

BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

November 5, 2002

Honorable Members of the Metropolitan Council
and the People of Baton Rouge:

I am pleased to present to you the 2003 East Baton Rouge City-Parish *Annual Operating Budget*. Fiscal accountability has been and continues to be a priority of this Administration. As you spend time in reviewing our proposed budget, I invite you to join me in making certain that quality public services are delivered to our community and the citizens in the most cost-effective manner possible.

Recent sales tax revenues and appropriate reductions in expenditures during 2002 have seemingly allowed for modest increases in this year's budget. However, rising health care costs and retirement contributions, along with salary increases from regular merit and longevity raises, have restricted us to preparing a budget with little or no growth for the year 2003.

To insure effective and efficient management and skilled governance of our budgeting process, I have established the Mayor's Commission on Revenues and Expenditures (MCORE). This talented panel, comprised of members of the Baton Rouge community who reflect a diverse group of representatives from private industry, state and local government, the Metropolitan Council, labor, the clergy, education, the media, and citizens at-large, has been charged with evaluating our processes and making recommendations to improve the financial soundness and future of the parish and the general quality of life of its citizens. The MCORE participants are entitled to our sincere gratitude for their generous contribution of time and talent.

The redevelopment of the heart of our city and the strong growth and development opportunities throughout the parish, along with the stabilization and emerging improvement of our economy, are calming reminders that there are many positive things taking place in the City of Baton Rouge and Parish of East Baton Rouge.

I again ask for your support as you read and review the detail of this budget and as we meet the challenges and embrace the opportunities that await us in the coming year of 2003.

ECONOMIC OUTLOOK

Projections for many of our most important revenues, such as sales taxes, are based on estimates of future economic conditions. The economic outlook for the coming year affects estimates of revenue, which, in turn, dictate the amount of funds available for spending. This message begins, therefore, with excerpts from the *Louisiana Economic Outlook*, published annually by the College of Business Administration at Louisiana State University and the College of Business Administration at Southeastern Louisiana University.

The 2002 Louisiana Economic Outlook projects the following conditions for Baton Rouge's four-parish Metropolitan Statistical Area (MSA) during 2003-2004:

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The Baton Rouge MSA—comprised of East Baton Rouge, West Baton Rouge, Livingston, and Ascension Parishes—is the second largest in the state, with 311,700 non-agricultural workers in 2002. The petrochemical industry is a huge factor in this MSA’s economy. Several very large chemical plants are located here, and Baton Rouge is home of the nation’s largest refinery—ExxonMobil—located just north of the state capital building.

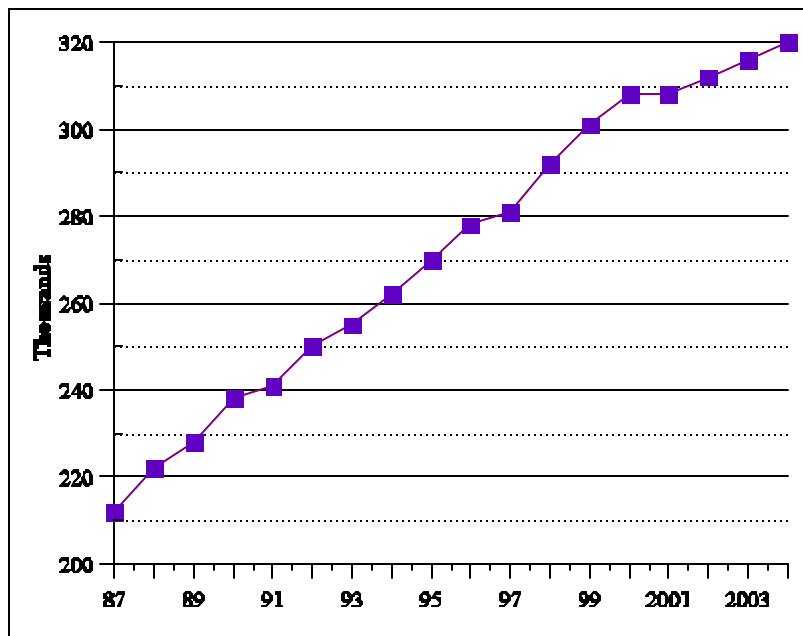
[Figure 1] illustrates employment patterns in the capital city area over [1987-02] along with forecasts for 2003-2004. Until 2001, the Baton Rouge MSA had the most enviable growth record in the state in terms of both size and consistency. The MSA was tapped by the recessionary years of 1982-87 for about 2.2 percent of its workforce, but the region immediately recovered those losses with a banner year in 1988 when it gained 10,300 new jobs. Then the MSA’s employment went straight up for 13 straight years over 1988-00, adding a robust average of 7,500 jobs each time the calendar turned.

The **chemical industry** was the principle source of this extraordinary expansion. This MSA has the largest concentration of chemical industry activity in Louisiana. For example, in 1997 there were 62 plants in the 4-parish area employing 9,850 workers with an annual payroll of \$598 million. East Baton Rouge Parish (\$300.3 million) has the largest concentration of chemical industry wages in the state, and Ascension Parish (\$274.9 million) ranks number three. It was the dramatic expansion in this industry, in response to a falling U.S. dollar in the late 1980s that fueled much of Baton Rouge’s remarkable expansion.

As mentioned earlier, the chemical industry is very capital-intensive, and that means when it expands, so does the **industrial construction**. Industrial construction jobs are also closely tied to “turnarounds” at these plants, i.e., when the plants are shut down completely for scheduled maintenance. ...the Baton Rouge MSA has an unusually high 11.2 percent of its workforce in the construction sector, a proportion only exceeded by Lake Charles...site of another major chemical concentration.

FIGURE 1

BATON ROUGE MSA WAGE & SALARY EMPLOYMENT



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*Of course, **state government** is another major player in the Baton Rouge economy. The huge state capital complex and two major state-supported universities—LSU and Southern University—add significant dollars to the Baton Rouge economy. The Louisiana economy also grew over those same 13 straight years of 1988-00. Solid expansions like that generate a generous stream of tax collections into the state treasury.*

*The existence of the MSA's large universities has spawned the growth of a new, job-intensive industry in the area—**call centers**. The Baton Rouge Area Chamber of Commerce reports the addition of 11 new call centers in the MSA since 1992. These range in size from the relatively small ones with 20 employees to West Telecommunications with a workforce of 1,900.*

Baton Rouge's reported performance in 2001—a net loss of 100 jobs—remains something of a puzzle to those of us who track the Louisiana economy. ...a change in a growth pattern of this magnitude would have been accompanied by layoff announcements that did not occur. We anticipate the 2001 figure will ultimately be revised upward.

*... **We are projecting 8,200 jobs for the Baton Rouge MSA over 2003-04.** This means employment growth rates in 2003 and 2004 of 1.3% and 1.4%, respectively. Thus, Baton Rouge is expected to grow a bit better than the state in 2003 (1.3% versus 1%) and about the same as the state in 2004 (1.4% versus 1.3%).*

*While this may appear to be a nice performance, it is in fact quite a slowdown from the MSA's growth rate of 7,500 a year enjoyed in the 1990s. The problem for Baton Rouge over the next two years will be its **chemical industry**. We have already pointed out the dominant role played by this sector in the MSA's economy. The chemical sector has been hurt by two factors. First, the **national recession** hit sales in this sector very hard. It also weakened considerably the price of chemical products. The projected national recovery should come to the rescue on this score.*

*However, the second factor will remain problematic. **High natural gas prices** have not only raised operating costs in a declining demand market, but they have also caused several ammonia producers in the MSA to close either temporarily, partially, or completely.*

*Not only has direct chemical employment suffered, but expansion plans—the lifeblood of this MSA's huge **industrial construction** sector—have been put on hold as well. Conversations with key engineering officials reveal that significant expansion plans by chemical firms may be one and one-half to two years away. Too, in their efforts to watch every penny, chemical firms have been delaying general maintenance as much as possible—another blow to industrial construction activity.*

Despite the problems in the chemical sector, there are some very positive events on the horizon for the Baton Rouge area.

- The **ExxonMobil Refinery** will spend between \$200-\$300 million over the next 18 months to upgrade its plant to produce a lower sulfur gasoline. Too, ExxonMobil is one of the few chemical plants expanding. The firm is spending \$150 million to add an elastomers manufacturing plant.*

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- *Two call centers will be adding a significant number of jobs. **West Telecommunications** is adding 750 employees to its facility on Anselmo Lane...**Cingular Wireless** is boosting its workforce from 250 to 500.*
- ***Georgia Pacific** will install a new \$188 million paper towel machine at its Port Hudson plant and will hire 100 more workers.*
- ***ASA** will be opening its aircraft maintenance facility during our forecast period. Depending on how quickly the travel industry revives completely, employment at this new plant will be between 55-100 employees.*
- ***Amitech America** is opening a new pipe manufacturing plant in Zachary that will employ about 60 people.*
- *Several large construction projects will be underway in the area over our forecast period. In its efforts to relocate most state government workers downtown, the **Bienville Office Building** (\$32.4 million) and the **Iberville Office Building** (\$25.2 million) will be constructed during this period. The City of Baton Rouge will spend \$30 million on an expansion of the **Centroplex** and another \$50 million [will be invested by the state and other public and private entities] on the **Arts Council Block**. At the **Pennington Biomedical Research Center**, a new \$40 million science building will be completed in early 2003, then construction is planned for a new \$20 million research building. In the health care field, a \$20 million specialty surgery center is under construction, and a \$30 million specialty hospital will be built in 2003.*
- *Announcements may be forthcoming soon on two new, job-intensive **distribution centers** for this MSA. Nearly 900 new jobs could be added to the MSA if these deals are landed.*

UNDERSTANDING THE BUDGET

The budget for each department includes a description of its mission and a section on budget highlights. Larger departments include descriptions of their major functions. Most departments include sections on performance measurement, which includes goals/objectives and performance indicators. Line-item appropriation details are included in the "Budget Detail" section of the budget.

