgeting in a Time of Crisis: A Review of the City of New Orleans' 2007 Budgets* (May 2007); *On the Ballot: New Orleans, October 2008* (September 2008); *Rolling Forward: The Complete Picture* (November 2010); and *The Hotel Assessment: A Question of Priorities, a Question of Propriety* (May 2013).

7 BGR, *The Price of Civilization*, pp. 12-13.

8 Estimate provided by the Law Enforcement District's bond counsel.

9 *Jones v. Gusman,* No. 2:12-cv-00859, E.D. La. 2012, Consent Judgment, June 6, 2013.

10 *Jones v. Gusman,* No. 2:12-cv-00859, E.D. La. 2012, Plaintiff's Joint Proposed Findings of Fact and Conclusions of Law, March 7, 2014, p. 42.

11 The city indicated to BGR that the consent decree costs could be estimated by comparing the city's 2015 budgeted funding for the Sheriff's Office to actual funding in 2013, when the decree took effect. In 2013, city funding for the Sheriff's Office, including direct and on-behalf payments, totaled $28.5 million. This included $1.9 million to begin implementing reforms during the final three months of the year. Thus, the city's regular or non-consent decree funding was roughly $26.6 million. The city's 2015 budget includes $35.7 million in direct and on-behalf payments to the Sheriff's Office.

12 Unaudited figures provided by the Sheriff's Office.

13 Orleans Parish Law Enforcement District, *Law Enforcement District of the Parish of Orleans, State of Louisiana: Summary of General Obligation Bonds.*

14 Debt service costs will total $6.7 million. The balance would be paid from the reserve fund.

15 BGR calculation based on data provided by the district's bond counsel. The data assumes that the total assessed value of property in the city would increase at an annual rate of 1.5%. BGR did not discount the total for future inflation.

16 BGR calculations. BGR used a value of $300,000 based on data from the New Orleans Metropolitan Association of Realtors, which indicate that the average sale price for a single family home in New Orleans in 2014 was $294,618. New Orleans Metropolitan Association of Realtors, "Market Statistics," www.nomar.org/gsrein-mls-public/market-statistics-public.html.

17 BGR assumed that land value accounts for 20% of total value.

18 Galofaro, Claire, "Sheriff reworks contract with law firm," *The Advocate*, November 1, 2013.

19 *USA v. Sens,* No. 2:13-cr-00024, E.D. La. 2013, Rearraignment Minute Entry, March 13, 2013.

20 Webster, Richard A.; and Zurik, Lee; "Records raise questions about Sheriff Marlin Gusman's $1 million-a-year contract with friend, contributor," *The Times-Picayune* and *Fox 8 News*, February 4, 2015.

21 *Jones v. Gusman,* No. 2:12-cv-00859, E.D. La. 2012, Memorandum in Support of the City's Motion to Invalidate Contract or Alternatively to Terminate Contract, March 19, 2015.

22 Quatrevaux, Ed; Inspector General of the City of New Orleans; Open letter addressed to Sheriff Marlin Gusman; July 24, 2014.

23 Home Rule Charter of the City of New Orleans, Secs. 5-501-503.

24 New Orleans Public Library, "New Orleans Public Library Centennial Exhibit: Finances," 1996, www.neworleanspubliclibrary.org/~nopl/exhibits/qfinance.htm.

25 New Orleans Public Library, "Millage Proposition Election: New Orleans Public Library Financial Information," 2015, http://neworleanspubliclibrary.org/millage/Financial_2_12.pdf. The city controls the Library's capital budget.

26 City of New Orleans, Comprehensive Annual Financial Report for the year ended December 31, 2013, p. 117.

27 Ibid.

28 New Orleans Public Library, "Opening (and Closing) Dates of NOPL Buildings," 2014, www.neworleanspubliclibrary.org/~nopl/facts/nopldate.htm. City of New Orleans, 2006 Adopted Operating Budget.

