



ON THE BALLOT

A Report from the Bureau
of Governmental Research

WEST JEFFERSON LEVEE DISTRICT PROPERTY TAX, APRIL 28, 2018

INTRODUCTION

On April 28, voters on the west bank of Jefferson Parish will decide whether to approve a new property tax for the West Jefferson Levee District. If approved, the tax will be levied within the district at a rate of 4.75 mills for 10 years. The Levee District expects the tax to generate \$4.75 million annually.

Tax revenue would be dedicated to maintaining and improving the levees, pump stations and other flood protection projects located within the district. This will be the Levee District's second attempt at a new tax to cover the increased costs of raising and armoring levees and maintaining pump stations.

The purpose of this report is to help voters make an informed choice on the proposition. It begins with an overview of the proposed tax. It then provides relevant background, an analysis grounded in BGR's mission of promoting the effective use of public resources, and BGR's position on the tax.

AN OVERVIEW OF THE PROPOSED TAX

The Southeast Louisiana Flood Protection Authority – West (SLFPA-W) is the regional entity responsible for constructing and maintaining levees, levee drainage, flood protection, and hurricane flood protection on the west bank of Jefferson and Orleans parishes.¹ Accordingly, SLFPA-W is the governing authority of the West Jefferson Levee District and the Algiers Levee District.²

SLFPA-W has proposed the new 4.75-mill tax on taxable property located within the jurisdiction of the West Jefferson Levee District (Levee District). This encompasses most of the settled areas of the west bank of

Jefferson Parish, excluding Crown Point, Lafitte and Grand Isle.

The proposition would authorize the Levee District to use tax revenue for the following purposes within its jurisdiction:

- Constructing, raising, armoring and maintaining levees.
- Repairing, rehabilitating and replacing capital projects for flood and hurricane protection, including the Bayou Segnette Complex, Harvey Sector Gate Complex and the Levee District's share of the West Closure Complex.
- Making payments required in connection with debt obligations incurred for any of the above capital projects.³

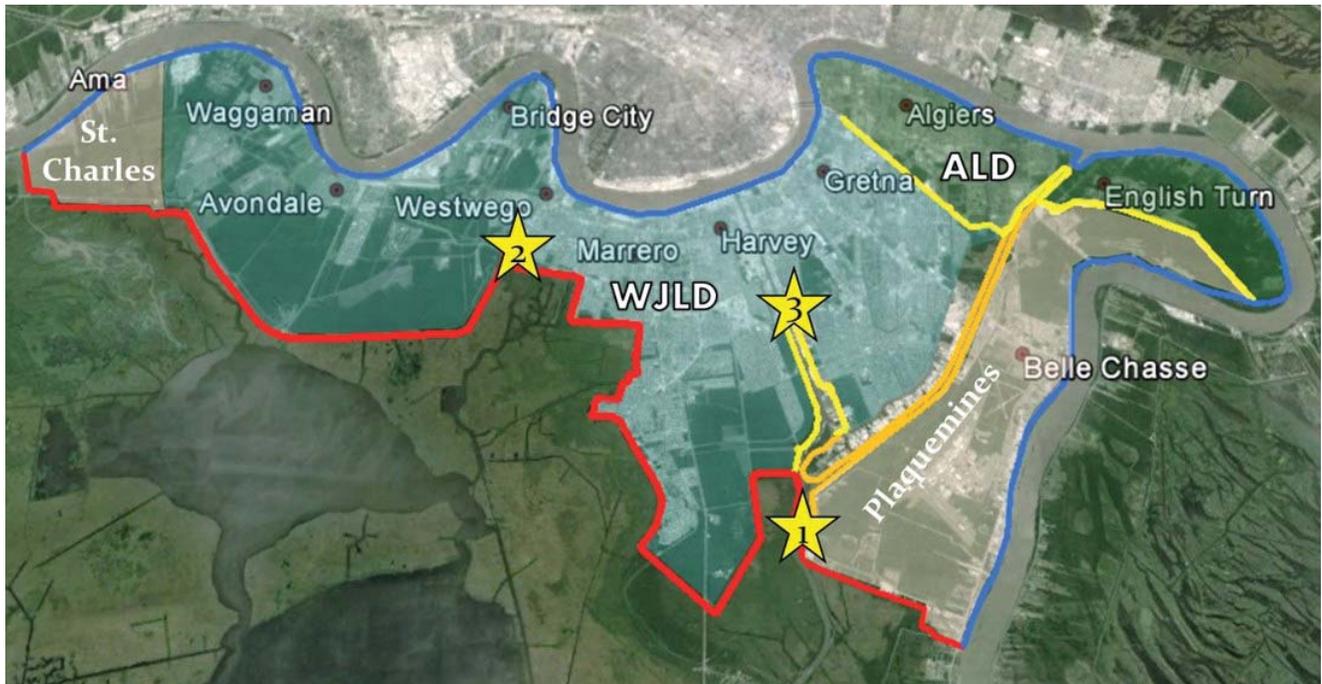
If voters approve the proposition, the Levee District's overall millage rate will increase from 5.03 mills to 9.78 mills. The new tax would begin in 2018 and expire in 2027. Accordingly, property owners would see the tax on their tax bill later this year. For estimates of the tax's impact on individual taxpayers, see the sidebar "The Taxpayer's Bottom Line" on page 3.

BACKGROUND

Responsibilities of the Levee District

The Levee District maintains the West Jefferson portions of the federally-built Mississippi River levee system and the federally-built perimeter system.⁴ The Levee District also maintains the local, interior levees and floodwalls along the Harvey Canal.

West Bank Flood and Hurricane Protection Infrastructure



1 West Closure Complex 2 Bayou Segnette Complex 3 Harvey Sector Gate Complex
 — Hurricane Protection System — Mississippi River Levee System — Algiers Canal — Interior Canals

Map provided by SLFPA-W.

Following Hurricane Katrina, the federal government invested \$4.2 billion in the west bank’s perimeter system, which protects most of the populated areas of West Jefferson, as well as Algiers in Orleans Parish and portions of the west banks of St. Charles and Plaquemines parishes (collectively, the Hurricane Protection System).⁵ The improvements included widening and raising existing levees, building higher floodwalls and constructing three new pump station complexes. These include the West Closure Complex, which has the nation’s largest sector gates and the world’s largest drainage pump station.⁶ The Hurricane Protection System ties into the river levees in St. Charles and Plaquemines parishes. (See map.)