Any reader who wants to develop a thorough understanding of the budget should begin by reading the section following this budget message titled "Understanding the City-Parish Budget." This section explains the organizational structure of the City-Parish, the budget process, budgetary structure, financial policies, reporting entity, and legal requirements. It also presents revenue and appropriation assumptions.

The budget document contains budgets for our General Fund (consisting of a City Sub Fund and a Parish Sub Fund) and the Special Funds that require the adoption of annual budgets.

ANNUAL OPERATIONS

General Comments

BUDGET PROCESS

Excerpts from the *Louisiana Economic Outlook*, which are shown earlier in this message, indicate some very positive events for the Baton Rouge economy. These include new and expanded manufacturing facilities, expectations of increased employment, and significant amounts of new construction. The chemical industry is facing some challenges due to high

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natural gas prices and decreased demand and price for their products. This will affect the industrial construction sector that is tied very closely to expansions in the chemical industry.

Sales and use tax collections improved during 2002, with a growth rate through August of 3.4%. This compares very favorably to our budgeted growth rate of 0%, which was recommended by very distinguished economists for 2002 as a result of a depressed local economy. This growth spared departments and agencies from the need for mid-year budget reductions that were experienced in 2001. Departments were also allowed to request budgets for 2003 that slightly exceeded 2002 amounts, which was a vast improvement over the budget request allowed in 2002 of approximately 95% of the prior year's budget.

The process for the 2003 budget began with instructions to all entities receiving funding from the City-Parish government. Agencies funded through the General Fund budget were directed to submit "base" operating budget requests that met a target amount determined by the Finance Department's Budgeting Division. This target provided for a standstill budget with additions for normal merit and longevity raises, increases in retirement costs, and adjustments in health insurance costs. Requests in excess of this amount were to be submitted as supplemental requests.

Generally, special funds have their own dedicated funding sources such as taxes, grants, etc. Therefore, the amount of their budget request is limited by the level of funding generated by these sources.

INDEPENDENT REVENUE ESTIMATE REVIEW

Budget planning began with the assumption that sales and use tax revenues would grow by 1% over the 2002 projection. This assumption was reviewed by Dr. James A. Richardson, John Rhea Alumni Professor of Economics at Louisiana State University, and Dr. Loren C. Scott, Professor Emeritus in the Department of Economics at Louisiana State University. The economists indicated the following:

"The uncertainties of the national economy certainly extend to the Louisiana economy and the Baton Rouge economy. We believe that this requires extremely prudent budgeting. The Baton Rouge economy experienced almost no growth in employment in 2001 and is estimated to grow just over 1 percent in 2002. This is very unusual for Baton Rouge. The Louisiana Economic forecast is projecting that employment growth in Baton Rouge for the year 2003 will be 1.3 percent, a rate that is considerably lower than the growth Baton Rouge experienced in the 1990's. The Louisiana economy and the Baton Rouge economy will be affected by any change in the direction of the national economy. Based on our economic projections for the rest of this year and 2003 and the general uncertainties that are present in the global and national economies at this time, we believe that the City-Parish government would be prudent in projecting its sales tax revenues for 2003 to be in the range of 1 percent to 2 percent above what it expects to receive in 2002.

We believe it is important to be very careful in projecting the sales tax revenues for 2003, especially after the recent history of sales tax collections in Baton Rouge and given the general uncertainty surrounding the national and global economies.

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We also want to add that the Baton Rouge economy has long been a leader in economic growth around the State, and we do not expect this trend to change. We want to emphasize that the U.S. economy is fundamentally strong, but projecting the national economy is a risky business given the uncertainties surrounding international events, the financial markets, and business investment. For these reasons, we suggest a continued cautious projection of sales tax revenues for 2003.”

Based upon the advice of these experts, the proposed budget assumes a 1% growth rate for sales and use tax revenues in 2003.

PAY RAISES FOR EMPLOYEES

During this past year, much attention has been drawn to the issue of employee pay. In an increasingly competitive market, the City-Parish must provide for wage increases in critical areas, namely for our police officers, emergency medical, and public safety communications personnel. The pay proposal for these employees is discussed below. Other key areas addressed in this budget include all librarian personnel funded from the dedicated library property tax and planners funded from the General Fund. Even though the Department of Public Works eliminated eight positions in the 2003 budget, lower level positions were reduced, retaining higher classifications to provide for upward mobility for Public Works employees. All eligible employees are provided normal merit and longevity increases. We recognize that more must be done to remain competitive. Therefore, pay and benefits will continue to be at the forefront in 2003.

Pay Proposal for Police Officers, Emergency Medical Personnel, and Public Safety Communications Personnel

A generous increase in pay for Municipal Police Department employees is proposed by the Administration in 2003. Entry-level salaries for Police Officers will receive the largest increase with a substantial raise of 10.5%, or approximately \$2,600 per year. All other classes will receive an additional 2% increase at step one. Percentage increases range from approximately 2% to 11.3% for all commissioned officers. Differentials between steps were increased to 2.6%, with the exception of Police Officers where differentials are 2%. With a cost of \$1.2 million, the average annual increase is \$1,400 for commissioned officers. –*After considering the recommendation of the Board of the Baton Rouge Union of Police and looking towards the largest possible benefit for all Police Officers, the final budget redistributes the \$1.2 million as an across-the-board raise of 4% for all commissioned officers and a 2% increase for the noncommissioned classes.* This raise, combined with over one million dollars in increased benefit costs for Police Officers included in this otherwise standstill budget, demonstrates our commitment to this vital public service.

This pay increase for Police Officers not only brings us closer to salaries of other comparable municipalities, but is a “beginning” to improving our recruiting efforts and maintaining the quality of job applicants within the Police Department. Further, it is the desire of this Administration to provide additional increases for career officers when funding becomes available.

A revised pay plan for EMS Operations and Prison Medical Services addresses problems associated with recruitment and retention of paramedical and allied health professionals. This is done periodically to enable EMS to remain competitive in the industry.

Additionally, in order to bring parity among employees within the Communications Center, we are recommending that the pay of communications personnel within the Police and EMS Departments be raised to an amount that is approximately

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equal to that of the Fire Department's communication personnel. Funding for the increases will come from existing funding received from 911 wireless communication fees.

Classification and Pay Survey

Our city faces an increasing challenge in recruiting and retaining qualified employees, and it is essential that a solid foundation for a comprehensive pay system be established. Working within an equitable compensation structure improves employee morale and increases productivity. We must provide compensation at competitive rates in order to have success in our recruiting efforts and to improve the quality of job applicants. Better employees equate to a better government that can efficiently deliver services.

Funding in the amount of \$100,000 is included in this budget to provide for a total classification and pay survey to be performed by an outside consultant. The objectives of the study will be to review the current City-Parish pay plan structure and to make recommendations for revisions. The results should help to streamline pay administration, develop a wage and salary plan that will provide employees with an equitable system of classifications, and, over time, make our government competitive with similar jurisdictions in the market area for which positions are recruited. A comprehensive classification plan would then be available to facilitate updates to the pay plan and allow for a quantitative review of requests for new positions and reclassifications.

EMPLOYEE BENEFITS

Retirement Contributions

The 2003 employer's contribution rate to the City-Parish Employees' Retirement System was certified at 12.50% by the System's Board of Trustees. This represents a 1.93% increase over the 2002 rate. While the 2002 actuarial report indicates that a constant rate of 14.82% would be adequate to fund the system, current economic conditions do not permit that level of funding. In this budget, we continue the longstanding practice of moving towards the fully funded rate, which may increase or decrease over time as actuarial assumptions and experience factors change.

The transfer of law enforcement personnel to the Municipal Police Employees' Retirement System shifted the responsibility for the payment of their pension to that system. However, the City of Baton Rouge is required to make employer contributions. While the current rate of the employer's contribution is 9%, the rate is expected to increase substantially effective July 1, 2003. Indications are that the rate will increase to more than 18%, with each percentage point over 9% costing the General Fund \$280,000 per year.

Post Employment Benefits

Currently, the City-Parish provides health and dental benefits to all retirees who participated in these programs at the time of their retirement. These costs have historically been paid entirely from the General Fund budget. Post employment benefits are expected to total over \$7.7 million in 2003. The General Fund can no longer bear the entire cost associated with this benefit. Effective January 1, 2003, these benefits will be distributed to all departments and agencies, resulting in a savings to the General Fund of approximately \$2 million per year.

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In addition, in an effort to stabilize our liabilities in future years, a vesting program is proposed for participation in the health and dental programs during retirement. We are recommending a program similar to the plan recently adopted by the State of Louisiana. All current employees will have an opportunity to join the program during this year's open enrollment period or be subject to the vesting provisions January 1, 2003.

Until recent years, public employees had special needs for post retirement health insurance benefits. City-Parish employees, teachers, and State employees are all members of "social security exempt" public retirement systems. Unless other employment qualified them for Social Security and Medicare, they had neither. This is still true for many of our current employees hired before 1986. At that time, Medicare became a separate payroll tax and all new public hires were subject to mandatory enrollment. They will be eligible for Medicare. The needs of these employees will be substantially different at their retirement. We recommend that all new hires after January 1, 2003, not be promised the same post retirement insurance benefits as current employees. In the years to come, we will continue to develop and refine a program more suitable for their needs.

Health Insurance

This is the last year of our five-year health insurance partnership with Blue Cross Blue Shield, Our Lady of the Lake, and Woman's Hospital. The program has been very successful. Service, stability, and employee satisfaction started well and have continued to rise during the period.

A survey conducted this fall by J.D. Power and Associates found 51% of responding employees rated the City-Parish Blue Cross program very good or outstanding. Another 20% rated it good and 17% rated the program average. Only 8% found it below average. The remainder of the respondents gave no response to the question. There has been one area of great concern – cost.

