



November 1, 2006

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

I respectfully submit, for your review and consideration, balanced budgets for our General Fund and special funds for the City of Baton Rouge and the Parish of East Baton Rouge for the year 2007.

Despite unprecedented challenges, Baton Rouge continues to garner national honors, most recently as one of three U.S. cities named as a “Preserve America Community” by the White House, a move that will bring national publicity and tourism promotion for our city. This honor, presented by First Lady Laura Bush, recognizes cities that preserve and celebrate their heritage, use their historical assets for economic development and community revitalization, and encourage heritage tourism programs and education about our historical resources. This is an honor for our city and for the priorities we have maintained during difficult times.

While Baton Rouge initially absorbed nearly a quarter million South Louisiana residents in the aftermath of Hurricane Katrina, traffic counts, sales tax collections, school enrollment, and other factors lead us to a more realistic growth prediction for 2007. In addition to these predictors, this budget utilizes the expertise of the Louisiana State University E. J. Ourso College of Business and the proficiency of its professional staff in economic development and forecasting. As explained later in the Financial and Administrative section of the budget, because of our growth, increased revenue, and strong fiscal management, we have received an upgrade in our bond ratings. This upgrade will result in substantial savings in taxpayer money.

In order to effectively serve our current population, Public Safety remains a top priority in the 2007 budget, with fully 74% of the proposed new employee positions dedicated to police and fire protection, Emergency Medical Services, and Public Works. As East Baton Rouge Parish maintains a significant population increase with expectations of future growth, it is critical that the safety of our citizens be our utmost concern, and other areas of the budget address this as well. Police services will be enhanced by the addition of a mounted patrol unit for downtown and special events. The Baton Rouge Police Department will hire and employ two forensic scientists that will be housed at the Louisiana State Police Crime Lab. Their purpose will be to expedite criminal cases submitted by the Baton Rouge Police Department.

The budget includes additional handheld ticket writers to increase our ability to computerize the issuance of tickets and payment of traffic fines, and additional personnel to handle more calls to the Baton Rouge Fire Department due to our increased population. It is proposed that two aging fire stations of the five which are more than 50 years old be replaced to modernize services and address the growing needs of the community.

The reorganization of the Department of Public Works began in 2006 and will continue in 2007 as we develop master plans for operations and maintenance, training and education, and greater online access by citizens. Our traffic engineering will be enhanced by a move to more LED signals for greater safety, added utility savings and maintenance efficiency, and video monitoring of 20 intersections to manage evacuation routes, signal synchronization, and maintenance needs.

The 311 Call Center provides an easy-to-recall telephone number for citizens to request service or inquire about available services with the assistance of trained call takers. The enhanced system will allow City-Parish

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departments to track calls for assistance through to completion and provide quicker and more efficient service to the public.

The “Green Light Plan” for street and road improvements, approved by voters in 2005, is underway with the hiring of a program manager and subsequent development of a prioritized list of projects for completion. A full list of street and road improvements completed, currently underway, and scheduled is included in this Budget Message.

The City-Parish has successfully implemented automated residential garbage collection and is in the process of implementing an easier recycling program that will eliminate the need to sort, which should increase participation.

In addition to our commitment to community policing, we are implementing the principles of community governance to help our neighborhoods in need of services. This involves a concentrated team response by City Police, the Department of Public Works, the Office of Community Development, the Office of Neighborhoods, and others working in concert with the local faith-based community and volunteers to clean up neighborhoods, establish better lines of communication with police, and assist with job placement. This planned team response was successfully begun in the Zion City, Scotlandville, and Eden Park neighborhoods in 2006, and it will be extended to other areas in 2007. Baton Rouge is a city of great neighborhoods, and this approach allows us to build valuable partnerships in the community, engage citizens in the success of their neighborhoods, and achieve dramatic results in clean-up with a concentrated team effort.

The completion of the master plan for the Riverfront Development Project will allow us to begin moving forward with a phased implementation program that responds to the public and private development anticipated to begin in 2007. A new courthouse, two large office complexes, and a high-rise condominium project are scheduled to begin construction as our Administration develops plans for the first phase of riverfront development.

I remain committed to the education of youth throughout East Baton Rouge Parish. We have initiated many programs to increase their resources for learning and the ability to succeed. In programs such as Volunteers in Public Schools, City-Parish employees are allowed to volunteer up to eight hours a month in schools with students in need of mentors. We have brought private business in through Partnerships in Education, a program where private businesses sponsor a school or schools, not only by donating time, but also services and products to help students expand their knowledge. We have implemented an Applied Scholastic Program that has demonstrated incredible success. In the first year, every 8th grade student that participated in the course passed the LEAP test, which is the high-stakes standardized testing for the State of Louisiana. We have also created a Literacy Coalition to improve literacy within the Greater Baton Rouge area with the Rotary Club of Baton Rouge and Baton Rouge Area Chamber. This program is not only for youth, but also for adults in need of literacy assistance. In response to elementary truancy rates, we have created a Truancy Assessment Service Center. This project involving the Office of the Mayor-President, Sheriff’s Office, and East Baton Rouge Parish School System focuses on high-risk schools and students, addressing the problems associated with truancy. It has shown to be effective in decreasing the rates drastically.

These are among the highlights of the 2007 budget, while other changes and proposals for improved service are also detailed.

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I continue to challenge each department of the City-Parish government to increase efficiency in our delivery of services and to utilize technology where possible to improve service and reduce costs. The goals we have set for Baton Rouge are to learn from best practices, explore new ideas, and compete among the best in the nation for the delivery of services to our community.

The year 2006 called for more flexibility, greater workloads, and bigger challenges. Our Administration commends the men and women who serve in City-Parish government and who have come forth with bold ideas and a willingness to seek new solutions for the growing needs of East Baton Rouge Parish.

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 Division of Economic Development and Forecasting, E. J. Ourso College of Business at Louisiana State University.