As a whole, the Hurricane Protection System blocks storm surge through Lake Cataouatche, Lake Salvador and other waterways leading to the Gulf of Mexico.⁷ Within the jurisdiction of SLFPA-W, the system protects approximately 250,000 residents and 8,300 businesses.⁸

The vast majority of the Hurricane Protection System lies within the jurisdiction of the West Jefferson Levee District. This infrastructure includes 47 miles of levees and floodgates, plus the Bayou Segnette and Harvey Sector Gate pumping stations. In addition, the Levee District pays 60% of the cost of operating and maintaining the West Closure Complex, with the Algiers Levee District (20%) and Plaquemines Parish (20%) paying the balance.⁹ The complex is located south of the Harvey Canal in both Jefferson and Plaquemines parishes.

Now that the federal government has made this major infrastructure investment, the local levee authorities must maintain and operate the improvements. The federal government carries the financial responsibility for operations and maintenance only during the Hurricane Protection System’s construction. According to Louisiana law, levee authorities must assume operation and maintenance responsibility for their portions of the system within their jurisdictions upon completion of construction.¹⁰ As of March 2018, the Levee District had

assumed this responsibility for the entire system located within its jurisdiction, except for the Harvey Sector Gate Complex near Lapalco Boulevard. Officials anticipate that the Levee District will take over operation and maintenance of the complex from the U.S. Army Corps of Engineers (Corps) in April 2018.

The Levee District expects its new maintenance responsibilities during the next 10 years will consist of: (1) levee lifts and armoring, and (2) major maintenance of pump stations.

Levee lifts and armoring. The Levee District plans to lift and armor its Hurricane Protection System levees two times during the next 10 years to account for settling of the new levees, regional subsidence and rising sea level.¹¹ This work will help to maintain the elevation standards necessary for the levees to remain certified for inclusion on federal flood insurance rate maps. If the elevation falls below the required level for a sustained period, the Federal Emergency Management Agency (FEMA) would calculate insurance rates for properties within the system as though there was diminished levee protection or possibly no protection at all.¹²

In 2024, FEMA will conduct its next decennial recertification of the Hurricane Protection System. It will determine whether the system meets certification requirements for inclusion on federal flood insurance rate maps. Part of the recertification process includes checking levee heights to verify that they meet elevation standards.¹³

The Corps has established schedules for conducting levee lifts. The Levee District has already started the first round of levee lifts, which includes raising six sections of levee based on need and prioritization.¹⁴ It estimates that this work will total \$25.8 million. The Levee District has completed lifting the first section of levee and is in the process of lifting three more sections. The completed and pending work is projected to cost \$15.2 million.¹⁵ The Levee District must secure \$10.6 million to complete the remaining two sections of lifts.¹⁶ The federal government, acting through the Corps, will pay the initial armoring costs.

THE TAXPAYER'S BOTTOM LINE

If voters approve the proposition, property owners will pay an additional 4.75 mills in taxes dedicated to the Levee District. The owner of a homestead-exempt property valued at \$151,000 would pay \$36.10 more per year, an increase from \$38.23 to \$74.33.* BGR estimates that a commercial property owner would pay \$66.50 more annually per \$100,000 of property value.**

The Levee District currently levies a permanent 5.03-mill property tax. If voters reject the proposition, the Levee District's millage rate will remain unchanged.

* BGR calculated the homeowner impact using a value of \$151,000 based on data from the New Orleans Metropolitan Association of Realtors, which show the average sale price for a single family home on the west bank of Jefferson Parish during the 12 months ending December 2017 was \$151,373. See New Orleans Metropolitan Association of Realtors (NOMAR), "Market Statistics," <http://www.nomar.org/gsrein-mls-public/market-statistics-public.html>.

** BGR assumes that land value accounts for 20% of total value for commercial properties.

The second round of levee lifts and armoring is scheduled to begin in 2024. This work is projected to cost \$30 million, and the Levee District will be responsible for all costs.¹⁷

Major maintenance of pump stations. The Levee District will also need to conduct major maintenance at the three pump station complexes during the next 10 years. Major maintenance includes de-watering all floodgates, replacing rip-rap, and overhauling hydraulic and mechanical equipment.¹⁸ The Levee District has scheduled major maintenance to take place at the Harvey Sector Gate Complex pump station in 2020 and the Bayou Segnette pump station in 2025. Officials estimate that each maintenance project will cost \$1.1 million.

Major maintenance at the West Closure Complex is scheduled for 2025 with an estimated cost of \$3.3 million. This amount represents the Levee District's 60% share of the West Closure Complex's total major maintenance costs.

As shown in Table 1, the Levee District estimates that levee lifts and armoring and major pump station maintenance will total \$61.3 million during the next decade. It anticipates having \$18.8 million from available capital and bond funds and the existing property tax.¹⁹ This would leave a \$42.5 million funding gap. Accordingly, over the span of 10 years, officials say the Levee District will need an additional \$4.3 million annually. They estimate that each mill collected within the Levee District’s jurisdiction generates approximately \$1 million in tax revenue.²⁰ Officials are asking voters to approve the new tax at a rate of 4.75 mills, instead of 4.3 mills, to close the funding gap and provide a financial cushion for unforeseen project contingencies and future project cost inflation.