29 New Orleans Public Library, "Millage Proposition Election: New Orleans Public Library Financial Information," 2015, http://neworleanspubliclibrary.org/millage/Financial_2_12.pdf.

30 Ibid.

31 Meyer, Scherer & Rockcastle, Ltd., *New Orleans Public Library Master Plan: Speaking Volumes for the Future*, 2008, p. 11.

32 New Orleans Public Library, "Opening (and Closing) Dates of NOPL Buildings," 2014, www.neworleanspubliclibrary.org/~nopl/facts/nopldate.htm.

33 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.

34 Ibid.

35 The Library receives financial support from the New Orleans Public Library Foundation and Friends of the New Orleans Public Library.

36 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.

37 Information provided by the New Orleans Public Library.

38 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.

39 BGR calculations. BGR used a value of $300,000 based on data from the New Orleans Metropolitan Association of Realtors, which indicate that the average sale price for a single family home in New Orleans in 2014 was $294,618. New Orleans Metropolitan Association of Realtors, "Market Statistics," www.nomar.org/gsrein-mls-public/market-statistics-public.html.

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

41 Property taxes are subject to three different deductions: a fee collected by the Assessor, collection fees imposed by the City of New Orleans, and a required contribution to the state pension systems.

42 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.

43 See http://neworleanspubliclibrary.org/millage/FAQ.pdf and http://neworleanspubliclibrary.org/millage/FAQ.pdf. Retrieved on April 2, 2015.

44 State Library of Louisiana, *Public Libraries in Louisiana: Statistical Report*, 2013, pp. 18-19.

45 These numbers reflect the total revenue per capita, not millage revenue per capita. However, none of the four library systems receives significant revenue aside from their millages.

46 Southeast Louisiana Flood Protection Authority-East, Res. No. 02-05-15-01, adopted February 5, 2015.

47 La. R.S. Sec. 38:330.1 et seq. With the creation of a regional authority, the local boards governing levee districts were replaced by the SLFPA-E board of commissioners. The SLFPA-E board is authorized to act on behalf of the authority as well as the levee districts. Such authority includes, but is not limited to, the ability to enter into contracts, buy or sell property, and construct and maintain drainage works.

48 La. R.S. Sec. 38:291(G).

49 La. R.S. Sec. 38:330.3(B).

50 The system was built to a 100-year storm standard, meaning that risk from a storm surge has a 1% chance of occurring or being exceeded in any given year. See U.S. Army Corps of Engineers, Missions, "HSDRRS," www.mvn.usace.army.mil/Missions/HSDRRS.aspx.

51 U.S. Army Corps of Engineers, Mississippi River & Tributaries Project (MR&T), "Levee Systems," www.mvd.usace.army.mil/About/MississippiRiverCommission(MRC)/MississippiRiverTributariesProject(MRT)/LeveeSystems.aspx.

52 The 19 new gates include 12 floodwall gates, four highway gates, two navigation floodgates and one railroad gate. See Lake Borgne Basin Levee District, *Lake Borgne Levee District Presentation*, prepared for the Bureau of Governmental Research, February 5, 2015.

53 The surge barrier connects the Orleans Levee District Gulf Intracoastal Waterway Levee to the Lake Borgne Basin Levee District Hurricane Protection Levee east of Bayou Bienvenue. The surge barrier was designed to prevent storm surge from entering the Inner Harbor Navigation Canal. The Orleans Levee District is responsible for maintaining the portion of the surge barrier wall located in Orleans Parish as well as the operations and maintenance of the surge barrier's sector gate, barge gate and lift gate.

54 La. Const. Art. VI, Sec. 39(A) provides that "[f]or the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and for all other purposes incidental thereto, the governing authority of a levee district created prior to January 1, 2006, may levy annually a tax not to exceed five mills."

55 Office of the Legislative Auditor, 2015 Maximum Millage Report, St. Bernard Parish, January 20, 2015.

56 Lake Borgne Basin Levee District, *Lake Borgne Levee District Presentation*, prepared for the Bureau of Governmental Research, February 5, 2015.