The 2006 *Louisiana Economic Outlook* projects the following conditions for Baton Rouge's nine-parish Metropolitan Statistical Area (MSA) during 2007-2008:

While the largest MSA in the state in terms of numbers of parishes – nine, including East Baton Rouge, West Baton Rouge, Livingston, Ascension, Iberville, St. Helena, Pointe Coupee, East Feliciana, and West Feliciana – in terms of employment it is the second largest in the state behind New Orleans.

Petrochemicals, Construction, Universities & Government

*The **petrochemical industry** is a huge factor in this MSA's economy. This MSA has the largest concentration of **chemical industry** activity in Louisiana. For example, in 2002 there were 78 plants in the 9-parish area employing 11,789 workers with an annual payroll of \$811.5 million. This sector is heavily concentrated in the three parishes of East Baton Rouge, Ascension, and Iberville. Baton Rouge is home of the nation's second largest **refinery**—ExxonMobil—located just north of the state capitol building. This refinery is actually the ninth largest in the world. Placid Refinery is also located in this MSA.*

*Because the petrochemical industry is very capital-intensive, 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 9.1% of its workforce in the construction sector, a proportion only exceeded by Lake Charles – site of another major chemical concentration.*

*The Baton Rouge MSA also is the location of the **State Capitol** and the office complex associated with it. **Two major state universities** – LSU and Southern University – are located in Baton Rouge, along with one of Louisiana's largest community colleges.*



Recent History of Baton Rouge

...This MSA was only mildly touched by the terrible recessionary years of 1982-87. Baton Rouge dropped 4,800 jobs or 2.2% of its workforce as compared to the 9% decline in the state as a whole over that same period.

It is important to note the distinct jump in the employment trend...in 1990. This was due to the addition of five more parishes to this MSA by the Department of Labor.

The really good years. The years from 1988 to 2000 were heady ones in the Baton Rouge MSA. This region had the most enviable growth record in the state in terms of both size and consistency. The MSA immediately recovered the 1982-87 losses with a banner year in 1988 when it gained 10,300 new jobs. Then the region'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 really weak years. The tables decidedly turned against Baton Rouge over the next four years. This 9-parish MSA lost 5,400 jobs or 1.8% of its workforce over 2001-02, and its recovery from that dip was nothing like that of 1988. It took two years to recover the jobs lost over 2001-02, and those two years were ones of very modest growth... The culprit behind this slow growth pattern was the **chemical industry**. We have already pointed out the dominant role played by this industry in the MSA's economy. The chemical sector was hurt by two factors. Initially, the **national recession** hit sales in this sector very hard and weakened considerably the price of chemical products. However, the second factor has been, and remains, the most problematic. **High natural gas prices** have radically raised operating costs for these firms. Several chemical firms in the MSA announced layoffs or closed either temporarily, partially, or completely. The region's ammonia fertilizer plants have especially suffered.

The Katrina Effect

Evacuees in. Baton Rouge is the closest large MSA to New Orleans, so it initially absorbed a huge number of evacuees. From FEMA assistance applications, we estimate that the Baton Rouge MSA initially absorbed about 248,386 evacuees. **Overnight, the MSA's population thus exploded by over 34 percent.** Traffic came to a standstill across the area, supplies vanished from grocery stores and gasoline stations, and every rental unit in the area was absorbed. There was a wild real estate period of about one month when realtors were selling more houses in a week than in the previous year. The median price for a single family home leapt 27 percent, the largest jump among the 151 MSAs surveyed by the National Association of Realtors. Sales tax collections in East Baton Rouge Parish rose by 34 percent in September.

Evacuees out. We made the point in last years **LEO** that we believed that peak population would decline over time, and it clearly has. Anyone traveling the streets in the region is aware that many of the evacuees have left the MSA. Indeed, traffic count data support the notion of a decline. For example, in November 2005, the traffic count on I-12 east of the I-12/I-10 split was up 22 percent over August 2005. Today that count is up only 3.1 percent. On the I-10 bridge over the Mississippi, the count initially jumped by 26 percent, November over August. Now it is up only 2.9 percent.

Claritas Inc. of San Diego estimated that in 2005 the East Baton Rouge Parish population was 413,543, but by October it had spiked to 475,220—a 14.9 percent increase. The firm estimates the Parish's July 2006 population to be 435,413—a 5.3 percent increase. East Baton Rouge sales tax collections, after leaping by 34

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percent in September, were up a lower (though still hefty) 19 percent in July. Public school enrollment data for this fall also support the notion that many of the evacuees have left the area.

Katrina boosted employment. Despite the evidence that many evacuees have left the area, it is equally clear that a non-trivial number stayed as well. Claritas' estimate of a 5.3 percent increase is still a historically high yearly bump in the region's population.

Indeed, it is clear...that Baton Rouge was a place that actually benefited from this storm. The employment...took a distinct upward turn in 2005 and 2006. The MSA's employment rose by 20,800 jobs or 6.1 percent over this period—most of it since last September. Readers may be interested to learn that what happened in Baton Rouge was not unique. Similar employment patterns were experienced in both Hattiesburg, Mississippi and Mobile, Alabama after Katrina as they absorbed evacuees.

Forecast for 2007-08.

...We estimate that in 2007, the Baton Rouge region will add 7,600 jobs (+2.1 percent) and will follow that with an additional 7,400 jobs in 2008 (+2.0 percent). These annual employment additions represent a noticeable slowdown compared to the 11,300 jobs added in 2006. However, readers are reminded that the 2006 numbers were unusually enhanced by the one-time influx of evacuees.