The Levee District’s Financial Picture

Currently, the Levee District derives nearly all of its revenue from a 5.03-mill property tax. The tax, which is authorized by the Louisiana constitution, is permanent (i.e., voters do not have to renew it).²¹ In fiscal year 2018, the tax is expected to generate \$5 million of the district’s \$5.8 million in total revenue.²² The remainder will come primarily from State of Louisiana (State) revenue sharing funds and interest income.²³

The Levee District has budgeted total operating costs of \$5.5 million in fiscal year 2018. Employee salaries and benefits make up the largest expense, totaling \$2.9 million.²⁴ The Levee District anticipates ending fiscal year 2018 with about a \$500,000 operating surplus.²⁵

Despite the surplus, the district projects its operating reserves will decline from \$11.2 million at June 30, 2017, to \$6.5 million at June 30, 2018. Offsetting the \$500,000 surplus are the Levee District’s plans to use \$1.5 million to pay operations and maintenance expenses for the remainder of the fiscal year and another \$720,000 to pay its 2018 share of pump station operation costs at the West Closure Complex. It also plans to transfer \$3 million in operating reserves to the Levee District’s capital projects fund.²⁶

Officials say that the \$3 million transfer reflects cost

Table 1: West Jefferson Levee District’s Projected Funding Gap, 2019-2028

<i>Figures in \$ millions</i>	Levee District Estimate
Levee Lifts (First Round)	\$25.8
Levee Lifts and Armoring (Second Round)	30.0
Major Pump Station Maintenance	5.5
Total Capital Needs	\$61.3
Less: Available Bond Proceeds, Capital Funds and Existing Tax Revenue	\$18.8
Additional Revenue Needed	\$42.5

Source: Southeast Louisiana Flood Protection Authority - West

savings associated with the district’s pending levee lifts. They say the Levee District awarded contracts to perform the levee lifts that were less than estimated costs. In addition, they say the Levee District has not had any project cost overruns for the levee lift work conducted thus far. The Levee District plans to use these cost savings to help offset future capital expenses.

Assuming the Levee District transfers the full \$3 million to its capital projects fund, its available funding for future capital needs would increase from \$18.8 million to \$21.8 million. The one-time transfer would also result in a larger financial cushion under the proposed tax rate to cover unforeseen project contingencies and future project cost inflation. However, they are not yet certain of the total amount of the transfer because the pending levee lifts are not complete.

Part of the \$6.5 million left in the operating reserve will be used next fiscal year to provide working capital to offset the timing of the receipt of property tax revenue.²⁷ The rest will be reserved for emergency purposes.

With costly new maintenance responsibilities on the horizon for the Levee District, SLFPA-W asked voters in November 2015 to approve a new 5.5-mill, 30-year property tax. If approved, the tax would have generated \$5.5 million annually. At that time, critics raised concerns that the millage rate was too high and the lifespan of the tax too long. They also questioned whether the ballot proposition language would allow the Levee

District to spend tax revenue on district operating costs unrelated to the maintenance and repair of the levees and pump stations. BGR supported the proposition, but voters ultimately rejected it.²⁸

As a result of the first proposition's failure, the Levee District found itself short on revenue in 2016 to pay for scheduled levee lifts. The Levee District financed the lifts by borrowing \$7.5 million in November 2016. The Levee District has 20 years to repay its bond debt, with interest.²⁹ The Levee District will pay its annual debt service from existing revenue generated by its constitutional millage.

This is the Levee District's second attempt at a new tax. Officials revised the current proposition to address concerns raised by critics of the first proposition. In particular, officials have reduced the millage rate from 5.5 mills to 4.75 mills and shortened the timeframe of the tax from 30 years to 10 years. They also used more precise language in the ballot proposition to clarify permissible uses of the tax revenue.

ANALYSIS

While the federal government primarily paid for the Hurricane Protection System's construction, local entities like the Levee District are responsible for its long-term operations and maintenance. Supporters say the Levee District needs more funding to properly maintain a larger, more complex, post-Katrina system and protect residents and businesses within the Levee District's jurisdiction. Projects funded by the new tax will also help maintain existing rates for flood insurance, which is a requirement for any property owner with a mortgage.³⁰

Critics of the tax agree that the Levee District needs adequate funding to properly maintain its portion of the Hurricane Protection System. However, they question the Levee District's current operating expenses and the need for a new tax at the 4.75-mill level. They also question whether alternative sources of funding are available to pay for the Levee District's increased expenses.

In this section, BGR analyzes the Levee District tax proposition on the basis of three questions related to efficient and effective use of public resources: Is the tax necessary? Is it appropriately sized to the need? And, will the tax revenue be well spent?

Is the Tax Necessary?

SLFPA-W officials say the Levee District's legal obligation to maintain the portion of the Hurricane Protection System located within its jurisdiction makes it necessary to find an adequate funding source. They say the Levee District's existing constitutional millage does not provide enough funding to meet its increased maintenance obligations associated with the system. It faces \$42.5 million in unfunded maintenance obligations during the next 10 years.

Timing of the new revenue is also important. Currently, the Levee District is working to complete its first round of levee lifts by 2019, before the Corps begins the levee armoring process. By completing the levee lifts now, SLFPA-W officials say they are maximizing the benefits of the Corps' armoring and, in turn, saving money for taxpayers. Otherwise, the Levee District would need to remove the armoring, conduct the levee lifts, then re-arm the levees at full expense. Officials estimate that re-armoring the levees would cost an additional \$20 million, an amount that is not included in the current projection of future capital costs.

In addition, officials say that the tax is necessary because the Levee District has no alternative sources of funding. Some critics, however, question whether a portion of the federal revenues received by the State under the Gulf of Mexico Energy Security Act (GOMESA) should be allocated to the Levee District.³¹ Starting in fiscal year 2018, the State, through the Coastal Protection and Restoration Authority (CPRA) will begin receiving a larger share of GOMESA revenue.³² However, CPRA officials told BGR that the agency plans to use its GOMESA revenue to fund new coastal protection and restoration projects around the state consistent with the Coastal Master Plan, not on operations and maintenance for existing flood protection infrastructure.³³

Furthermore, CPRA officials emphasize that state law assigns operations and maintenance of the Hurricane Protection System to local levee authorities, including the West Jefferson Levee District.³⁴

In addition to the State, coastal parishes, including Jefferson, will begin receiving larger shares of GOMESA revenue in fiscal year 2018. According to CPRA, Jefferson Parish has significant discretion in allocating its share of GOMESA funding and could direct a portion to the Levee District for system operations and maintenance. In fiscal year 2018, the Parish anticipates receiving approximately \$1 million in GOMESA funding.³⁵ However, the Parish plans to use its GOMESA dollars on new projects that will restore and protect its coastline in areas currently without levee protection.³⁶

Critics also question whether the Algiers Levee District and Plaquemines and St. Charles parishes should pay more for the system's operations and maintenance costs. They say these areas benefit from the system's protection, even though the bulk of its infrastructure is located in West Jefferson. However, Louisiana law provides that tax revenue received by a levee district may only be used for a purpose of the "levee district where the tax is levied and revenue is collected."³⁷ Thus, state law generally limits local levee authorities from using tax revenue outside of their jurisdiction. BGR notes that, by agreement, Algiers and Plaquemines already share in the cost of the largest pumping facility, the West Closure Complex.³⁸

BGR found that it is common for levee districts in south Louisiana parishes to rely on property taxes to pay for their obligations and duties. In particular, BGR examined how 17 coastal levee districts are funded and whether they rely on more than one source of funding.