This government, our employees, and retirees have been forced to dedicate an increasing portion of our total sources of funding to health insurance. In 2002, we limited our rate increase to 7%, when it should have been 15%. We used some of our reserves to fund the programs. Our reserves are adequate, but not higher than necessary. Because of the limitation on rate increases last year, plus this year's inflation, a premium increase of 26% would be required in 2003 if there were no changes in coverage.

We surveyed large employers in our area. They too are facing large increases and are also increasing co-payments. Our recommendation is to increase premiums and, like other employers, reduce coverage. Additionally, the percentage of cost paid by the employer will increase from 65% to 75% for employees and decrease from 65% to 55% for dependents. Percentage changes in premiums paid by employees vary based on the coverage purchased.

The process of selecting a health insurance third party administrator (plan manager) will be completed prior to final passage of this budget. – *Blue Cross Blue Shield was awarded a one-year contract as plan manager.*

Dental Insurance

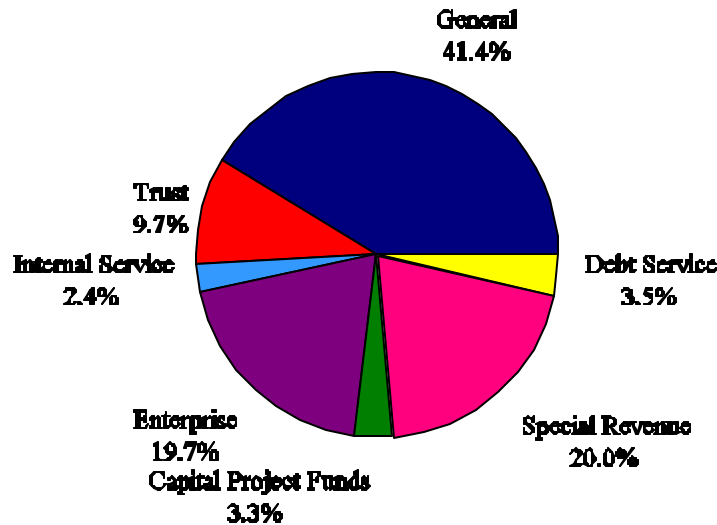
As reported to you last year, we continue to see increases in the cost of providing dental insurance. An increase of 15% in premiums is proposed for 2003.

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All Fund Summary

The proposed budget for the year 2003 for all funds, exclusive of operating transfers between funds, totals \$528,555,130. This is an increase of 3.95% or \$20,093,760 from the year 2002. The graph in Figure 2 and the chart that follows depict the total annual operating budget by fund type for 2003. Major changes in proposed funding are also discussed.

FIGURE 2
TOTAL ANNUAL APPROPRIATIONS BY FUND TYPE
 (Excluding Transfers Between Funds)
 \$528,555,130



APPROPRIATIONS - ALL FUNDS 2003 COMPARED TO 2002

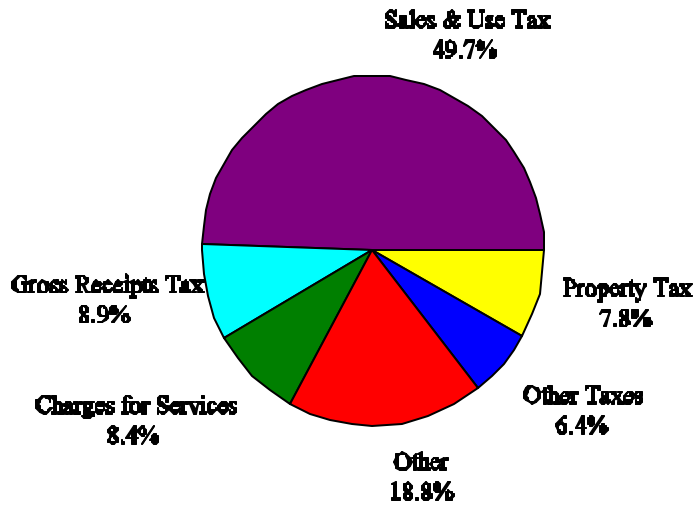
<u>Fund Type</u>	<u>2002</u>	<u>2003</u>	<u>2003 BUDGET OVER</u>	
	<u>BUDGET</u>	<u>BUDGET</u>	<u>(UNDER) 2002 BUDGET</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
General	\$210,916,260	\$220,715,570	\$9,799,310	4.64%
Special Revenue	101,220,050	107,163,440	5,943,390	5.87%
Debt Service	23,705,020	24,101,710	396,690	1.67%
Capital Project	25,591,700	27,826,230	2,234,530	8.73%
Enterprise	107,110,520	111,078,880	3,968,360	3.70%
Internal Service	12,020,990	12,597,460	576,470	4.80%
Pension Trust	<u>52,650,450</u>	<u>51,519,510</u>	<u>(1,130,940)</u>	<u>-2.15%</u>
Subtotal	533,214,990	555,002,800	21,787,810	4.08%
Less: Transfers Between Funds	<u>(24,753,620)</u>	<u>(26,447,670)</u>	<u>(1,694,050)</u>	<u>6.84%</u>
GRAND TOTAL	<u>\$508,461,370</u>	<u>\$528,555,130</u>	<u>\$20,093,760</u>	<u>3.95%</u>

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General Fund

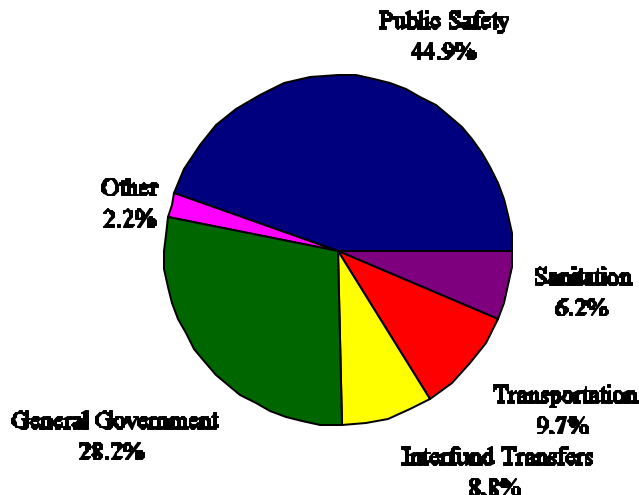
As shown in Figure 2, the General Fund makes up 41.4% of the total City-Parish budget for the year 2003. The General Fund provides for the general operations of the government and includes all revenues that are not legally dedicated for a specific purpose. The primary revenue sources, which are shown in Figure 3, include the sales and use tax, gross receipts tax, and property tax.

**FIGURE 3
GENERAL FUND FUNDING SOURCES
\$220,715,570**



Total appropriations for the General Fund Annual Operating Budget increased by \$9,799,310 or 4.64%, compared to the 2002 budget. Our commitment to public safety continues as shown in Figure 4 with over 44%, or \$99,143,650 of the 2003 budget proposed for that function. In addition to this amount, \$2,350,000 is provided for capital needs in the Police and Fire Departments.

**FIGURE 4
GENERAL FUND APPROPRIATIONS
BY MAJOR FUNCTION
\$220,715,570**



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As mentioned previously, all departments were asked to submit a “base budget” at essentially the same level as the 2002 original budget. In addition, departments were allowed to request supplemental appropriations. The majority of these supplements were for public safety functions, infrastructure improvements, and other mandated costs. Each of the items is shown with the related source of funds.

<u>Department/Program</u>	<u>Department Total</u>
FROM FUND BALANCE - UNDESIGNATED:	
Police:	
Vehicles	\$ 1,500,000
Fire:	
Fire Gear	500,000
Public Works:	
Seasonal Workers	\$ 469,280
Various Projects	500,000
Building Repairs	<u>1,250,000</u>
	2,219,280
District Court:	
Software Licenses	150,000
Courtroom Recording Systems	<u>18,000</u>
	168,000
City Constable:	
Two Vehicles	40,000
Dr. Martin Luther King, Jr., Community Center	
Various Items	15,000
Balance of Judgment, Sullivan Road Suit	2,542,480
Comprehensive Pay Study	100,000
Infrastructure and Other Capital	
Improvements, including Replacement of the Evangeline Street Fire Station	<u>2,975,000</u>
TOTAL FROM FUND BALANCE UNDESIGNATED	<u>\$10,059,760</u>
FROM GAMING REVENUES:	
LASM Train Renovation	\$200,000
Arts Block	<u>662,500</u>
TOTAL FROM GAMING REVENUES	<u>\$862,500</u>

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Special Funds

Approximately 41.4% of spending authorized in this budget relates to the budgets for general operations, or the General Fund. The remaining 58.6% pertains to smaller budgets for special operations or activities. The most common reason for having separate budgets for these activities is that revenues supporting them are legally dedicated to a specific purpose.

SPECIAL REVENUE FUNDS

The 2003 budgets for Special Revenue Funds increased by \$5,943,390 or 5.87% from the 2002 funding level of \$101,220,050. This is primarily the result of an increase in federal and state grant assistance. Grant receipts are projected to be \$4.4 million more than last year due to increases in Workforce Investment and Emergency Preparedness grant funds. Additionally, pay adjustments for Library and EMS personnel discussed previously in this message resulted in increases to those respective budgets. The budget for the Library also includes eight additional positions for staffing of the Zachary Branch scheduled to open in November 2003.

DEBT SERVICE FUNDS

Debt service requirements for 2003 increased \$396,690 over the prior year. This is the result of annual fluctuations in structured payments on bonds sold in prior years. This amount is lower than previously anticipated as a result of savings from refinancings during 2002, which are discussed later in the message under "Debt Management."

CAPITAL PROJECTS FUND

The *Annual Operating Budget* includes capital projects that are funded on a pay-as-you-go basis, other than those financed through Enterprise Funds. Capital improvements funding for the library system will decrease by \$1.1 million since major expansion projects are being completed.