Construction activities will be the primary driver behind Baton Rouge's growth over the next two years. A number of large projects are on the books including the following:

- **Shintech's** \$1 billion expansion project began this summer and should support up to 2,000 jobs over our forecast period.
- **Shaw** has announced the first phase of a large bio-fuels project at the Port of Baton Rouge. The first two plants will cost \$175 million a piece and each will support 300 construction jobs. Shaw anticipates further additions to the facility down the line, which could raise the firm's total investment as high as \$1.5 billion.
- Construction work has begun on the \$347.9 million **James Audubon Bridge** over the Mississippi River near St. Francisville. Once completed, this will be the longest cable-stayed bridge in North America at 1,582 feet.
- Construction will begin on a new **Judicial District Courthouse** during this period, a facility estimated to cost between \$60 million and \$80 million.
- **The Boulevard**—a \$70 million commercial complex near the Mall of Louisiana—will be underway over 2007-08.
- Two large office complexes are planned for the downtown area of Baton Rouge—the \$52 million **City Plaza II Tower** and the \$40-50 million **Laurel Towers/Regions Financial Center**.
- Construction will be continuing on the extensive \$300 million+ commercial/condo/apartment **Perkins Rowe** complex at the corner of Bluebonnet and Perkins.
- Ground should break over the next few months on the \$70 million **Riverplace Condominiums** on the river in downtown Baton Rouge.
- Work will be completed in 2007 on **The Crescent**—a \$45 million condominium project near LSU.



*Note that these construction projects alone will inject over **\$2 billion** into this region's economy. This does not include normal turn-around maintenance work at the MSA's huge petrochemical complexes, nor does it include on-going residential and commercial work driven by the influx of population into the region.*

*This list also does not include two other potentially huge construction jobs that are being considered. The Louisiana Department of Economic Development is working with the **Synfuels Corporation** to locate a \$5 billion facility in Ascension Parish that would employ 900 people once up and running, not counting another 300 in lignite coal mines in North Louisiana. **Louisiana Generating LLC** has secured the air permits from DEQ to build a \$1 billion expansion to its coal-fired Big Cajun II electrical generating plant near New Roads. The company is trying to put together the final package of investors to move the project forward. This mega-project would support at least 1,000 construction jobs during its peak building cycle. On a smaller scale, the **Wampold Company** is attempting to put together a \$50 million financial package to renovate the partially completed Swaggart Ministries dorm into a 4-star hotel.*

*While this construction activity will provide a substantial boost to the Baton Rouge economy, it is not clear that the area's chemical firms have completed their responses to the lingering high natural gas prices. While layoffs have definitely slowed down and the industry is largely stable now, we would not be surprised to see gradual reductions in the region's chemical workforce over 2007-08. In addition, **Georgia Pacific** has recently laid off 102 workers at its North Baton Rouge paper mill, and the union chief there says more layoffs are coming soon. The 700-person **Tembec** paper mill near St. Francisville terminated 160 employees at the end of 2005 and has been struggling with high energy prices, unfavorable moves in the exchange value of the dollar and some poor financial quarters.*

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 include 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 the positive prospects for growth in the Baton Rouge economy. Much of this growth is related to our increased population as a result of the hurricanes in 2005. Revenues for the City-Parish reflect a significant change in the Baton Rouge economy, which is illustrated by average sales and use tax growth approaching 30% in the post-hurricane months of 2005 and a growth rate of 13% for the entire year. This compares to a 3.4% average growth rate in recurring sales and use taxes for the ten-year period of 1995 through 2004. The sales and use tax contributes about 53% of General Fund sources.

It is the consensus of most observers that this growth rate is not sustainable, but there is no clear picture of what the recurring sales tax base will be in 2006 and future years. For this reason, the 2007 revenue estimate for sales and use taxes was calculated using a modified tax base. Since taxes for the year 2004 represent what is considered the last normal year, we began with collections for that year and increased them by 5% to arrive at a figure for 2005, and then applied another 5% increase to determine the modified 2006 tax base. A growth rate of 4%, which is supported by the independent revenue estimate review discussed below, was applied to this modified base for the 2007 revenue estimate.

The large increase in collections in the year 2005 and the projected collections for 2006 will result in a considerable undesignated fund balance in the General Fund at the end of 2006. The philosophy of this Administration is that this fund balance will be used to support non-recurring expenditures.

The budget process began with instructions to all entities receiving funding from the City-Parish government. Agencies funded through the General Fund were allowed to submit their requests without any restrictions. Requests were reviewed by staff, and discussions were held with various departments to clarify their need for funding.

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

INDEPENDENT REVENUE ESTIMATE REVIEW

Following are comments from James A. Richardson, John Rhea Alumni Professor of Economics at Louisiana State University, and Loren C. Scott, Professor Emeritus of Economics at Louisiana State University, on their prediction of sales and use tax revenue growth in East Baton Rouge Parish for 2007.

Forecasting revenues for any level of government is always a risky business. Katrina has increased the forecasting risk substantially. The underlying economic outlook for the City-Parish is still the major factor in determining the growth of City-Parish revenues, but Katrina has certainly altered spending patterns for families and businesses in terms of what families and businesses need and in terms of geographical shopping patterns. We will first provide our

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economic outlook for the next two years and then provide our best judgment about the possible persistence of the “Katrina” effect.

The Baton Rouge economy is driven by the petrochemical industry, two major universities, state government, a robust regional retailing market, and expanding service employment catering to local and out of area customer bases. Expected growth in each of these sectors will be related to the national economic outlook. Chairman of the Federal Reserve Board, Ben Bernanke, recently indicated the housing market was going through a “correction” and that this “correction” would reduce the expected growth in the US economy over the next two years. Most national economic forecasts suggest a continuing positive growth in the US economy. Our forecast for Louisiana accepts the projection of a growth in the US economy of about 2.8 percent in 2007.

*For 2006, based on employment information as of July 2006 and other factors affecting the economy, we project an increase in employment in the Baton Rouge Metropolitan Area of 11,300 jobs. This is an increase of 3.2 percent over 2005. In 2005, the Baton Rouge economy gained 9,500 jobs or a percentage gain of about 2.8 percent. During the 1990s, the Baton Rouge economy gained about 7,500 jobs per year; during the recession of 2000-01, the economy lost about 2,700 jobs per year. **Our projection for 2007 is that the Baton Rouge economy will grow by 7,600 jobs, an estimate in line with the growth in the 1990s, but slightly lower than the job growth in 2005 and 2006.** The bottom line is that the local economy is expected to continue to grow and this is good for the tax base of local governments.*

The complicating factor for the tax base of Baton Rouge and East Baton Rouge Parish is the Katrina effect. During the first eight months of 2005, sales tax collections for the City-Parish grew by 4.8 percent, while for the last four months of 2005 sales tax collections grew by 27.5 percent. During the first seven months of 2006, sales tax collections in the City-Parish have grown by over 18 percent. This substantial growth in the last four months of 2005 and the first eight months of 2006 suggests a sales tax base that is probably not sustainable.