57 Southeast Louisiana Flood Protection Authority-East, Combined Financial Statements as of June 30, 2014, p. 16.

58 From fiscal 2005 to fiscal 2006, Levee District property tax revenue decreased from $3.2 million to $2.2 million. Since then, revenue has rebounded to $3.4 million in 2014.

59 Southeast Louisiana Flood Protection Authority-East, Res. No. 01-15-15-05, adopted January 15, 2015.

60 Southeast Louisiana Flood Protection Authority-East, Res. No. 02-05-15-01, adopted February 5, 2015.

61 Southeast Louisiana Flood Protection Authority-East, Res. No. 02-05-15-01, adopted February 5, 2015. SLFPA-E documents show that one mill is expected to generate approximately $345,000.

62 BGR calculations. BGR used a value of $126,000 based on data from the New Orleans Metropolitan Association of Realtors, which indicate that this was the average sale price for a single family home in St. Bernard in 2014. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," www.nomar.org/gsrein-mls-public/market-statistics-public.html.

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

64 Half of the cost is included in the additional revenue for pump stations, and half is included in the additional revenue for levees and drainage canals.

65 The Levee District notes the replacement of trash rakes as an example of deferred maintenance. Trash rakes prevent debris in the drainage canals from entering the pumps.

66 Dewatering is the process of pumping out all water surrounding the gate. Once water is completely removed, the gate is sandblasted, repainted and inspected. The inspection includes a full electrical, mechanical and hydraulic systems inspection. This is a six- to eight-week process. The Levee District says it must set aside approximately $400,000 annually to cover this decennial maintenance.

67 The Levee District estimates the following replacement costs for equipment: $80,000 for one tractor (11 total tractors); $50,000 for one dump truck (7 total dump trucks); and $25,000 for one vehicle (17 total 4-wheel drive pick-up trucks). Levee District equipment also includes bulldozers and excavators which are estimated to cost in excess of $100,000. The Levee District notes that these figures are estimates with the actual price determined by the availability of a state contract or whether the equipment must be put out for bid.

68 Southeast Louisiana Flood Protection Authority-East, Minutes of the Board Meeting, December 18, 2014.

69 Southeast Louisiana Flood Protection Authority-East, Res. No. 12-18-14-10, adopted December 18, 2014.

70 Southeast Louisiana Flood Protection Authority-East, Res. No. 12-18-14-10, adopted December 18, 2014 and Res. No. 02-19-15, adopted February 19, 2015.

71 If received, grant funds would be used for acquisition and demolition project costs (i.e., acquiring property for the project and, if needed, demolishing existing structures prior to project construction). The grant process is competitive.

72 The Levee District says staff reductions would affect pump stations, levees and administration. It estimates that staff reductions would be felt most among pump station operators since they make up the largest personnel group. A decrease in staff would be subject to the state's civil service requirements.

73 St. Bernard Parish participates in the National Flood Insurance Program (NFIP). Under the NFIP, the parish is required to follow minimum standards set by the federal government to qualify for flood insurance. In setting flood insurance rates, the federal government looks at numerous factors including, but not limited to, storm surge protection, levee protection, pump station operations and maintenance, interior drainage, catch basins and building permits. FEMA considers all of these things working together when preparing its flood insurance rate maps. FEMA conducts a compliance review on an annual basis. If infrastructure is diminished or there is a reduction in services, FEMA could consider an area at greater risk of flooding. See 44 C.F.R Sec. 1 et seq.

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ORLEANS PARISH: PROPERTY TAX FOR THE LAW ENFORCEMENT DISTRICT | **For**

ORLEANS PARISH: PROPERTY TAX FOR THE NEW ORLEANS PUBLIC LIBRARY | **Against**

ST. BERNARD PARISH: LAKE BORGNE BASIN LEVEE DISTRICT PROPERTY TAX | **For**