General Capital Expenditure Fund

In the 2002 budget, a new fund was created entitled "General Capital Expenditure Fund," which is funded by transfers from the General Fund totaling \$3,427,020. The 2003 budget continues our investment in infrastructure improvements and capital equipment with an appropriation of \$6,163,730 funded from our General Fund surplus. This includes \$2,948,000 for infrastructure and capital improvements throughout the parish, including replacement of the Evangeline Street Fire Station; \$1,500,000 for the replacement of 80 police vehicles; \$1,250,000 for major building improvements, including a new facility at the Baker Lot and several chiller retrofits; \$377,400 for miscellaneous street and road improvements; \$50,330 for computer hardware and furnishings in DPW and City Court; and \$38,000 for two replacement vehicles in the City Constable's Office.

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ENTERPRISE FUNDS

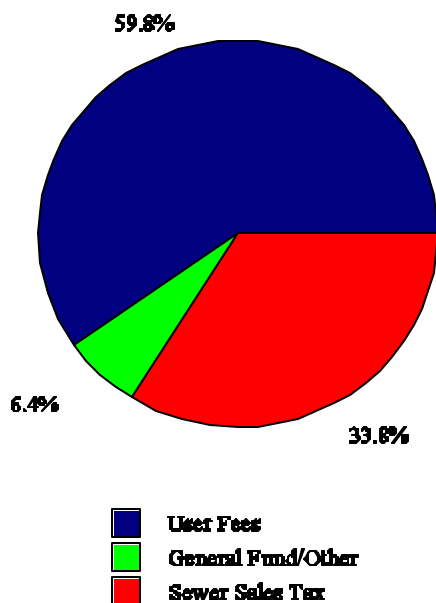
Comprehensive Sewerage System Fund

The Comprehensive Sewerage System Fund is the largest of the Special Funds. Operations of the sewer system are funded from four main revenue sources. These include a one-half percent sales and use tax, sewer user fees, sewer impact fees, and a \$4 million subsidy from the General Fund supported from gaming revenues. These financial resources provide for the operation and maintenance of the parish-wide system, which includes three major treatment plants and over 2,000 miles of sewer lines.

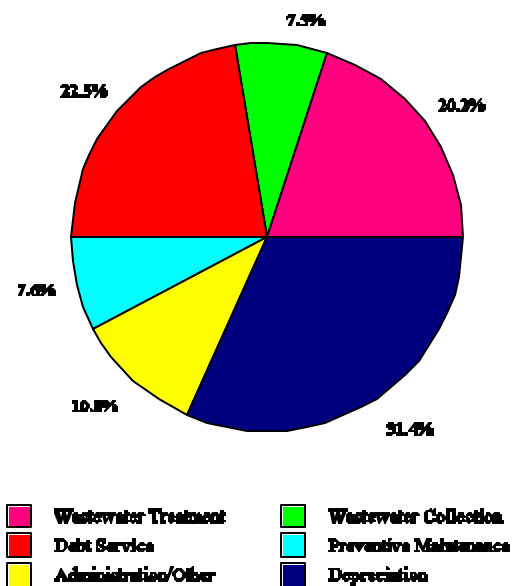
The 2003 proposal for the system reflects an increase from the 2002 budget of \$1.96 million or 2.75%. This funding level is consistent with the funding allowance included in the long-range financial model for the sanitary sewer improvement program required under the consent decree. The increases are mostly attributable to additional funding in the amount of \$500,000 for the Asset Management Program, \$468,000 for repair and maintenance of plant equipment, \$300,000 for pump station wet well cleaning, \$250,000 for emergency sewer line point repairs, \$557,000 to a private vendor for user fee billing and collection costs, and \$509,000 for post employment benefits that are being allocated to various funds for the first time in 2003. These increases are partially offset by a scheduled reduction in debt service requirements of \$849,000. Proceeds from the issuance of debt will be used to fund the Sanitary Sewer Overflow Corrective Action Plan, which is discussed later in this message.

Total financial resources for the sewer system operating budget and the uses of these funds are illustrated in Figures 5 and 6. The General Fund category includes the General Fund subsidy, interest earnings, and other miscellaneous fees. Any excess sources are transferred to the Sewer Capital Improvements Program.

**FIGURE 5
SEWER OPERATIONS
SOURCE OF FUNDS
\$88,542,280**



**FIGURE 6
SEWER OPERATIONS
USE OF FUNDS
\$73,267,350**



Editorial Note: Amounts included in this budget message have been updated for final budget amendments approved on December 11, 2002.

CAPITAL IMPROVEMENTS

We are in the process of completing a number of capital improvements in our parish, and some very significant projects will begin in the near future. Details of these items can be found in the section of the budget entitled “Capital Improvement Programs.” However, I would like to provide an update on some of these projects.

SEWER CAPITAL IMPROVEMENT PROGRAMS

On March 14, 2002, the City-Parish entered into a new consent decree with the United States Environmental Protection Agency (EPA) and the Louisiana Department of Environmental Quality (DEQ) relative to sanitary sewer overflow (SSO) improvements in East Baton Rouge Parish. This new consent decree replaces the one that East Baton Rouge Parish has operated under since 1988. The new consent decree requires the City-Parish to make sewer infrastructure improvements to reduce sanitary sewer overflows. This consent decree prevents the federal government from imposing potential penalties of \$43 million on the City-Parish and allows until December 31, 2014, for completion of the Sewer Capital Improvements Program. The execution of this consent decree by all parties also avoided a protracted and expensive lawsuit.

Program Description

The objective of the Sanitary Sewer Improvement Program, and in particular the SSO Corrective Action Plan, is to identify the most cost-effective methods of controlling overflows in the sewer collection system, while providing continuous service to all existing customers and potential future customers. This program will provide the City-Parish with the ability to protect public health through the control of SSOs, improve customer service, provide capacity for future growth, and implement a long-term maintenance program to protect existing and future capital investments. Goals of the program include:

- Protecting the public health through the control of sewer overflows, back-ups, and stoppages, thereby keeping sewage out of homes and yards.
- Reducing claims against the City-Parish resulting from backups, overflows, and stoppages.
- Complying with national, state, and local laws including the Clean Water Act, EPA Region Six SSO policies, and Louisiana DEQ Policies.
- Developing a comprehensive hydraulic sewer model of the sanitary sewer gravity collection system and the pressurized sewer transmission system for the purpose of assessing the capacity of the system and evaluating corrective actions and future capacity requirements.
- Reducing peak wet weather flow factors in a cost effective manner through the development of inspection procedures and design criteria for sewer rehabilitation, relief sewers, and new sewer construction.
- Developing procedures for inspecting and ranking areas in need of rehabilitation.
- Determining the cost effectiveness of current and future sewer and manhole rehabilitation projects through the collection of pre-rehabilitation and post-rehabilitation flow data.
- Resolving dry- and wet-weather flow issues in order to provide sewer and treatment capacity for future growth.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

A financing model has been implemented to fund the Sanitary Sewer Improvement Program. A 10% sewer user fee increase will go into effect on January 1, 2003, and an annual 4% user fee increase will be levied thereafter for the life of the program. The City-Parish will continue to seek low interest loans and federal and state grants to subsidize the program.

This budget will fund the following programs:

- Operations and Maintenance - Continue the preventive maintenance program. The 2003 operating budget will provide \$2,000,000 for this program and \$1,207,940 for repair and maintenance of plant equipment.
- Sewer Rehabilitation - Rehabilitate existing sewer infrastructure in selected areas. Emphasis will be placed on the inspection of sewers to determine priorities of needs, concentrating on structural rehabilitation, and the establishment of a cycle of inspection and renewal/replacement.
- Capital Improvements - Construct facilities to contain sanitary sewer overflows until they can be released into the system for treatment, and construct additional conveyance facilities to avoid overloading during peak wet weather flow conditions. Upgrade and construct new pump stations and force mains to provide the additional capacity required during wet weather conditions. The estimated cost to implement the SSO construction program is \$618 million.

ONE-HALF PERCENT ROAD AND STREET IMPROVEMENT PROGRAM

An election was held on November 17, 2001, in which our citizens approved the renewal and continuation of the one-half percent road and street improvement tax that has been in effect since 1990. The tax was extended for 5½ years beginning July 1, 2002, with 40% dedicated for street rehabilitation and 60% dedicated for street construction.

The rehabilitation portion of the tax will generate an estimated \$65,500,000 that will allow for the rehabilitation of approximately 275 miles of streets and roads. Since the inception of the program, approximately 1,450 miles or 85% of the parish's street and road system have been rehabilitated.