*You indicated that for the Capital Improvement programs you had extrapolated a sales tax base from 2004, the last so-called normal year. We believe this is a prudent approach in assessing your capital improvement programs and anticipating revenues for 2007. You indicated you have used a growth rate of 5.0 percent for 2005 and 2006 and a rate of 3.0 percent in extrapolating sales tax collections from 2006 to 2007 on the revised sales tax base. **We believe the City-Parish could use a range of growth rates from 3.0 percent to 4.0 percent relative to the revised sales tax base for 2006.***

The Baton Rouge economy has long been a leader in economic growth around the state. The local economy is still in transition. The petrochemical industry will continue to be a major contributor to the economic vitality of Baton Rouge, but we have to put additional emphasis on other engines of economic development. The Baton Rouge metropolitan area has an array of assets that should allow it to maintain a solid economic growth over the next year and, indeed, over the next three to five years.

Based upon the advice of these experts, the proposed budget assumes a 4% growth rate for sales and use tax revenues in 2007.

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SOLID WASTE PROGRAM

The City-Parish implemented an automated residential garbage collection system in 2006, and each household received a new garbage cart. A weekly single-stream recycling program using 64-gallon wheeled carts is now being implemented, which will eliminate the need to sort various types of recyclables. Those carts are being provided to all residents that participate in the recycling program. Trash collection continues on a frequency of once per week.

This budget proposes a residential monthly solid waste user fee increase from \$12.00 to \$15.50 per household. This is the second of three phases of fee increases that will eliminate the General Fund subsidy for solid waste collection beginning in the year 2008. Some subsidies from the General Fund and Consolidated Garbage District will remain in effect during 2007. The 2.55 mill property tax levied in the Consolidated Garbage District during 2006 will be eliminated as of December 31, 2006.

CITY OF CENTRAL

The City of Central became a local government as of July 11, 2005, subsequent to an affirmative vote of its citizens and the appointment of a mayor and council members by the governor. The creation of this city affects the City-Parish consolidated government by reducing certain General Fund revenues. The impact will be a reduction of about \$4.6 million per year of parish revenues in the categories of sales taxes, occupational license taxes, public utility taxes, and a variety of minor items.

The City-Parish has contracted through an intergovernmental agreement to provide services to the City of Central at substantially the same level as provided prior to its incorporation. The City-Parish is compensated for these services under the agreement by continuing to receive 90% of the 2% general sales and use tax that is levied in the City of Central. This arrangement will continue until the new city is able to organize its management and acquire these services through other providers. The proposed budget assumes a continuation of this arrangement throughout 2007.

FULL-TIME EQUIVALENT POSITIONS

The number of full-time equivalent (FTE) positions for all funds in the government increased by a net of 90.25 in the 2007 budget. There are 54.45 additional FTE positions in the General Fund (including one transferred from the DPW-Sewer Fund), and 35.8 additional FTE positions in special funds. The total increase reflects a 2.1% change when compared to the 2006 budget. This compares very favorably to the growth in population in East Baton Rouge Parish if you accept the estimate that the Parish's post-hurricane population grew by 50,000 people, which calculates to a 12% increase over the 2005 population.

The Police Department, Fire Department, Department of Public Works, and Emergency Medical Services received 67.25 of the new FTE positions. Adding 75% of new positions to these departments reflects the Administration's commitment to Public Safety.

EMPLOYEE COMPENSATION

The 2006 budget addressed police pay in order to bring their compensation up to a comparable level with other cities the size of Baton Rouge. In this budget, we focused on other areas where pay has become an issue in

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recruiting and retaining employees, as well as other issues of equity in pay. Large numbers of employees have been hired and trained in various departments in past years, only to have them take that knowledge and experience with them as they moved to more lucrative jobs. This is particularly true in technical professions such as finance and information technology. The clerical, fiscal, and support classifications have also been difficult to maintain. The post-Katrina labor market for the Department of Public Works' maintenance and trades personnel has left the City-Parish with over 100 vacancies in these areas. The proposed budget takes a step towards slowing these losses and making the City-Parish more competitive by increasing pay in these classifications.

During 2006, a reorganization of the Department of Public Works was completed. As part of this reorganization, pay was adjusted for many classifications. The 2007 budget provides funding to reflect these changes.

In the Finance Department, beginning pay for entry-level professionals will be increased to approximately \$40,000. This will allow them to compete with the ever-increasing salaries of graduates. The demand for employment in the accounting and auditing fields has spiked in the fallout of corporate scandals and passage of the Sarbanes-Oxley Act, which increased both standards for compliance with accounting standards and the penalties for non-compliance.

Personnel in the field of information technology have also been in great demand, and our salaries have not been competitive. The workload for our Information Systems Department is growing dramatically, and it is very important that they maintain an adequate and capable staff.

The clerical, fiscal, and support series were studied in 2006 in an effort to reduce turnover and frequent movement within various departments, which is inefficient and detrimental to productivity. The study involved 51 different classifications that affected 608 allotted positions. The average increase proposed in this budget for these classifications is two pay levels.

In September of 2006, all municipal fire employees received a 4% pay increase. This budget includes an additional \$1.3 million over the 2006 budget to provide for the annual cost of this pay raise. The raise is funded by the General Fund and special property tax fund that is dedicated for fire employees' salaries. These changes brought their pay up to the average of the 17 benchmark jurisdictions studied on the basis of total compensation.

EMPLOYEE BENEFITS

Health Insurance

An 8% increase in premiums for both the City-Parish and employees is proposed for the health insurance program in 2007, with no change in benefits, co-payments, or deductibles. We will continue our premium cost sharing at 75% for the employer and 25% for the employee for single coverage, and 55% for the employer and 45% for the employee for all dependent coverage. The General Fund will use insurance reserve funding for excess claims should the total premium income fall short of total expenses in 2007.