BGR found that 14 of the 17 levee districts rely on the permanent property tax authorized by the constitution. The constitution authorizes older levee districts,

like West Jefferson, to levy the permanent property tax without voter approval. Newer levee districts, however, must obtain voter approval before they can levy the permanent tax.³⁹ All but one of the 14 levee districts are considered older levee districts and, therefore, constitutionally authorized to levy a permanent property tax without voter approval.

BGR also found that citizens in eight of the 17 levee districts pay taxes in addition to the constitutional millage. In seven of the eight jurisdictions, including the Algiers, Orleans and Lake Borgne Basin levee districts, property owners pay multiple property taxes dedicated to their respective levee district. Citizens in Terrebonne Parish pay a sales tax dedicated to funding hurricane protection projects. And citizens in Lafourche Parish pay additional property and sales taxes to fund the work of their local levee districts. For a detailed breakdown of BGR's findings on funding mechanisms for other levee districts, see the Appendix.

In general, property taxes make sense as a funding source for levee districts. Property owners pay taxes dedicated to a local levee district and, in turn, benefit from infrastructure that protects their homes and businesses. However, not every property within a levee district pays property taxes. Properties receiving tax exemptions, such as the homestead, nonprofit or industrial tax exemption, also benefit from hurricane and flood protection infrastructure. Despite this drawback, the connection between a levee district property tax and the benefit received by the taxpayer is clearly stronger than for other forms of taxation.

BGR notes that three of the 17 levee districts currently have no dedicated source of funding.⁴⁰ In addition, voters have opposed some taxes to increase funding for their levee districts. Voters in St. Bernard Parish have twice rejected a millage proposition to increase funding for the Lake Borgne Basin Levee District, and this is the second time the Levee District is asking Jefferson

“There is a strong case for the necessity of the proposed tax. The system maintenance responsibilities facing the Levee District in the next decade will substantially exceed the available funds.”

Parish voters to approve a new property tax.

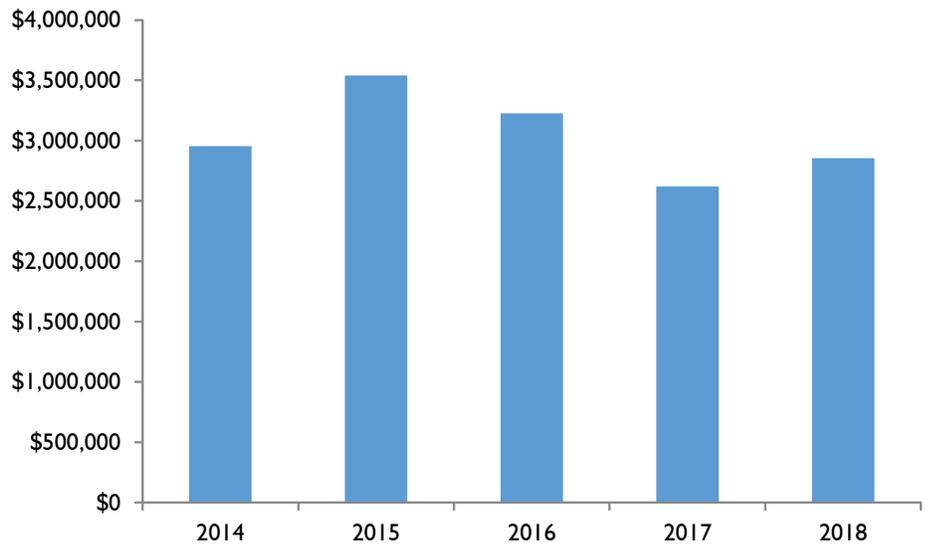
There is a strong case for the necessity of the proposed tax. The system maintenance responsibilities facing the Levee District in the next decade will substantially exceed the available funds. In addition, the costs could increase even more if the district delays levee lifts and must replace federally-installed armoring. Further, the district cannot access alternative funding sources from the State or Parish, including the GOMESA funding.

Is the Tax Appropriately Sized to the Need?

In recent years, the Levee District’s existing 5.03-mill tax paid for its ongoing operations and routine maintenance expenses, including any cost increases related to post-Katrina improvements. In addition, the tax has produced an annual surplus. This allowed the Levee District to accumulate an operating fund balance of \$11.2 million at the end of fiscal year 2017, more than double annual expenditures. However, SLFPA-W officials have clearly explained how the fund balance will be used to meet cash flow requirements to pay current operating and maintenance costs, provide emergency savings and pay for future capital projects.

SLFPA-W officials say that the proposed tax rate is appropriately sized to meet the Levee District’s substantial new maintenance obligations. They expect the new tax to generate \$4.75 million annually, or \$47.5 million over its 10-year life.⁴¹ This revenue will close the projected \$42.5 million funding gap and provide a financial cushion against project contingencies and cost inflation. If the Levee District is able to transfer approximately \$3 million from its operating reserve to its capital projects fund at the end of the current fiscal year, the cushion to cover project contingencies and inflation would increase.

Chart A: West Jefferson Levee District Salaries and Benefits



Source: Southeast Louisiana Flood Protection Authority – West, Budget Analysis Reports

However, estimates to perform future capital work at the levees and pump stations could also change. In addition, a transfer of existing operating reserves to a capital projects fund would not affect the uses of the proposed tax. All revenue generated by the tax would remain limited to the purposes set forth in the proposition.

Some critics, however, question whether the reduced millage rate is still too high. They are concerned that the Levee District has not fully identified operating efficiencies and may be overspending existing revenue in certain areas, including employee salaries and benefits and professional services contracts. If operating efficiencies were identified in these areas, they say, the Levee District could further reduce its current operating expenses and, as a result, further reduce the proposed millage rate.