The construction portion of the tax will generate an estimated \$98,250,000 that will provide additional funds for the ten projects approved during the last election and also allow for the construction of seven new projects. The projects and their estimated costs are as follows:

<u>Street</u>	<u>Location</u>	<u>Cost</u>
Completion of 10 Existing Projects		\$19,000,000
George O'Neal Road	Jones Creek Road to O'Neal Lane	6,250,000
O'Neal Lane	George O'Neal Road to South Harrell's Ferry Road	13,950,000
Comite Drive	Plank Road to Comite River	17,550,000
Lobdell Avenue	Jefferson Highway to Goodwood Boulevard	5,500,000
South Harrell's Ferry Road	South Sherwood Forest Boulevard to Millerville Road	22,500,000
Picardy Avenue	Essen Lane to Bluebonnet Boulevard	4,000,000
South Choctaw Drive	Flannery Road to Central Thruway	<u>9,500,000</u>
TOTAL PROJECT COSTS		<u>\$98,250,000</u>

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

Under the first five-year construction program, the following streets were completed:

- Bluebonnet Road Realignment (I-10 to Airline Highway)
- Nicholson Drive Realignment (Skip Bertman Drive to Burbank Drive)
- South Choctaw Drive Improvement (Monterrey Drive to Dumont Drive)
- Stumberg Lane Improvement (Jefferson Highway to Coursey Boulevard)

Additionally, under this initial program, we anticipate that the following projects will be under construction or completed in 2003:

- Blount Road Improvement (Scenic Highway to Elm Grove Garden Drive)
- I-10 Frontage Road (Bluebonnet Boulevard to Siegen Lane)
- McClelland Drive Improvement (Evangeline Street to Airline Highway)
- North Boulevard Overpass Improvement (10th Street to 19th Street)

Under the 2002-2007 program, design will continue in 2003 on all seven new projects while construction will begin on the following:

- George O'Neal Road Improvement (Jones Creek Road to O'Neal Lane)
- Lobdell Avenue Improvement (Jefferson Highway to Goodwood Boulevard)
- Picardy Avenue Extension (Essen Lane to Bluebonnet Boulevard)
- Embankment work on the O'Neal Lane Improvement (George O'Neal Road to South Harrell's Ferry Road)

RIVERSIDE CENTROPLEX EXPANSION AND RIVER ROAD REALIGNMENT

Improvements to the Riverside Centroplex and River Road are currently under construction. The River Road realignment will make it much more pedestrian-friendly and will also provide additional space for the Riverside Centroplex expansion. The Riverside Centroplex improvements will include improvements to over 160,000 square feet of the facility by adding approximately 70,000 square feet of exhibition space to the current facility, which presently has 60,000 square feet of exhibition space, 12,000 square feet of adjacent meeting rooms, a grand reception area and connecting galleria space, as well as renovation and expansion of the existing kitchen, renovation of the existing exhibit hall into the new ballroom and renovation of the existing service plaza into an inviting pedestrian plaza and east entrance. The expanded facility is expected to be operational in September of 2004.

The State of Louisiana has provided \$30,000,000 in state capital outlay funds for these projects. Of this amount, \$28,500,000 is allocated for the Riverside Centroplex expansion and \$1,500,000 is available for the realignment of River Road. The City-Parish has funding in the amount of \$24,270,000 from a dedicated local occupancy tax, state-shared hotel/motel taxes, and bond proceeds supported by dedicated taxes available for these projects. This will support an expansion to the Riverside Centroplex in the amount of \$48,540,000, with the City-Parish and State paying 50% each as provided under the current cost-sharing arrangement.

The City-Parish requested that state funding for the Riverside Centroplex and parking facilities in the vicinity of the Riverside Centroplex be increased in the 2003 state capital outlay bill to \$42,905,000. If this request is approved by the state, the

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

City-Parish will be required to contribute an additional \$11,635,000 as the local share under a revised cost-sharing agreement should we choose to take advantage of all of the increased funding. This would bring the local funding amount up to \$35,905,000 and require the issuance of debt or provision of funding from other sources.

LOUISIANA ART AND SCIENCE MUSEUM

Planetarium/Space Theater

Construction of a two-story, 18,000-square-foot, state-of-the-art world-class planetarium and space theater is nearing completion and should be open to the general public in the first quarter of 2003. It is located adjacent to the existing Louisiana Art and Science Museum (LASM). The new 150-seat facility will be preeminent among demonstration classrooms throughout the world and will be the only major planetarium in Louisiana. The space theater will create a realistic presentation of more than 15,000 stars as seen from planet Earth. Additionally, the space theater will feature large-format films, many using IMAX technology.

Funding for this project in the amount of \$4,550,000 has been provided by the State of Louisiana. Matching funds from the City-Parish are available from bond proceeds supported by state-shared hotel/motel taxes (\$3,400,000), cash generated from these state taxes (\$1,161,000), and the City General Fund (\$389,000). The sum of these funding sources is \$9,500,000. LASM will raise \$6.5 million privately for operating and equipment endowments, start-up costs, and exhibits. A grant from the Pennington Foundation will help keep admission fees accessible to families and schools.

Train Exhibit Renovation

A plan has been formulated to enhance the appearance of the train exhibit located next to the planetarium and convention center. Some cars will be removed from the site and the locomotive and remaining cars will be painted. A protective pavilion will be built for the train and for families, school groups, and tourists to congregate, relax in the shade, or enjoy a picnic. Attractive landscaping will be provided as will permanent benches and tables. There will also be a small concession area and an attractive wrought-iron fence will be built along the railroad track. The total site area is approximately 33,000 square feet. State capital outlay funding in the amount of \$500,000 is available for this project and \$200,000 is being provided in this budget from gaming monies.

COMITE RIVER DIVERSION CANAL

On July 15, 2000, voters in East Baton Rouge Parish, Livingston Parish, and Ascension Parish approved a three-mill, ten-year property tax that provided part of the local match for the Comite River flood control project. This project is being designed and managed by the U.S. Army Corps of Engineers and is estimated to cost \$153 million. The local property tax is expected to generate \$6 million over ten years. The federal government will contribute \$107.1 million and the state will provide the remaining part of the local match or \$39.9 million. In addition, East Baton Rouge Parish has agreed to contribute to the maintenance of the canal once it is built. The estimated annual maintenance cost is \$493,000.

The Project Cooperative Agreement among federal, state, and local governments was signed on September 27, 2001. Right-of-ways for the first phase, the Lilly Bayou Control Structure, are currently being acquired and the first contract for the clearing work should begin in March, 2003.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

The project involves the construction of a 250-foot-wide diversion canal that will be approximately 12 miles long, running between the Comite River and Mississippi River.

The canal will greatly reduce flooding along parts of the Comite and Amite Rivers and waterways that empty into them. This will be of great benefit to thousands of property owners in East Baton Rouge Parish who are impacted by flood waters, as well as many in Livingston Parish and Ascension Parish. The Comite River Diversion Canal Project is expected to be completed in 2008.

PARKING FACILITIES

Aside from the appearance of new buildings, there are a number of indications that downtown Baton Rouge is being revitalized. One prominent indicator is the growing need for public and private parking. For a number of years, this need has been met through surface lots and the Centroplex Parking Garages. With the resurgence of downtown, the number of surface lots has diminished and the need for parking has steadily increased. The demand for additional parking facilities will certainly rise when construction is completed on the Riverside Centroplex expansion and the planetarium/space theater at the Louisiana Art and Science Museum.

The City-Parish is determining the feasibility of entering into a cooperative endeavor agreement with the State of Louisiana to construct a parking facility to address the private sector needs within the Central Business District and the public sector needs adjacent to the new Arts Block. The garage may be constructed on state-owned land at the corner of Third and Convention streets. Also, consideration is being given to working with private interests to construct an additional garage in the vicinity of the Riverside Centroplex.

A General Fund annual subsidy for our current parking facilities in the amount of \$350,000 will not be required after 2002. These monies are available and are being proposed for renovations to our existing parking garages and to assist in obtaining additional facilities in the downtown area.

MEDICAL FORENSIC FACILITY

The proposed Medical Forensic Facility consists of the construction of two buildings—a 5,600-square-foot administration building and a 1,800-square-foot forensic building. The facility will be located behind the Advanced Traffic Management Center and Emergency Operations Center. Currently, autopsies are being performed in a mobile facility located at the City-Parish's Chippewa Street Facility. This proposed state-of-the-art facility will allow the Coroner's Office to more efficiently perform and administer their duties and will provide for better security. It will facilitate up to 12 bodies. The current structure can only handle three bodies, with funeral homes and hospitals providing assistance when necessary. Construction is expected to begin on this \$1 million facility in February 2003.

WORK RELEASE FACILITY

East Baton Rouge Parish courts deal with approximately 26,000 criminal cases each year, of which 5,000 are felonies and 21,000 are misdemeanors. Many individuals charged with DWI, shoplifting, non-support, spousal abuse, writing bad checks, contempt of court, and other misdemeanors do not visit prison in any capacity. Since many criminals graduate from misdemeanors to felonies, the City-Parish and Sheriff's Office are building a 92-bed work release building near the existing

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

Parish Prison. Prisoners will spend nights and weekends at the facility, but will be allowed to leave to maintain their jobs. They will be required to pay for costs associated with the facility including lodging, meals, security, medical needs, utilities, debt payments on the building, and the rental of land.

Construction on the project is expected to begin in early 2003 and should be completed in about six months. Funding in the amount of \$750,000 will be provided by a federal grant approved by the Louisiana Department of Corrections and \$600,000 borrowed by the Sheriff through the Louisiana Community Development Authority. It is anticipated that the loan will be repaid within four years. Minimum security will be provided by the Sheriff's Office, as will programs aimed at eliminating various addictions. Meals and medical needs will be supplied by the Parish Prison.

The program has been endorsed by the Mayor's Prison Committee, and Judges of the Nineteenth Judicial District Court, Baton Rouge City Court, East Baton Rouge Juvenile Court, and East Baton Rouge Family Court.

BICYCLE PATHS

Bike paths along our scenic waterways have been a vision for many of our residents. In 2003, two such projects will become a reality. The City-Parish entered into a contract with the Corps of Engineers to develop a master plan for approximately four miles of bicycle/pedestrian transportation to be built on top of the East Baton Rouge Parish Mississippi River levee. The design phase requires a 50% local match. The path will be 15 feet in width, with ten feet for bicycles and five feet for pedestrian travel. The first phase of the path will run from the Baton Rouge downtown casino area for approximately two miles to Skip Bertman Drive. The second phase will run from Skip Bertman Drive to Farr Park. The City-Parish and the Corps of Engineers are currently working on plans for the first phase, which should be completed in the first quarter of 2003, with construction to begin shortly thereafter. The estimated cost of this project is \$1.1 million. The required 5% local funding on construction will be provided from the Public Works budget.

The second project involves a bicycle path along Dalrymple Drive and an upgrade to the existing path along the banks of University Lakes. This project is currently under design. The state has approved \$328,000 for this project and the City-Parish will contribute a 5% match for construction, plus the testing costs from the Public Works budget.