Dental Insurance

The City-Parish will move from a self-insured dental insurance program to a fully insured program in 2007. Starmount Life Insurance Company will be the provider for the program and will offer a two-tier plan.

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Employees may choose either the basic Silver Plan that would provide a premium reduction as compared to the current plan or the more comprehensive Platinum Plan with premiums very similar to those under the current plan. Cost-sharing will continue at the current levels with the employer paying 52% of the premium and the employee paying the remaining 48%.

Retirement Contributions

The 2007 employer's contribution rate to the City-Parish Employees' Retirement System was certified at 19.15% by the system's Board of Trustees, which is the rate recommended by our actuary. This budget provides funding at that level, which is a .27% increase over the 2006 employer's contribution rate. This is a significant accomplishment since economic factors did not permit funding at the level recommended by the actuary until 2006. The employee contribution rate will remain at 9.5% in 2007.

The transfer of law enforcement personnel to the Municipal Police Employees' Retirement System (MPERS) shifted responsibility for payment of their pension to that system. However, the City of Baton Rouge is required to make employer contributions to that system. Effective July 1, 2006, the employer contribution rate to that system decreased from 16.25% to 15.50%. This change results in a savings in the General Fund of \$263,320 in 2007.

Post-Employment Benefits

The rate for post-employment benefits in 2007 will be 8.4%, which is up from 7.0% in 2006. The Governmental Accounting Standards Board issued Statement Number 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, and Statement Number 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. Post-employment benefits for the City-Parish consist of health, dental, and life insurance benefits for retirees. The statements require that the City-Parish determine the future liability associated with these benefits and record them on an actuarial basis similar to the way we account for the City-Parish Employees' Retirement System. An actuary has been engaged to assist us in complying with these new standards, which must be implemented in financial statements for the year ending December 31, 2007.

All Fund Summary

The proposed budget for the year 2007 for all funds, exclusive of operating transfers between funds, totals \$621,310,990. This is an increase of 4.49% or \$26,680,750 from the year 2006. The chart below and the graph in Figure 1 that follows depict the total annual operating budget by fund type for 2007. Major changes in proposed funding are also discussed.

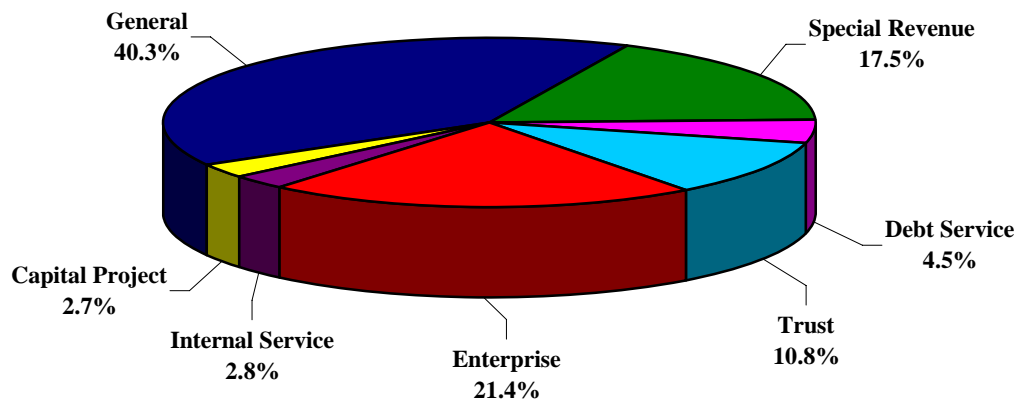


**APPROPRIATIONS – ALL FUNDS
2007 COMPARED TO 2006**

Fund Type	2006	2007	2007 Budget Over	
	<u>Budget</u>	<u>Budget</u>	<u>(Under) 2006 Budget</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
General	\$ 234,789,720	\$ 253,685,630	\$ 18,895,910	8.05%
Special Revenue	119,663,400	110,116,260	(9,547,140)	-7.98%
Debt Service	21,861,880	33,665,020	11,803,140	53.99%
Capital Project	26,719,870	22,419,920	(4,299,950)	-16.09%
Enterprise	141,866,060	144,046,710	2,180,650	1.54%
Internal Service	14,117,890	17,233,790	3,115,900	22.07%
Pension Trust	65,771,250	67,326,300	1,555,050	2.36%
Subtotal	624,790,070	648,493,630	23,703,560	3.79%
Less: Transfers Between Funds	(30,159,830)	(27,182,640)	2,977,190	-9.87%
Grand Total	\$ 594,630,240	\$ 621,310,990	\$ 26,680,750	4.49%

FIGURE 1

**TOTAL ANNUAL APPROPRIATIONS BY FUND TYPE
(Excluding Transfers Between Funds)
\$621,310,990**



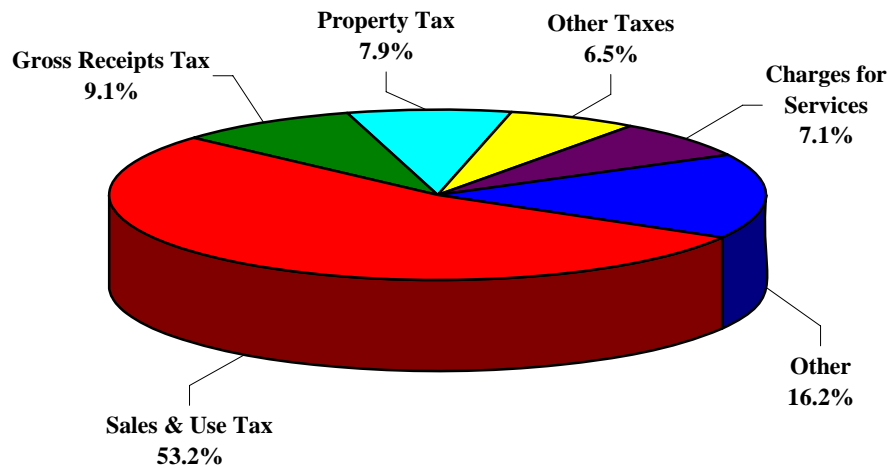
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General Fund

As shown in Figure 1, the General Fund makes up 40.3% of the total City-Parish budget for the year 2007. 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 2, include the sales and use tax, gross receipts tax, and property tax.