BGR reviewed SLFPA-W’s budgets from 2015 to 2018, specifically focusing on the areas of concern raised by critics. SLFPA-W’s administration manages both the West Jefferson Levee District and Algiers Levee District. BGR identified costs relating only to the West Jefferson Levee District.⁴²

As shown in Chart A, BGR found that employee sala-

ries and benefits increased from 2014 to 2015.⁴³ Officials say that the increase resulted from hiring three independent contractors who worked as pump station operators at the West Closure Complex. While their hiring increased salaries and benefits, officials say it ultimately saved the Levee District an estimated \$250,000 annually in contractual spending. Costs decreased from 2015 to 2017. Costs increased in 2018, but remain below the 2015 level.

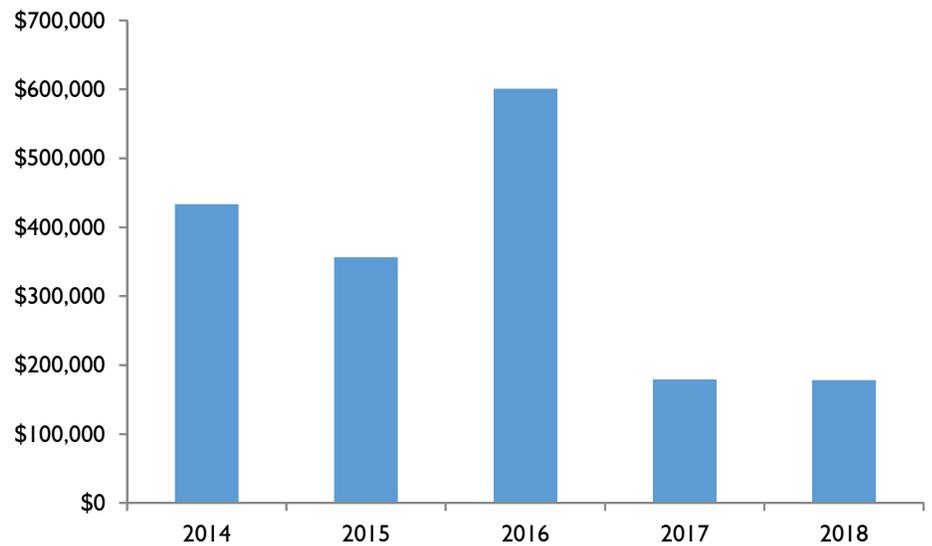
BGR also reviewed spending on professional services during the past five years. As shown in Chart B, the Levee District's spending

decreased from 2014 to 2015, but increased significantly from 2015 to 2016. The increase resulted primarily from 2016 legal fees of \$370,000. That year, legal fees included the district's share of the one-time payment of attorneys' fees from SLFPA-W's BP oil spill settlement award.⁴⁴ Since then, legal fees have decreased to \$102,000 in 2018. Officials note that legal contracts are awarded every two years with legal work assigned only as needed, and all legal contracts include a maximum cap on fees.⁴⁵

The Levee District also spent \$97,000 in public information services in 2016. Officials note that the increase in 2016 reflects one-time costs associated with the first millage proposition, including costs paid to a local public relations firm to prepare and mail public education documents about the millage, local election costs, and costs owed to the Louisiana Secretary of State. In 2018, the Levee District budgeted \$34,000 for these services.

In summary, BGR did find increases in certain operating costs in recent years, but SLFPA-W officials indicated that those increases were related to one-time occurrences or costs. It appears that the Levee District's expenses in those areas have returned to lower levels.

Chart B: West Jefferson Levee District, Professional Services



Source: Southeast Louisiana Flood Protection Authority – West, Budget Analysis Reports

Overall, the proposed tax rate is closely aligned to meet the Levee District's unfunded maintenance needs. The tax would generate enough revenue to cover the Levee District's costs associated with levee lifts, levee armoring and major maintenance at the pump stations, while also providing a cushion for project contingencies and cost inflation.

Will Tax Revenue Be Well Spent?

The Levee District has provided voters with a specific plan for spending revenue from the new tax. In addition, SLFPA-W officials say the proposition's language closely aligns with the district's new anticipated needs to raise and armor levees and maintain pump stations. Notably, the proposition's language limits tax revenue to funding the maintenance and improvement of the district's physical infrastructure and does not include operations as an eligible purpose.

Officials also say that SLFPA-W consistently passes the quarterly and semi-annual inspections for the Hurricane Protection System conducted by CPRA and the Corps. And, officials say that the Commissioners that oversee SLFPA-W undergo a thorough vetting process, set forth in state law, to ensure that the flood protection

authority is governed by knowledgeable and qualified individuals.⁴⁶

According to officials, the benefits to property owners from properly maintaining the Hurricane Protection System are worth the increase in property taxes. Without the maintenance, the levees would lose height due to settling and soil subsidence, and pump station operations could be impaired. Businesses and residents would be more vulnerable to storm surge and flooding from nearby lakes and waterways.

In addition, SLFPA-W officials say that the system's maintenance plan will help to control the cost of flood insurance. The Parish's updated flood insurance rate maps, which became effective in February 2018 and take into account the improved Hurricane Protection System, have benefitted more than 40,000 west bank properties. Parish officials confirm that the system's improvements have either lowered the base flood elevation requirements for these properties or moved them to a more preferred flood zone with a lower flood insurance rate. As a result, officials say these property owners can now pay a lower premium for better flood insurance coverage.

For instance, under the prior flood insurance rate maps, a homeowner located in a high-risk flood zone paid an annual flood insurance premium of \$1,700 for \$150,000 in building coverage and \$60,000 in contents coverage. If the new maps change the flood zone from high risk to moderate risk, the same homeowner can receive \$200,000 in building coverage and \$80,000 in contents coverage while only paying a \$500 annual premium.⁴⁷

While 40,000 properties will benefit from the new rate maps, another 26,000 properties will see no impact. Another 5,000 may see an increase in flood insurance rates because they have been moved from a preferred

flood zone to a non-preferred flood zone; however, those property owners may be able to obtain a lower flood insurance rate if an elevation certificate shows that the property's lowest floor is above the base flood elevation.