DEBT MANAGEMENT

Our government has invested considerable effort into maintaining a working relationship with rating agencies and bond insurance companies over the past several years. This allows us to keep them informed concerning issues that affect our bond ratings and insurance premiums. Rating agencies have cited strong financial management and the willingness to take prompt corrective budgetary action when necessary as positive attributes of our government. As a result, the City-Parish enjoys favorable bond ratings such as those on the 2% general sales tax revenue bonds from Moody's Investors Service (A1), Standard and Poor's (AA-), and Fitch Investors (AA-). These ratings result in very reasonable interest rates on debt.

Two long-term obligations related to retirement debt were refinanced during 2002. The first transaction eliminated debt with an interest cost of about 7% and replaced it with variable rate taxable debt. With an assumed average interest rate on the new debt of approximately 5%, the City-Parish will realize savings of over \$7 million dollars over an estimated 27 years. Due to the uncertainty of savings that may be experienced on an annual basis with variable rate debt, a stability fund

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was established to receive the first \$1.25 million in savings. This fund had a balance of over \$900,000 as of October 2002. Once the stability fund is fully funded, additional savings will be used to retire debt prematurely in order to generate interest savings.

A second refinancing replaced a retirement obligation with an interest rate of approximately 7% with fixed rate taxable debt of 5.73%. This generated a gross savings of \$10.3 million over the next 27 years. Savings on an annual basis are determinable and will benefit the General Fund. These savings are \$576,000 for 2003 and approximately \$375,000 annually thereafter.

It is anticipated that debt will be incurred in 2003 relative to the Sanitary Sewer Overflow Corrective Action Program. Application has been made to the Louisiana Department of Environmental Quality for a loan from their state revolving fund. They have indicated that \$15 million will be available for this purpose at an interest rate of 3.95%. An additional issuance in the \$70 million dollar range is also probable in 2003 for this program. These obligations will be supported by revenues generated by the sewer program and sales taxes dedicated for sewer improvements.

In August of 2002, the City-Parish entered into a flexible repurchase agreement to invest debt service reserve funds for outstanding sales tax revenue bonds. This agreement provided an earnings rate of 3.887% through August of 2007 on approximately \$34 million. This will generate about \$1.3 million annually and compares very favorably to the current rate of investments for certificates of deposit of 1.7%.

DEPARTMENT INITIATIVES

BATON ROUGE POLICE DEPARTMENT

Community Policing

The Police Department has continued to expand upon its Community Policing efforts. The department developed and administered a Citizen's Satisfaction Survey, conducted a number of Community Policing Workshops, conducted neighborhood walks in the Brookstown and Belaire areas, and worked with residents at a grass roots level to address crime and drug trafficking complaints in those areas. They also participated in several basketball games with local area high school students, incorporating "rap" sessions with students into the events, and coordinated a National Night Out Against Crime event.

Another notable project was the creation of a "Community Policing Model District" at the Fourth District Uniform Patrol Precinct. Officers assembled an eight-hour Community Policing training program in conjunction with the City-Parish Department of Quality and Employee Development. This program instituted car and house abatement programs focused primarily in the Brookstown area and officers attended numerous civic and homeowners' association meetings to learn firsthand of neighborhood problems. A team of officers was also trained to develop a bike patrol for the precinct.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

Transition to New Handguns

The department purchased new handguns, holsters and lightweight duty belts in 2002 to replace aging equipment. After thorough testing, the department selected appropriate models of the Glock semi-automatic pistols in 91mm and .40 caliber versions. Training and transition to the new handguns for all officers is expected to take place by the end of 2002.

First Responder Emergency Equipment

Since the tragedy of September 11, 2001, the department began efforts to secure equipment that will help safeguard and improve first responders' efforts in chemical, biological, and nuclear events. Working closely with the Office of Emergency Preparedness to identify needs, the Police Department has submitted applications to request grant funding for training and equipping officers appropriately.

Technological Achievements and Goals

Technological and computer related projects that began over the past several years are reaching full implementation, allowing the department to benefit from these efforts. The expansion of these projects and new initiatives will allow the department to maintain pace with the growing demand for services.

Upgrading wireless and Local Area Network technology has allowed the implementation of a comprehensive Louisiana Incident Based Reporting System (LIBRS). This has drastically reduced the time required to make reports available and has increased the availability and accuracy of statistics.

Software has been developed for the specialized needs of the department such as the K-9 management system, Misdemeanor Follow-Up case management system, Automatic Vehicle Locator Archive Search Utility, Patrol Officers' Organizer, City Street Maps on Mobile Laptop computers, a Records Information Management System Archive system, and a Gemini Modem Internet Protocol Tracking System.

In 2003, the department plans to continue these types of efforts and hopes to bring additional programs to the mobile laptop environment, including the Louisiana Traffic Crash Report and MetroNet web pages. Technological support personnel would also like to establish a Help Desk System for computer-related questions and problems, improve network security, advance protection against computer viruses and network infrastructure hacking, and upgrade the mobile data message switch and software.

Grants

Efforts will continue to identify and secure alternative sources of funding to supplement the General Fund budget and enable the department to undertake projects that would otherwise not be funded. In 2002, projects funded from such sources included the purchase of a new computer exchange server, the upgrade of desktop PC and server operating systems, the purchase of equipment to automate many of the daily and weekly backups of interdepartmental server databases, and to upgrade to high speed Gemini Mobile Data Modems in all of the patrol fleet. Efforts will also continue to solicit funding for investigative and enforcement programs such as the Integrated Criminal Apprehension Program, which is an overtime program that targets street-level crime with emphasis on street-level drugs, weapons, and prostitution, and Operation

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Crossroads, which is funded by the Louisiana Highway Safety Commission and is an overtime project that works to reduce the number of fatal and serious injury traffic crashes in Louisiana. Both of these programs are currently operated with grant funds.

Accreditation

In November of 2001, the Commission on Accreditation for Law Enforcement Agencies (CALEA) awarded the department conditional re-accreditation status. Since that time, the department has worked diligently in the few areas noted as needing improvement to have the status upgraded to fully accredited. CALEA conducted a follow-up review of the Baton Rouge Police Department in August of 2002. On September 30, 2002, the department was notified “that the on-site assessor has recommended your agency for accreditation without conditions.” Congratulations to the Chief and the department for a job well done.

BATON ROUGE FIRE DEPARTMENT

Suppression

Thermal imaging cameras were purchased and firefighters were trained in their proper use. These cameras are now carried on 19 pumper trucks located throughout the city and allow firefighters to see through dark, smoke-filled rooms in order to more quickly find and rescue trapped persons. They also aid firefighters in locating hidden fires inside walls and closed spaces, allowing them to more quickly find the origin of a fire. The cost of each camera was \$8,600, and they will tremendously increase the ability to protect the citizens of Baton Rouge.

Sixty self-contained breathing apparatuses were purchased to protect firefighters during fire ground operations. These units are fully compliant with all applicable safety standards and replaced units that were over ten years old. They replaced 40% of the units used by the department and a primary goal for the year 2003 is to replace all remaining older units.

A “Rapid Intervention Team” procedure was implemented for use on the scene of all structure fires. This procedure, which was adopted by the National Fire Protection Association, requires a standby team to be in place while rescue and firefighting operations are underway. Should any firefighter become trapped, the team responds to their aid.

A 17-week “Rookie Firefighter” academy was also started on July 1, 2002.

Administration

The ISO “Class I” Rating was maintained. This assures the citizens the best possible fire protection at the lowest possible fire insurance rates.

Construction began on Fire Station #11 located at 3186 Highland Road. The old station was demolished and the new building is being built on the property where the old station was located. It will house two fire trucks and ten firefighters. The cost of demolition and new construction is \$890,000.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

The department received \$140,000 in funding from the Federal government to be used along with \$49,000 in local funds for the purpose of acquiring wellness and fitness equipment. This will allow the equipment to be placed in all 19 fire stations throughout the city.

Prevention

The department provided over 107 fire education and safety classes during the first seven months of 2002, reaching over 9,000 people. These classes instructed a vast number of citizens ranging from preschoolers to senior citizens. Over 8,000 businesses were also inspected to assess their compliance with the local fire code as a fire prevention effort.

In 2003, the department will strive to maintain the ISO "Class 1" Rating. It will rebuild Fire Station #3 located at 3142 Evangeline Street at a cost of approximately \$850,000. Computer hardware and software on fire trucks will also be enhanced to allow personnel to graphically store data on all fire hydrants and businesses where hazardous materials are located. These tools will be used to show the best routes to respond to any emergency situation. Finally, the department plans to replace an aerial truck at Fire Station #12 at 555 Government Street and an engine truck at Fire Station #15 at 3150 Brightside Lane if additional funding becomes available during the year.

EMERGENCY MEDICAL SERVICES

East Baton Rouge Parish Emergency Medical Services experienced its twentieth year of operation in 2002. While many of the procedures and life-saving techniques have changed, the fundamental purpose and goals have remained the same. They have operated on the same tax millage that the citizens of the parish originally approved almost 20 years ago.

The department strives to maintain a state-of-the-art response capability throughout East Baton Rouge Parish. In 2001, they established a program to reduce maintenance costs for the ambulance fleet. This program began with the re-mount of five ambulances. Once maintenance becomes excessive on an ambulance, the vehicle chassis is replaced and the ambulance box is placed on the new frame. This usually occurs around 100,000 miles. The replacement of the chassis reduces high maintenance costs and prevents the need to purchase new expensive ambulance packages every few years.

Emergency Medical Services is moving forward in technology to improve performance and accuracy in response. With the implementation of Mobile Data Terminals in all response units, paramedics are able to receive all critical information relating to a call directly in their unit. With this degree of accuracy of information, response time to calls can improve. A mapping feature will be added in the near future, which will allow paramedics to see their location, as well as a mapped route to a call. This will greatly improve response times and the efficiency of vehicle deployment. The Operations Support Division will be utilizing a new inventory system for all medical supplies and equipment that are used on ambulances. With call volume increasing every year, it becomes a daunting task to track all items used in the department. This system will allow for efficient ordering and help develop trends or patterns throughout the year that will allow for smart stocking of supplies.