FIGURE 2
GENERAL FUND FUNDING SOURCES
\$253,685,630



Significant changes in General Fund funding sources include the following:

GENERAL FUND	Increase (Decrease)
REVENUE GROWTH:	
General Sales & Use Tax - 4% Increase over Adjusted 2006 Base	\$ 10,281,850
General Property Tax - 3% over 2006 Projected	1,037,920
Gross Receipts Business Tax - 4.5% over budget; Aligned with Utility Expense Assumption	1,010,550
Reduction in Debt Service for Sales Tax Bonds that Matured	1,005,580
Interest Earnings	850,000
City Court - Civil Fees, Court Costs, Fines & Forfeitures	659,000
Other Taxes - Occupational License, Interest & Penalties	592,000
Increase Delinquent Tax & Fee Collections to Equal Collection Division Expenses	240,750
LSU Football Game Overtime Increase	173,000
On-Behalf Payments Including State Supplemental Pay	131,690
Coroner Revenue (Bring Back In-House)	100,000
Other Revenues - Licenses & Permits, Charges for Services, Fines	719,590
TOTAL REVENUE GROWTH	<u>\$ 16,801,930</u>

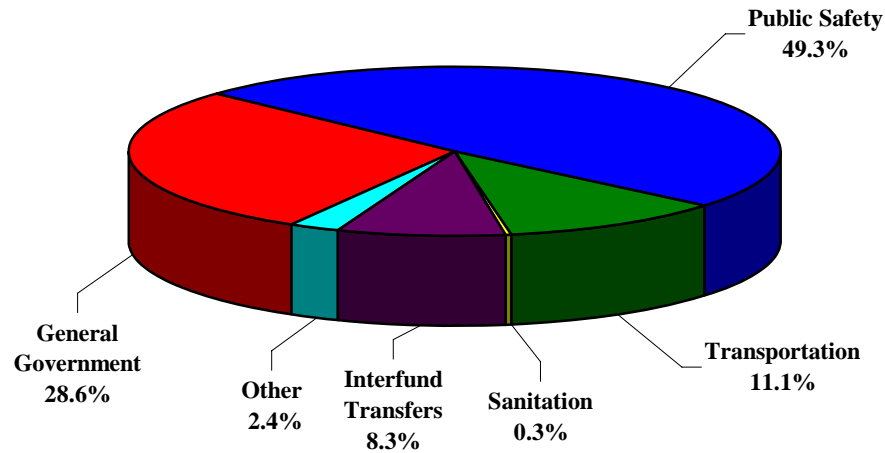
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Total appropriations for the General Fund Annual Operating Budget increased by \$18,895,910 or 8.05%, compared to the 2006 budget. Our commitment to public safety continues as shown in Figure 3 with nearly 49.3%, or \$125,088,770 of the 2007 budget proposed for that function. In addition to this amount, \$4,193,500 is provided for capital needs in the Police and Fire Departments. These items are budgeted in Capital Project Funds.

FIGURE 3

**GENERAL FUND APPROPRIATIONS
BY MAJOR FUNCTION
\$253,685,630**



Significant changes in General Fund appropriations are shown below:

APPROPRIATION CHANGES:	<u>Increase (Decrease)</u>
Continuation of Existing Programs:	
Fire 4% Pay Raise Effective September 1, 2006	\$ 1,180,000
Increase in Public Building Utilities	1,198,430
Fuel and Vehicle Maintenance	1,110,510
Post Employment Benefits - Increase from 7% of payroll to 8.4%	2,057,140
Health Insurance - 8% increase	1,338,400
Normal Merit, Longevity, and Pay Grade Adjustments	1,182,920
River Center (Includes Utility Increases & Rental Waivers of \$310,000)	630,050
Increase in Workers' Compensation Claims	612,310
Equipment Use Charge (Primarily DPW Motor Vehicles)	389,350
Risk Management - Self-Insured and Policy Increases	375,350
Maintenance of Buildings and Equipment	372,140
Increase in Severance Pay - Police & Fire	309,270
Parish Attorney - Collections Division Created in 2006	240,750
Communications Expenses	157,270
On-Behalf Payments, Including State Supplemental Pay	131,690
Collection Cost	140,050

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	Increase (Decrease)
APPROPRIATION CHANGES (Continued):	
DPW Reorganization - 2 Additional Positions Added in 2006	\$ 135,330
Planning Commission - Planner Added in 2006	38,180
Public Information - Continuation of Metro 21 Additional Programming	30,000
SCORE, Teach for America Contracts Approved in 2006	25,000
Replacement Equipment & Supplies - Police	178,000
Replacement Equipment & Supplies - Fire	349,000
Replacement Equipment & Supplies - DPW	198,400
Other Recurring Departmental Equipment	409,060
Other Supply & Contractual Services Increases	194,320
Policy Changes:	
Reduction in Solid Waste Subsidy, Increase User Fee by \$3.50 month	(2,750,000)
Public Defender to Fund 100% of Health Benefits of his Employees	(223,040)
Program Enhancements:	
Police New Positions - 25 Officers and 9 Civilian Allotments	1,049,620
Police Mounted Patrol - Horse Trainer, Vet Services, and Feed	53,260
DPW - Traffic Engineering 15 and Building Maintenance 6 Positions	657,510
DPW - 311 Call Center Representatives (2) and Clean Air Coordinator	101,790
Fire New Positions - 6 New Positions	307,740
Finance - Professional Pay Enhancements	265,610
Information Services - 6 Technology Positions & Pay Adjustments	315,740
Human Resource - 3 Professional Positions	137,880
Parish Attorney - Risk & Claims Management Division (3 Add'l. Positions)	111,080
Clerical, Fiscal, Support Pay Raise	471,010
Conversion to a January 1st Merit Date	263,800
Pay of Temporary Employees and Student Workers	244,910
Increase in Overtime-Police, Fire, & DPW	995,080
Constitutional Offices, excluding Coroner	489,170
Coroner - Cremations, Emergency Certificates, Autopsies, & Janitorial	235,660
Other Employee Benefits - Primarily Retirement and Social Security	280,610
Human Resources - Employee Service Awards	75,000
Animal Control - Vet Tech, Saturday Adoption Services, and Other Costs	114,010
Outside Agencies Enhancements	
Capital Area Transit System	507,020
Family Violence Intervention - Battered Womens Program	65,050
Downtown Merchant Association-Live after 5 Concerts	40,000
YWCA - Dialogue on Race (In Human Resources)	10,500
Total Appropriation Changes	16,801,930
Fund Balance to be include in 2007 Budget to Fund Projects Listed Below	7,120,100
Less: Fund Balance Included in 2006 Budget	(5,026,120)
Total Increase in 2007 Budget Over 2006 Budget	\$ 18,895,910