Levee protection and pumping capacity are critical system components considered by FEMA when preparing flood insurance rate maps. Any deficiencies – such as levees that do not meet required elevation heights or pump stations operating at diminished pumping capacity due to deferred maintenance – can reduce flood protection and jeopardize a community's participation in the National Flood Insurance Program. The consequent deterioration of the system could increase the risk of flooding and lead to flood insurance rate hikes.⁴⁸ SLFPA-W officials say that, without additional funding for levee lifts, levee heights could fall below certification standards as early as 2021 and negatively affect FEMA's next levee certification process in 2024.⁴⁹

Finally, officials say that by shortening the duration of the tax, they have increased accountability regarding revenue spending. In 10 years, the public can evaluate whether the Levee District was a good steward of tax revenue, rather than 30 years as originally proposed.

This accountability bolsters the Levee District's clear plan for spending future tax revenue and its alignment of those purposes with the language of the proposition. In addition, the improved Hurricane Protection System has increased flood protection within the Levee District's jurisdiction and allowed some citizens to lower their flood insurance rates.

In conclusion, the federal government's multibillion-dollar investment has dramatically improved the Hurricane Protection System for the west bank. The Levee District has a legal obligation to maintain and preserve

“Without the maintenance, the levees would lose height due to settling and soil subsidence, and pump station operations could be impaired. Businesses and residents would be more vulnerable to storm surge and flooding from nearby lakes and waterways.”

its part of that investment for the direct benefit of the residents of West Jefferson. Ultimately, the new tax would produce revenue for that purpose.

The Levee District's current revenue will not provide enough funding to fully pay for capital-intensive maintenance projects that the system will require, such as levee lifts and armoring and major maintenance at the pump stations. In addition, the Levee District cannot access alternative funding sources from the State or Parish to meet its increased maintenance obligations.

The proposed tax would generate enough revenue to cover the Levee District's future maintenance obligations and provide a cushion for project contingencies and future project cost inflation. And, the restrictive language of the proposition reflects the Levee District's specific spending plan for future tax revenue.

Failing to properly maintain the system would increase risks of flooding and could lead to higher flood insurance rates. In addition, failing to finish lifting the levees before they are armored at full federal expense would significantly increase the Levee District's current projections for future capital costs.

Some critics have questioned whether the Levee District is spending too much of its existing revenue in certain areas, such as employee salaries and benefits and professional services contracts. BGR found that, in recent years, the Levee District's expenses increased in some of these areas but then returned to lower levels. In addition, SLFPA-W officials say that recent cost increases in these areas were caused by one-time occurrences.

BGR Position

FOR. Completion of the federally-built Hurricane Protection System for Jefferson's west bank means the West Jefferson Levee District will incur substantial new maintenance responsibilities for levees and pump stations in the next decade. Its existing revenue sources are inadequate to bear those costs. The new tax will fund the necessary maintenance to keep West Jefferson protected and control flood insurance rates. The tax is appropriately scaled to future costs. The district has a clear spending plan and appropriate accountability for taxpayer funds, including a shortened timeframe for levying the tax, proposition language that closely aligns with the district's needs, and regular state and federal oversight of the system.

ON THE BALLOT: WEST JEFFERSON LEVEE DISTRICT PROPERTY TAX, APRIL 28, 2018

APPENDIX: FUNDING MECHANISMS FOR COASTAL LEVEE DISTRICTS

Levee District	Parish(es) Where District Has Jurisdiction	Constitutional Millage	Additional Voter Approved Tax (# of Taxes)
Algiers Levee District	Orleans	Yes	Yes (2)
Atchafalaya Basin Levee District	Assumption Iberia St. Martin	Yes Yes Yes	No No No
Chenier Plain Coastal Restoration & Protection Authority	Calcasieu Cameron Vermillion	No No No	No No No
East Jefferson Levee District	Jefferson	Yes	No
Grand Isle Independent Levee District	Jefferson	Yes	No
Iberia Parish Levee, Hurricane & Conservation District	Iberia	No	No*
Lafitte Area Independent Levee District	Jefferson	Yes	No
Lafourche Basin Levee District	Assumption St. Charles St. James St. John	Yes Yes Yes Yes	No Yes (1)** No Yes (1)***
Lake Borgne Basin Levee District	St. Bernard	Yes	Yes (2)
North Lafourche Conservation, Levee & Drainage District	Lafourche	Yes	Yes (2)
Orleans Levee District	Orleans	Yes	Yes (2)
Pontchartrain Levee District	St. Charles St. James St. John	Yes Yes Yes	Yes (1) ** No Yes (1) ***
St. Mary Levee District	St. Mary	Yes****	No
St. Tammany Levee, Drainage and Conservation District	St. Tammany	No	No
South Lafourche Levee District	Lafourche	Yes	Yes (2)
Terrebonne Levee & Conservation District	Terrebonne	Yes	Yes (1)
West Jefferson Levee District	Jefferson	Yes	No

* In 2013, Iberia Parish voters defeated a 30-year property tax proposition for the Iberia Parish Levee, Hurricane & Conservation District.

** In 2015, St. Charles Parish voters approved a 30-year property tax that is levied and used by the Parish to pay for levee projects.

*** In 2017, St. John the Baptist Parish voters approved a 30-year property tax that is levied and used by the Parish to pay for levee projects.

**** In 2010, St. Mary Parish voters approved a permanent, constitutional millage for the St. Mary Levee District.

Sources: Louisiana Association of Tax Administrators, Jurisdiction Lists; Louisiana Legislative Auditor, Maximum Millage Reports; Louisiana Tax Commission, Annual Report, 2016; Terrebonne Levee and Conservation District, Official Statement, Public Improvement Sales Tax Bonds Series 2013. BGR reviewed levee districts located in the "CMD Coastal Zone," as designed by the Coastal Protection and Restoration Authority on its map of Louisiana Levee Districts, published March 14, 2016.