Paramedic recruiting has become more important than ever. The lack of available paramedic certified applicants in the Baton Rouge area has caused the department to conduct a more aggressive recruitment campaign outside of the immediate Baton Rouge area.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

The Emergency Medical Services Community Training Center has grown in size and is preparing to offer more courses, including a newly developed first aid course to its members. The training center has become one of the largest in the state and has by far the largest public citizen enrollment. This enables the department to work with many individuals in the community in addition to employees of the department to produce quality CPR instructors. Since some of the other training centers in the Baton Rouge area only enroll members that are affiliated with their organization, this openness to the public has been a major factor in the enrollment levels. Other programs and initiatives are being developed to maintain Emergency Medical Services as one of the best pre-hospital emergency medical providers in the nation.

OFFICE OF EMERGENCY PREPAREDNESS

The East Baton Rouge Parish Office of Emergency Preparedness has legal authority and responsibility for the direction and control of all resources in East Baton Rouge Parish, as set forth in the Parish Emergency Operations Plan. This authority is in accordance with existing federal, state, and local statutes and understandings of various departments involved.

The office provides the citizens of East Baton Rouge Parish with a comprehensive, integrated, and coordinated public safety program to ensure that the effects of any natural or man-made disaster are reduced. It enables emergency services to be delivered in a timely and responsive manner and allows the consequences of these events to be managed in ways that restore a safe and livable community and citizens' peace of mind. The office was placed on Alert Status 33 times for emergencies such as inclement weather, unsafe airport conditions and hazardous materials incidents during 2002.

The office currently participates in daily, weekly, and monthly exercises. These exercises range from telephone notification to full-scale activation. The local Emergency Planning Committee is required to participate in one full-scale chemical exercise each year. In January 2002, this full scale exercise was developed, coordinated, and conducted in partnership with the U. S. Department of Justice and was designed to test our response capabilities to a terrorist or chemical incident. More than 49 local, state, and federal agencies successfully participated in the exercise. Working with the Federal Emergency Management Agency, the Nuclear Regulatory Commission, and River Bend Nuclear Plant, East Baton Rouge Parish is also required to annually participate in a federally graded radiological exercise. The radiological exercise was conducted in June of 2002. The East Baton Rouge Parish Emergency Operations Center was fully activated and in conjunction with contiguous parishes, successfully participated in this federally mandated and evaluated exercise with River Bend Nuclear Plant. Approximately 500 exercises are conducted annually to test procedures and communications. These exercises provide feedback and guidance for the development of future training needs, recommended areas of improvement, and address equipment needs and assessments.

The Office of Emergency Preparedness actively researches grant opportunities and coordinates applications for additional funding through grants and joint funding agreements. For 2002, grant applications for more than \$7,000,000 were filed. Approximately \$3,300,000 in grant funding has actually been awarded for 2002. These grants are used to develop, coordinate, and conduct responder training programs, develop and enhance public education programs, and revise and update the East Baton Rouge Parish Emergency Operations Plan. They are also used to identify and purchase personal protective equipment for community emergency response agencies and to work with citizens to address the repetitive flood losses in East Baton Rouge Parish through buy-out and mitigation programs. Through public outreach programs such as community events and Emergency Operation Center tours and presentations, approximately 695 citizens were provided with emergency preparedness information and planning assistance.

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BUDGET MESSAGE FROM THE MAYOR-PRESIDENT

The East Baton Rouge Parish Office of Emergency Preparedness facilitates and coordinates planning meetings with all local, state, and federal agencies that have a role or responsibility in crisis and consequence management.

DEPARTMENT OF PUBLIC WORKS

The Department of Public Works is charged with the responsibility of delivering a number of services to the public. They provide engineering for capital improvements, maintain supply warehouses, receive complaints from citizens, and provide maintenance and custodial operations of public building and grounds. The department is responsible for regulating the building industry through inspections, maintaining traffic control devices, and maintaining streets and roads. They also provide street sweeping services, beautification, and monitor contracts for garbage and trash collection.

In addition to the above, the department is responsible for various capital improvement projects. The renewal of the one-half percent sales tax for street and road improvements will require a considerable effort in 2003, as will coordination of construction related to the Sanitary Sewer Overflow correction program. Also, construction has begun on the Riverside Centroplex expansion and is continuing on the planetarium. These and other capital projects are described in further detail in this message under the section titled "Capital Improvements."

A new and expanded vegetation management program began in 2002 and for the first time included chemical management of over 1800 acres of roadside vegetation. The timing of this program could not have been better, because, while the department was working to reduce operational costs, they were also faced with ideal grass growing conditions all season long. The roadside spray program allowed them to reduce costs, redirect manpower and other resources to other important programs, and produce a pleasant roadside appearance for our citizens and visitors. We believe the program has been very successful and intend to pursue it in 2003 as well. The 2003 budget includes \$150,000 for this program.

The Citizens Service program was transferred to the department in 2002. This change allowed the unit that receives most citizens' requests for services to work in direct harmony with the units that respond to the work requests. The transfer was just the start of a systematic plan to offer first class service to the citizens of the parish. The next step is to procure a modern computer system that will track citizens' requests, resources expended on those requests, provide important management and budgeting tools, comply with Governmental Accounting Standards Board Statement 34 requirements, and provide updated information for the Geographic Information System. Most importantly, the system that is selected will be fully compatible with, and complementary to, the E-Government system that is under development.

BATON ROUGE METROPOLITAN AIRPORT

The Airport was successful bringing the new Atlantic Southeast Airline Maintenance Facility to Baton Rouge. The facility will initially employ approximately 55 employees with an average salary of \$40,000. This accomplishment was the result of many governmental and private companies working together to promote the Airport as the choice for this facility. On November 28, 2001, the notice to proceed was issued for construction of the facility, and it is scheduled to be completed in January 2003. State capital outlay funds in the amount of \$5 million are being utilized to construct this facility.

Funding was received to commence the rehabilitation of Runway 4L-22R. The Federal Aviation Administration (FAA) is providing 90% of the funding (\$20,578,055) on a pay-as-you-go basis and the State Office of Aviation is providing the remaining 10% (\$2,286,451). Construction is being done in phases as funding becomes available. The initial phase of the

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project was awarded to the contractor in September 2002, and should be completed in 2004.

The Airport was one of ten airports to receive a grant from the FAA as part of the Alternative Fuel Pilot Program. This program will enable the Airport to build an alternative fuel station at the Airport Texaco service facility. This grant provides for the construction and maintenance of the station and for the purchase of an alternative fuel vehicle to be used at the Airport. This program has several private partners who will provide funds, maintenance, and other in-kind services.

The FAA also awarded a grant to the Airport to conduct a master plan study, which will serve as the blueprint for future projects. This plan is composed of input from the Airport, local, state, and federal governments, businesses in the region, private citizens, and other interested participants. This plan is mandatory and must be completed and updated periodically. All projects in the plan must receive federal approval before they can participate in funding.

The Airport also received grants to undertake the construction of Phase II of the perimeter road and the first installment of a three-year plan to reconstruct the terminal apron and provide for the apron drainage project.

In 2002, the FAA and the State Office of Aviation awarded an additional \$8.8 million to the Airport for noise mitigation. The Airport has successfully mitigated 1,293 homes, two schools, and one church out of 1,746 properties approved to be mitigated by the FAA noise study. The Airport has received in excess of \$62.7 million to fund these projects since 1986. There are presently approximately 400 homes under contract for noise mitigation.

EAST BATON ROUGE PARISH LIBRARY

The library system is comprised of a Main Library and the following 12 branches: Baker, Bluebonnet Regional, Carver, Central, Centroplex, Delmont Gardens, Eden Park, Greenwell Springs Road Regional, Jones Creek Regional, Pride, Scotlandville, and Zachary. These branches are open a cumulative total of 856 hours weekly to meet the information needs of its patrons. The library employs a well-trained, service-oriented staff, selects and organizes up-to-date collections and databases, and provides convenient outlets with sufficient hours seven days a week to serve the public. To meet the cultural, recreational, and information needs of the diverse Baton Rouge community, the library provides:

- Books, newspapers, magazines, videos, art prints, books on tape, CDs, DVDs and electronic databases—resources for the young and the old.
- Special activities such as children's summer reading programs, storytime, Prime Time-Family Reading Time, author/illustrator workshops, and many other exhibits and programs for all age groups.
- Information services, interlibrary loan, library publications, and subject bibliographies, reader's advisory services, public access computers, and dial-in access to the online catalog.

The entire world of information delivery in public libraries is rapidly changing and the East Baton Rouge Parish Library must be effective and efficient in connecting its community to the new electronic world of information. The library's home page, created and maintained by library staff, can be accessed at www.ebr.lib.la.us.

The East Baton Rouge Parish Library is the busiest library system of any type in Louisiana. In 2001, the library staff circulated 2,300,000 items, answered 616,000 reference questions, and registered over 600,000 visits to the Library's web page. Almost 3,000 programs were provided for our patrons in 2001.

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Funding since 1986 for the Library System comes from a dedicated property tax. An 11.1 millage rate was approved in 1995 for ten years to operate and maintain the existing system, to improve services, and to replace substandard facilities in Baker, Carver, Central, Eden Park, Pride and Scotlandville. In 2000, the millage rate was adjusted downward to 10.72 as the result of the reassessment of property.

The many accomplishments of the Library System during the past two years are highlighted in the Mayor-President's Accomplishments, Goals, and Strategic Initiatives, which precede the Budget Message.