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All departments were asked to submit a budget that funds the department for optimum operations in the most efficient manner. In addition, several capital and one-time items were funded and are itemized below. The source of funds for these expenditures is the surplus existing at the end of 2006.

<u>Department/Program</u>		<u>Department Total</u>
FROM FUND BALANCE - UNDESIGNATED		
Police:		
Vehicles	\$1,000,000	
Driving Simulator	<u>105,000</u>	\$1,105,000
Fire:		
Replacement of Stations	2,562,500	
Pumper Truck	315,000	
Communications Consoles	40,000	
Robot, Vehicles (10), Stair Climbers (2)	<u>171,000</u>	3,088,500
Rural Life Museum:		
Funding to Help Enhance Exhibits and Programs		100,000
City Constable:		
Automated Fingerprint Identification System		80,000
Juvenile Services:		
Copier and Shredder for Probation	23,000	
Mini-Van and Copier for Detention	<u>33,000</u>	56,000
Public Works:		
Capital for Traffic Engineering:		
LED Bulbs, Video Detection Camera System	600,000	
School Flasher System	200,000	
Computers and Street Improvement Projects	301,600	
145 Additional Seasonal Workers	1,089,000	
Priority Building Improvements:		
Improvements at Lots	270,000	
Energy Management	<u>230,000</u>	<u>2,690,600</u>
TOTAL FROM FUND BALANCE UNDESIGNATED		<u>\$7,120,100</u>

MAJOR DEPARTMENTAL ITEMS

POLICE DEPARTMENT

Twenty-Five New Officers

The Police Department did not envision the changes that the hurricanes during the past year would bring to the State of Louisiana, and particularly, to the City of Baton Rouge. The specific population increase has yet to be determined by statisticians, but all agree it was substantial.

The average response time to low priority calls as of July of 2006 has expanded to almost 23 minutes. The Police Department would like to reduce this time to 15 minutes. To accomplish this, they must look at resource issues such as the number of officers available for calls on each shift.

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The increase in workload, demand for services, number of special events, prisoner transport duty, desk duty, and specially requested neighborhood patrols have led the department to request additional officers. Technology has been used to manage growth during the past eight years, but additional officers are now needed. This budget includes funding for 25 additional Police Officers.

Mounted Patrol

A four-member Mounted Patrol will be initiated in the last quarter of 2006. Its mission will be to supplement the Uniform Patrol with its unique ability to patrol and respond in areas that cannot be accessed by a patrol car. This includes downtown, the river levee, and the bike path, all of which have a growing daytime population.

The number of festivals and events has increased in recent years, and they have drawn hundreds of thousands of spectators around Baton Rouge. This has added to the workload associated with activities such as football games. The Mounted Patrol can work within these crowds and respond to critical incidents. It is also an excellent tool for crowd control.

Additionally, a Mounted Patrol is an excellent public relations tool. The horses draw attention from admirers of all ages and create an opportunity to build relationships with children.

Two Forensic Scientists

Funding is provided in this budget for two forensic scientists who will work in the Louisiana State Police crime lab. Their sole function will be to analyze cases submitted by the Baton Rouge Police Department, a task currently performed by state personnel. The Baton Rouge Police Department submits over 3,300 cases annually for analysis. By employing these scientists, the City-Parish should receive expedited results related to the identification of suspects.

Two Evidence Technicians

Adding two civilian Evidence Technicians in the Police Department will allow them to place two Police Officers back on the street and will result in a more cost-effective operation. A large portion of the assignments in the Evidence Room are record maintenance, processing of court orders, funds management, warehousing, crime lab preparation, and disposal of evidence and property. These are tasks that can be performed by civilian employees.

School Crossing Guards

Five additional School Crossing Guards were added in July of 2006 due to the opening of new schools and the increased number of children attending school in the City of Baton Rouge since Hurricane Katrina. This budget provides five more School Crossing Guards, as the East Baton Rouge Parish School Board anticipates opening additional schools for the 2007-2008 school year.

Capital Outlay

Each year the Baton Rouge Police Department requests 150 vehicles and ten motorcycles in order to maintain the fleet replacement program on a three-year cycle at an annual cost of approximately \$3.2 million. The City-

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Parish has received a tremendous response when auctioning surplus vehicles, and motorcycles have been purchased at over 70% of their original price at the auctions.

This budget provides \$1 million for the purchase of 50 vehicles. The remaining needs for the purchase of Police Department equipment will be met by using carry forward funds assigned to the Police Department.

Handheld Ticket Writers

An additional 35 handheld ticket writers will be purchased to complement the initial 15 purchased in 2006 to assist in traffic enforcement. These devices reduce data entry labor and also reduce errors. They provide a quicker and easier method for Police Officers to write tickets, and the data from the unit can then be transferred to City Court's case management system at the end of the officer's shift. An offender who pleads guilty may pay his ticket online, by telephone, or by appearing at the courthouse without the lengthy delays experienced with manual tickets. The cost of these units is \$184,000 and is included in the City Court budget in the General Capital Expenditure Fund.