ENDNOTES

- 1 La. Const. Art. VI, Sec. 38.1. See also La. R.S. Sec. 38:330.1(B)(2).
- 2 La. R.S. Sec. 38:330.1(B)(2)(a).
- 3 Southeast Louisiana Flood Protection Authority – West (SLFPA-W) resolution adopted December 12, 2017.
- 4 The perimeter system is officially referred to as the Hurricane & Storm Damage Risk Reduction System (HSDRRS). On the east bank, the Southeast Louisiana Flood Protection Authority – East (SLFPA-E), which is comprised of the East Jefferson, Lake Borgne Basin and Orleans levee districts, maintains those portions of the river levees and perimeter system. On the west bank, SLFPA-W and Plaquemines Parish maintain their respective parts of the river levees and perimeter system. In St. Charles Parish, the parish government and the Lafourche Basin Levee District share maintenance responsibility for the St. Charles Parish portion of the system.
- 5 Information provided by SLFPA-W.
- 6 Considered the most important piece of infrastructure to protect the west bank, the West Closure Complex consists of a 225-foot navigable floodgate, 11 pumps, floodwalls, water control structures, shoreline protection and earthen levee. The other two pump station complexes are the Bayou Segnette Complex and the Harvey Sector Gate Complex near Lapalco Boulevard.
- 7 U.S. Army Corps of Engineers, New Orleans District, *Project Fact Sheet for the West Bank and Vicinity Hurricane Protection Project*.
- 8 SLFPA-W, Five-Year Strategic Plan, February 2016, p. 6.
- 9 See Intergovernmental Agreement by and between the Coastal Protection and Restoration Authority Board, Coastal Protection and Restoration Authority, the Southeast Louisiana Flood Protection Authority – West, and Plaquemines Parish, Interim Agreement for the OMRR&R of the Western Closure Complex of the West Bank Hurricane Protection Project, December 1, 2014. The West Closure Complex is the only example of cost-sharing for an infrastructure feature that is part of the west bank Hurricane Protection System. In all other instances, the local levee authorities are responsible for funding the operations and maintenance of those portions of the system that are located within their jurisdictions.
- 10 La. R.S. Sec. 38:101(C). State law provides, in pertinent part, that “[u]pon completion of the construction of the hurricane protection projects, the responsibility for maintenance and operation of the hurricane protection system shall be assumed by the West Jefferson Levee District, the Orleans Levee District, Plaquemines Parish, and the Lafourche Basin Levee District, respectively for those portions of the system within each of the parishes.” Today, the Algiers Levee District is responsible for the portion of the system located on the west bank of Orleans Parish. In St. Charles Parish, the Lafourche Basin Levee District maintains the levees, while the St. Charles Parish Department of Public Works maintains the system’s concrete and structural features.
- 11 The lift process involves adding clay fill to increase a levee’s height to prevent it from being overtopped. The armoring process involves adding geo-synthetic materials to strengthen a levee’s grass covering to prevent it from washing away.
- 12 See 44 C.F.R. Sec. 1, et seq. See also Federal Emergency Management Agency, *National Flood Insurance Program (NFIP) Flood Insurance Manual*, Section 5 on Rating, published August 1, 2017, effective October 1, 2017.
- 13 See 44 C.F.R. Sec. 1, et seq.
- 14 Information provided by SLFPA-W. The first round of levee lifts include the following six sections of the Hurricane Protection System: 1) WBV-16.2, Westwego Levees; 2) WBV-14e.2, V-Line Marrero; 3) WBV-15a.2, Lake Cataouatche East; 4) WBV-18.2, Lake Cataouatche West; 5) WBV-14b.2, Orleans Village to Oak Cove; and 6) WBV-14c.2, Westwego to Orleans Village.
- 15 The Levee District has completed the lift at WBV-16.2, Westwego Levees (\$842,157). Levee lifts are currently pending at WBV-14e.2, V-Line Marrero (\$4.2 million); WBV-15a.2, Lake Cataouatche East (\$6.5 million); and WBV-18.2, Lake Cataouatche West (\$3.6 million).
- 16 Without additional revenue, the levee lifts at WBV-14b.2, Orleans Village to Oak Cove (\$4 million), and WBV-14c.2, Westwego to Orleans Village (\$6.6 million), will remain unfunded.
- 17 Information provided by SLFPA-W.
- 18 Rip-rap is rocks, stones or other materials used to armor shorelines or shoreline structures.
- 19 Officials project \$7.5 million in borrowed funds from its bond issue, \$6.3 million from its capital projects fund and \$5 million in surplus revenue from its existing 5.03-mill property tax saved over a 10-year period. The surplus takes into account the Levee District’s annual debt service payment of approximately \$500,000 a year.

