BGR We report to you.

A Report from the Bureau of Governmental Research

ON THE BALLOT

JEFFERSON PARISH WATER AND SEWER TAXES, MARCH 20, 2021

INBRIEF

Jefferson Parish voters will decide two property tax propositions on March 20: one for the water system and one for the sewer system. Jefferson Parish Government (Parish) manages both systems.

The 10-year taxes would each have a maximum rate of 5 mills. They would take effect in 2023, replacing two existing water and sewer taxes that have lower maximum rates and expire at the end of 2022:

- The proposed water tax would replace an existing 3.33-mill tax, resulting in $6.1 million in new revenue for the water system if the new tax is levied at the maximum rate (a 50% increase to $18.4 million a year). The proposed tax will go before voters only in the geographic district served by the water system: the unincorporated portion of the parish, the municipalities of Kenner, Harahan, Jean Lafitte and Grand Isle, and the Timberlane subdivision in the City of Gretna.

- The proposed sewer tax would replace an existing 3.36-mill sewer tax, resulting in $5 million in new revenue for the sewer system if the new tax is levied at the maximum rate (a 49% increase to $15.2 million a year). The proposed tax will go before voters only in the geographic district served by the sewer system: the unincorporated portion of the parish, the Town of Jean Lafitte and the Timberlane subdivision in the City of Gretna.

Residents of municipalities outside the districts do not pay the taxes or vote on the propositions.

The Parish has levied property taxes for water and sewer for several decades. For most of that time, voters authorized up to 5 mills for each. But voters rejected that approach in 2013 and instead continued the taxes at lower maximum rates of 3.54 and 3.58 mills, respectively. The Parish now levies the taxes at slightly lower rates due to rollbacks from higher property assessments. At the 5-mill rate, homeowners subject to both taxes would pay $100 annually on each $100,000 of property value above the homestead exemption, $33.10 more than at the current rates. The Parish Council would decide annually how much of the 5 mills to levy for each system.

The water system relies on user fees and its property tax for recurring revenue, while the sewer system's recurring revenue comes from user fees, its property tax and dedicated sales taxes.

INBRIEF CONTINUED ON NEXT PAGE

About BGR's *On the Ballot* Series

This report is the latest in BGR's *On the Ballot* series, which provides voters with objective, nonpartisan analysis of significant ballot propositions in the New Orleans metropolitan area. In producing *On the Ballot* reports, BGR recommends positions consistent with its mission of promoting informed public policy and the effective use of public resources for the improvement of local government. *On the Ballot* reports bring to light the strengths and weaknesses of ballot propositions and assess the potential for government expenditures or actions to efficiently achieve beneficial outcomes for citizens.

INBRIEF

REPORT HIGHLIGHTS

To analyze the propositions, BGR considered four questions that address the efficient and effective use of public resources: (1) Has the Parish carefully planned how it will spend the tax revenue and displayed financial stewardship of taxpayer dollars? (2) Are the taxes appropriately sized to meet the needs specified in the plans? (3) Are the taxes an acceptable way to fund the purposes in light of alternative funding options? (4) Is there evidence indicating effective outcomes would result from the taxes? Based on this analysis, BGR found the following:

- The Parish plans to continue using the water tax to fund water system capital projects, and the sewer tax to supplement user fees and sales tax revenue for sewer system operations.

- The Parish has a clear plan for spending revenue from the proposed taxes, which fits into larger plans for maintaining and improving its aging water and sewer systems. It has assessed the costs of water and sewer operations and identified high-priority capital projects for both systems.

- The Parish developed its 10-year water system capital plan based on projected revenue from the proposed tax, initially levied at the maximum 5-mill rate. Therefore, the tax's size aligns with the plan's cost. However, even at the 5-mill rate, the tax would not be sufficient to meet the system's broader infrastructure needs. Tapping current user fee revenue that supports water system operations would widen existing gaps between operating revenue and costs.

- The Parish's projections for annual sewer system operations revenue and expenditure during the 10-year millage cycle reasonably align with recent trends. And in combination with other sewer operations revenue, the proposed tax, initially levied at 5 mills, would be appropriately sized to meet projected system operating needs. Without the tax, the Parish would have to direct more sales tax revenue to sewer system operations. This would create funding gaps in other budgets supported by the sales taxes. On the capital side, only $7.7 million a year in sales tax revenue is available for the $719 million in sewer infrastructure needs the Parish has identified as essential during the next 10 years.

- Although the taxes would fall short of fully funding both systems' identified needs, this does not mean that a larger tax is necessary. The administration plans to develop proposals for water and sewer user fee increases, which, if adopted by the Parish Council, would provide additional revenue to address the deterioration of the systems. While property taxes are a common funding source for public goods, which the water and sewer systems also provide, user fees have the important quality of connecting payment with private consumption and allocating system costs among all consumers, including those that are tax-exempt. Overall, supplementing user fees with limited property taxes such as those proposed by the Parish is an acceptable means of funding the systems' private and public dimensions.

- The proposed taxes account for a critical portion of the funding required to operate, maintain and upgrade Jefferson Parish's water and sewer systems. The Parish's plans for the systems reflect the findings of multiple studies and prioritize investments that are necessary to sustain residents' predictable access to clean water and a sanitary environment. For example, water treatment plant and subsurface pipe replacements would decrease the chance of boil water advisories and other service interruptions. Overall, the proposed taxes would help drive successful outcomes for two systems that are essential to all residents and businesses. But without additional funding to address identified water and sewer infrastructure needs, the systems may no longer be able to provide the level of service residents expect.

BGR POSITION

FOR BOTH PROPOSITIONS. The taxes would provide revenue necessary to maintain and improve Jefferson Parish's water and sewer systems. The Parish has clear plans for implementing infrastructure projects that would address critical needs and reduce risks of system disruption and environmental hazards. However, while the taxes are crucial to the systems' continued functionality, the Parish must commit to securing other revenue to fully fund planned infrastructure improvements and sustain high water and sewer service levels. Raising user fees, which can more fairly distribute system costs among consumers, offers the best opportunity for closing the funding gap. The Parish has not yet implemented BGR's 2013 recommendation for shifting to a heavier reliance on user fees, and this step is overdue as a better practice to adequately fund the water and sewer systems.