The Library has many plans for the future, some of which include:

- Continuing the pay-as-you-go capital improvement program by reserving funds for future construction.
- Acquiring land, planning, and beginning construction on new branch libraries for Eden Park, Pride, and the Southdowns areas.
- Planning programs that will introduce patrons to the world of the Internet and the mechanics of graphical access.
- Expanding electronic networked databases that can be accessed throughout the library system and from our web site from home computers.
- Providing approximately 100 new public-access computers to be distributed among 13 outlets.
- Expanding traditional print and non-print collections in the system by 60,000 items.
- Purchasing software that will make use of the library's electronic catalog more user-friendly.
- Continuing to offer programs that are educational, interesting, and fun for all age groups.

DOWNTOWN DEVELOPMENT DISTRICT

Over \$400 million in public and private sector investments are underway within Baton Rouge's city center. The previous decade's value of investments soars to over \$750 million. There is a tremendous collaborative effort between the city, state, and private sector to develop downtown into the epicenter of the community.

Working from downtown's master plan, Plan Baton Rouge, the Downtown Development District Commission is working diligently to manage the redevelopment of Baton Rouge's city center.

The Cultural Arts

As stated previously in this message, the city will see the opening of the Louisiana Art and Science Museum's Planetarium and Space Theater in 2003. The facility will be second to none in the United States. The facility will offer inspiring opportunities for children and adults alike. State-of-the-art equipment will occupy the facility, as well as priceless pieces of art.

A new state museum will emerge in the skyline. Furthering the state's development in downtown, construction commenced in 2002 on a new state museum that will complement the museum treasures already there. These include the Old State Capitol, the Old Governor's Mansion, the Louisiana Art and Science Museum, the Arsenal Museum, the Pentagon Barracks, and the crown jewel—the new State Capitol.

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The arts in 2002 have seen the tremendous collaboration of the public and private sectors with the planning for the new Downtown Arts Block. This development will result in approximately \$53 million of capital improvements for the cultural arts of Baton Rouge. In 2003, the construction of the new Louisiana State University Art Museum, a new performing arts center, a new plaza, and the renovation of the historic Auto Hotel Parking Garage and several other buildings for the arts will be underway. Scheduled for completion in 2004, the new and renovated buildings will allow the Baton Rouge community to explore the arts to a new horizon. The City-Parish has committed \$2.2 million (\$875,000 in 2002, \$662,500 in this budget, and \$662,500 pledged in 2004) towards landscaping and plaza improvements to complement the project. The plazas will incorporate interactive fountains, specialty paving and lighting, as well as native Louisiana plant materials. Design will provide for the gathering of hundreds and possibly thousands of people, with the plaza having the capacity to combine the use of Lafayette Street and Lafayette Park. The Arts Block project will be an anchor to Baton Rouge's city center and a tremendous complement to other city and state partnerships such as the Riverside Centroplex expansion and the new Louisiana Art and Science Museum Planetarium.

Civic Development

Downtown in 2003 will see the expansion of the city's convention facilities. The expansion of the convention center and realignment of River Road will be well underway with over \$50 million of improvements. The new facility will allow Baton Rouge to become a major competitor in the convention industry.

The State of Louisiana continued its commitment to consolidate state government into efficient and architecturally magnificent new structures. In 2002, state buildings that opened included the LaSalle Building, Claiborne Building, Insurance Building, and Galvez Garage. Construction commenced in 2002 on the Justice Building, new state museum, Galvez Building, and preparations for the new state visitors' center. Upon the completion of the Capitol Park in 2004, over 1,000,000 square feet of office space will have been constructed and over 3,000 employees consolidated to the city center.

Private Sector Development

A necessary component to the success of downtown's revitalization is the partnership and leadership of the private sector. The private sector has provided over \$90 million for business and residential development. Numerous initiatives are underway downtown to renovate buildings for new commerce and residential development. Working to enhance the private sector market, the Downtown Development District garnered the support of public and private sector individuals to pass historic legislation in 2002. The legislation provides an additional 25% in historic state tax credits for the rehabilitation of historic structures in Downtown Development Districts across the state. Upon the legislation's final approval by Governor Foster, two properties were immediately acquired in downtown Baton Rouge and downtown Shreveport for renovation.

The face of downtown Baton Rouge is changing. The Downtown Development District serves as a catalyst to ensure that options are continually explored and the best solution is implemented to the highest degree. Furthermore, they ensure that the downtown area that is continually under development reflects the community in which it serves.

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QUALITY AND EMPLOYEE DEVELOPMENT

City-Parish employees participated in over 22,000 hours of training and development activities that were coordinated by the department during 2002. Special programs included the first annual Head Start Staff Development Conference, Police Leadership Academy, Police and Emergency Medical Services Field Training Officer Development, On-the-Job Training model for Department of Public Work's employees, Diversity Awareness, and development activities for supervisors and managers. The addition of an Equal Employment Opportunity/American with Disabilities Act Office to the department will enable them to lead the City-Parish's efforts in these areas, as well as diversity programs in 2003.

FINANCIAL AND ADMINISTRATIVE

Legislative Issues

In 2002, the Louisiana Legislature convened for its regular fiscal session and a special session called by Governor Foster. In the special session, a number of legislative items were passed that may have an impact on the City-Parish.

One of these items, which was included at our request, increased the number of commissioners on the East Baton Rouge Hospital District One Board from seven to nine, decreased the terms of the commissioners from six years to four, and provided that at least one of the commissioners must be a practicing physician who resides in the district.

The Capitol House Taxing District was also created which authorizes a cooperative economic development effort between the City of Baton Rouge, the Capitol House, and the District to provide for the restoration of the Capitol House Hotel. The act is contingent on the city acquiring ownership of the property.

Another item of importance was an act providing for a state sales and use tax exclusion for certain custom computer software to be phased in over a four-year period and giving political subdivisions, such as the City-Parish, the option to exempt sales of such software.

Other acts impacting the City-Parish government include the Anti-Terrorism Act (creating the crime of terrorism and related criminal activities), a mechanism for municipalities to annex vacant land, and a state and local sales tax exclusion on capital expenditures for new research equipment purchased by biotechnology start-up companies.

In this year's regular session, only fiscal matters were considered. There were over 40 bills filed that provided for local sales and use tax exemptions or exclusions. Fortunately, only a small number of these bills survived the process, and those that survived were either amended to provide for a local option or amended in such a manner as to significantly reduce the fiscal impact on local government.

An act passed that directly affected the City of Baton Rouge by creating the Concord Estates Crime Prevention District for the Concord Estates Subdivision in an effort to aid in crime prevention and security. The Metropolitan Council was given the authority to impose and collect a parcel fee if approved by a majority of the registered voters in the District.

Some of the bills that did not pass would have resulted in a considerable financial loss to the City-Parish. These include a measure to exempt certain goods held in inventory from local sales and use taxes, another to create a state and local sales

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tax holiday for one weekend in August, and one which would have provided a sales and use tax exclusion for repairs to tangible personal property exported outside of the state.

Perhaps the most significant financial issue faced by the City-Parish in the regular session was a bill creating a retroactive local sales and use tax exclusion for cellular telephones and equipment given away or sold at a reduced price in connection with the customer's signing an agreement for services. The bill was introduced by the cellular telephone industry to legislatively overturn a court decision in favor of local governments. The constitutionality of this act has been challenged in the Nineteenth Judicial District Court by the Police Jury Association and the Louisiana Municipal Association and is pending at this time.

The 2002 Appropriations Act contained approximately \$9,625,000 in various appropriations for the City of Baton Rouge and Parish of East Baton Rouge. The Capital Outlay Act included a number of projects important to the City-Parish. Some of the larger projects are as follows:

<u>Project</u>	<u>State Capital Outlay Funding</u>
Comite Diversion Canal	\$38,800,000
Riverside Centroplex Expansion and Road Realignment	28,000,000
Bluebonnet Extension	8,000,000
Louisiana Art and Science Museum Planetarium	3,150,000
Baton Rouge Metropolitan Airport	19,000,000

E-Government Implementation

Whenever possible, our government needs to be more user-friendly, solicit input from interested parties, simplify processes, and meet the demands of the citizens of East Baton Rouge Parish. In August 2002, the Metropolitan Council unanimously approved a process to implement E-Government. For the first time, we will be able to offer services over the Internet and telephone for the convenience of the taxpayer.

An appropriation of \$150,000 was provided for the purpose of implementing five core processes to improve the way we do business. These five processes are sales tax remittances, traffic ticket payments, business license renewals, permitting and inspection, and citizen's requests for services. These services will be available seven days a week, 24 hours a day.

In the future, we will continue to examine processes that can be consolidated and made available more efficiently through E-Government. In addition, we will continue to serve our citizens with methods currently available, which will allow citizens to choose the method of receiving services that best meets their needs.

DISTINGUISHED BUDGET PRESENTATION

The Finance Department received the "Distinguished Budget Presentation Award" from the Government Finance Officers Association (GFOA) of the United States and Canada for the *2002 Annual Operating Budget* and was recognized for

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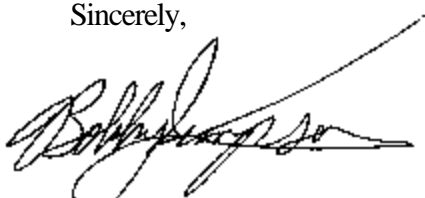
the first time as being outstanding as a policy document. This national award is the highest professional recognition in governmental budgeting. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device. This is the 12th year in a row that the division has received this award. Employees of the Finance Department have repeatedly demonstrated that they have the highest commitment to quality in the services they provide to their customers. I commend their superior performance.

CONCLUSION

Along with the challenges that confront our community, there are many positive and encouraging circumstances occurring in Baton Rouge and East Baton Rouge Parish. Working together we will answer the challenges and develop the opportunities for the people, for the community, and for this government.

My thanks go to all of the employees and departments that have persevered in the hardships of the last two years of reduced budgets. I am confident that better times will empower these people and agencies to reach new heights in the service to our City and Parish.

Sincerely,

A handwritten signature in black ink, appearing to read "Bobby Simpson", with a long, sweeping flourish extending upwards and to the right.

Bobby Simpson
Mayor-President

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