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- 20 In fiscal year 2018, officials projected that 5.03 mills will generate \$5,244,647, or \$1,042,673 per mill. See SLFPA-W, Budget Analysis Report – Fiscal Year 2018, p. 3.
- 21 La. Const. Art. 6, Sec. 39 authorizes the governing authority of a levee district created prior to January 1, 2006, to levy annually a tax not to exceed five mills. The Levee District’s current property tax rate of 5.03 mills is a result of the property tax roll-forward process.
- 22 SLFPA-W, Budget Analysis Report – Fiscal Year 2018, p. 3. The Levee District’s fiscal year started on July 1, 2017 and will end on June 30, 2018. While the Levee District’s tax generated \$5.2 million in revenue, the Levee District will only have \$5 million in revenue after property tax deductions for the assessor, sheriff and certain pension funds.
- 23 Ibid. In fiscal year 2018, the Levee District budgeted to receive \$476,744 in State revenue sharing; \$300,000 in interest income; \$45,079 pursuant to a payment in lieu of taxes agreement for an ammonia plant in Waggaman; \$30,000 in permit fees; \$30,000 from the sale of equipment; \$10,000 in miscellaneous income; \$2,000 in ad valorem interest; and \$500 in oil and gas royalties.
- 24 Ibid., p. 4. As a regional authority, SLFPA-W operates the levee districts within its jurisdiction through a consolidated management structure, but separately accounts for each district’s tax revenues and expenditures. In fiscal year 2018, SLFPA-W budgeted \$4.2 million in employee salaries and benefits, of which \$2.9 million was allocated to the West Jefferson Levee District and the remaining \$1.3 million was allocated to the Algiers Levee District.
- 25 Information provided by SLFPA-W. The budget for fiscal year 2018 reflects a \$270,000 operating surplus for the Levee District at the end of the fiscal year. However, this estimate was prepared in March 2017 for inclusion in the budget document that was due to the Joint Legislative Committee on the Budget for review by April 1, 2017. Since that time, SLFPA-W officials estimate that the operating surplus for the Levee District will be closer to \$500,000 at the end of the current fiscal year.
- 26 Information provided by SLFPA-W. Numbers may not add up due to rounding. In fiscal year 2018, SLFPA-W budgeted \$960,000 in West Closure Complex costs, with \$720,000 allocated to the West Jefferson Levee District and the remaining \$240,000 allocated to the Algiers Levee District.
- 27 The Levee District received the tax collections in the second half of fiscal year 2017 (January to June 2017), which it must use to fund operations during the first half of fiscal year 2018 (July to December 2017).
- 28 Bureau of Governmental Research, *On the Ballot: Jefferson, Orleans and St. Tammany Parishes*, November 21, 2015, pp. 1-4.
- 29 SLFPA-W, Annual Financial Report, Year Ended June 30, 2017, p. 53. The Levee District’s 2018 debt service payment will be approximately \$500,000.
- 30 42 U.S.C. Sec. 4011, et seq. See also FEMA, “Mandatory Purchase of NFIP Coverage,” accessed at <https://www.fema.gov/faq-details/Mandatory-Purchase-of-NFIP-Coverage>.
- 31 The Gulf of Mexico Energy Security Act (GOMESA) sets aside a portion of oil and gas royalties generated off Louisiana’s coast for coastal conservation, restoration and hurricane protection. The state, through the Coastal Protection and Restoration Authority, and select coastal parishes, including Jefferson Parish, are eligible to receive GOMESA revenue.
- 32 Since fiscal year 2007, coastal states and political subdivisions have received limited amounts of federal revenue under Phase I of GOMESA funding. Beginning in fiscal year 2018, Phase II of GOMESA funding will begin and provide a significantly larger share of federal revenue to coastal states and political subdivisions. Based on GOMESA’s Phase II funding formula, the State is eligible to receive a maximum of \$140 million annually in GOMESA revenue.
- 33 See Coastal Protection and Restoration Authority of Louisiana, *Louisiana’s Comprehensive Master Plan for a Sustainable Coast*, effective June 2, 2017.
- 34 La. R.S. Sec. 38:101(C).
- 35 Information provided by the Jefferson Parish Coastal Zone Management Department. Parish officials note that, even if the Parish received its maximum allocation of GOMESA Phase II funding and dedicated all of that funding to the West Jefferson Levee District, it would amount to only one-third of the revenue that would be generated by the proposed tax.
- 36 Information provided by the Jefferson Parish Coastal Zone Management Department. See also Jefferson Parish Council Resolution No. 130688, adopted January 10, 2018.
- 37 La. R.S. 38:330.3(B)(2).
- 38 See Intergovernmental Agreement by and between the Coastal Protection and Restoration Authority Board, Coastal Protection and Restoration Authority, the Southeast Louisiana Flood Protection Authority – West, and Plaquemines Parish, Interim Agreement for the OMRR&R of the Western Closure Complex of the West Bank Hurricane Protection Project, December 1, 2014. See also La. Atty. Gen. Op. 2014-0186.

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- 39 La. Const. Art. 6, Sec. 39.
- 40 The St. Tammany Levee, Drainage and Conservation District and the Chenier Plain Coastal Restoration & Protection Authority, comprised of Calcasieu, Cameron and Vermillion parishes, have not presented voters with a proposition for a dedicated tax. In 2013, Iberia Parish voters defeated a 30-year property tax proposition for the Iberia Parish Levee, Hurricane & Conservation District.
- 41 The Levee District's 10-year revenue projection does not take into account growth in tax revenue. The Levee District based this projection on its review of revenue trends in the existing tax during the past five years. Further, it notes that any additional growth in tax revenue may be neutralized by inflation.
- 42 BGR reviewed cost figures in the SLFPA-W Annual Financial Reports for fiscal years ending June 30, 2014 to 2017 and SLFPA-W Budget Analysis Report – Fiscal Year 2018. SLFPA-W allocates costs between West Jefferson Levee District and Algiers Levee District according to percentages that it recalculates annually. In recent years, West Jefferson Levee District has typically paid 70% of SLFPA-W's costs, and Algiers Levee District has paid 30%. Information provided by SLFPA-W.
- 43 SLFPA-W is required to pay employees in accordance with the State civil service pay plan.
- 44 Colvin Law Firm, APLC, Full and Final Settlement Statement for the Southeast Louisiana Flood Protection Authority – West regarding the BP Deepwater Horizon Oil Spill – April 20, 2010, dated August 14, 2015. SLFPA-W was awarded a \$2 million settlement as part of the BP oil spill litigation, of which 20%, or \$400,000, was set aside for attorneys' fees pursuant to the settlement agreement. The remainder – \$1.6 million – was shared between the West Jefferson Levee District (\$1 million) and the Algiers Levee District (\$600,000).
- 45 Currently, SLFPA-W has awarded three legal contracts. The Board attorney handles all SLFPA-W related legal proceedings, employment law and contracts. A second attorney handles all real estate transactions, and a third attorney handles litigation.
- 46 La. R.S. 38:330.1.
- 47 Information provided by SLFPA-W and the Jefferson Parish Floodplain & Hazard Mitigation Department. Prior to 2018, the Parish's flood insurance rate maps had not been updated since 1995. The report's example shows the flood insurance premium and coverages for a property located in an AE (high risk) flood zone under the 1995 flood insurance rate maps and compares the same property's premium and coverages to its current flood zone status – X zone (moderate risk) – under the updated maps. Parish officials note that policyholders must have an "acceptable loss history" as determined by FEMA to be eligible for lower flood insurance premiums. A policyholder with an acceptable loss history has zero or one flood insurance claim.
- 48 The areas within SLFPA-W's jurisdiction currently participate in the National Flood Insurance Program (NFIP). Under the NFIP, minimum standards are 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 and a system recertification review every 10 years. If infrastructure is diminished or there is a reduction in services, FEMA could consider an area at a greater risk of flooding. See 44 C.F.R. Secs. 59.1-75.14.
- 49 The Hurricane Protection System was built to provide a 100-year level of risk reduction. That means the system provides a reduced risk from storm surge that has a 1% chance of occurring or being exceeded in any given year. See U.S. Army Corps of Engineers, "100-Year Level of Risk Reduction," accessed at www.mvn.usace.army.mil/Missions/HSDRRS/Risk-Reduction-Plan/100-Year-Level-Protection.

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