Overtime

The total amount provided for overtime in the Police Department budget for 2007 is \$5,158,230. The department is experiencing a very low number of vacancies, which increases overtime costs on holidays because of the additional number of officers working. More reports and citations are also being written, which increases overtime related to court appearances.

FIRE DEPARTMENT

As a continuation of the Administration's commitment to public safety and to improve the Fire Department's ability to better serve our community, this budget contains several enhancements as indicated below.

Three Fire Equipment Operators will be used to operate an additional service unit. This unit will provide needed rehabilitation to fire fighters, fire fighting supplies, and a portable cascade system that will provide the ability to fill empty air bottles on the scene of a working fire. Additional traffic on roadways and an increase in the number of fires during the past year have created a need to add this unit to decrease response times.

The addition of one Fire Apparatus Technician (mechanic) will assist in managing the increased workload that is being experienced in the mechanic shop. A Fire Apparatus Technician has not been added in the Fire Department since 1978. Since that time, several stations, fire trucks, and support vehicles have been added to the department. Maintaining a current preventive maintenance schedule reduces down time and increases the longevity of equipment, thus saving tax dollars.

Adding one Assistant Fire Prevention Chief will aid in the coordination of new construction inspections, building permits, and fire hydrant approvals. This person will also be responsible for directing and reviewing the daily activities of fire inspectors during any absence of the Chief of Fire Prevention.

The new Assistant Chief Fire Investigator will assist the Chief Fire Investigator with planning, organizing, and directing programs related to fire investigations. The Assistant Chief will also respond to fire alarms and suspicious fires. He will supervise and review the work of Fire Investigators and any other personnel assigned

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to assist with investigations. Since this division lost two positions due to funding reductions in prior years, and since the area covered for investigations has been expanded to a majority of the parish, a backlog of follow-up work has occurred. Adding this position will increase the department's ability to locate and arrest individuals responsible for the criminal act of arson. This will increase convictions of arsonists in our community, leading to a safer environment for our citizens.

There are presently five fire stations over 50 years old. The 2006 budget included funding for the replacement of one station – Rosenwald Road Station #16. The 2007 budget includes funding for replacing two additional stations. This will modernize facilities and increase the flexibility to provide services to the citizens of Baton Rouge. The stations to be replaced will be determined by operational and Property Insurance of Louisiana concerns.

The replacement of a 12-year-old pumper truck will assist in keeping the front-line apparatus up-to-date with the newest technology available.

DEPARTMENT OF PUBLIC WORKS

Reorganization

In the summer of 2006, an independent study of the Department of Public Works was completed. The goals of the study were to reorganize the department in order to improve customer service and increase efficiency. Over 250 people were interviewed, including Public Works employees, representatives from other departments, individuals using departmental services, and civic leaders. Many of the recommendations outlined in the study have been implemented, including establishing senior leadership and workforce development teams, a division dedicated to complaint resolution, and a capital improvement office. A nation wide search was completed for an Urban Transportation Coordinator to improve the planning functions within the department, and all engineering functions have been consolidated. The department is in the process of developing master plans for all operation and maintenance activities, training and education, and mapping processes to assist in web-enabling some of the most important interactions with the community such as subdivision review and contract administration. As recommended in the study, the 2007 pay plan and personnel allotment will be adjusted to address the compaction of the salary scale for positions in the maintenance worker series, as well as the addition of a Maintenance Worker III classification for positions requiring special skills.

Street Sweeper Enhancement

The 2007 budget includes a full year of funding for the enhancement of the street sweeper program. In the fall of 2006, two additional operators and street sweepers were authorized. This increased the number in operation from three to five. The hours of operation added will assist with our commitment to clean City-Parish streets and enhance beautification.

Seasonal Workers

For many years, the Department of Public Works has employed seasonal workers in order to provide more manpower during the peak growing season. These employees increase productivity by providing hand labor to supplement street maintenance operations by picking up litter and trash before mowing operations. These workers also clean storm drains and remove trash and loose material from ditches. This reduces the volume of floatable debris that can build up and reduce capacity at pipe crossings, bridges, and culvert entrances. Funding

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for 72 employees in the amount of \$502,560 is included in the base budget, and funding for 145 employees in the amount of \$1,089,000 is included in the supplemental budget.

Additional Manpower

Twenty-five positions are being added and three positions are being deleted in the Department of Public Works, for a net increase of 22 positions as indicated below.

- Fifteen positions are being added to the Traffic Engineering Division. These include five engineering positions and ten traffic signal technicians. This request for additional staffing is based on a mandatory operations and maintenance plan which was developed for the Federal Highway Safety Commission. The additional traffic engineers and engineering technicians are needed to adequately staff the Advanced Traffic Management Center and to expand the hours of operation in accordance with our agreement with the Federal Highway Administration. They will be used to adjust traffic signal timings in response to changes in traffic brought on by day-to-day traffic conditions, as well as natural and manmade incidents. The additional traffic signal technicians are needed to adequately maintain the number of traffic signals in the City-Parish.
- Six additional trades positions in the Building Maintenance Division are needed to handle the increased workload brought on by the addition of over 500,000 square feet of maintainable space over the past ten years.
- A Sustainability and Renewable Energy (Clean Air) Coordinator is being added to promote alternative fuels and advanced technologies in order to reduce petroleum consumption and improve air quality in the Baton Rouge area.
- Two positions will be added to take calls at the 311 Call Center.
- One Heavy Equipment Operator is being added to assist in the removal of trash and debris in public areas.
- Three positions in the Sewerage Operations and Maintenance Fund are being deleted.

An increase of approximately \$210,000 is included for overtime costs associated with the inspection of upcoming construction projects, special events, and beautification initiatives.

Other Traffic-Related Initiatives

Funding in the amount of \$250,000 is provided for the continuation of the Light Emitting Diode (LED) Replacement Program. This program will allow Traffic Engineering to replace the existing incandescent 135-watt bulbs with 14-watt LED indications in City-Parish traffic signals. Although these LED indications have a higher up-front cost, the savings realized in utility costs and manpower costs due to a less frequent replacement cycle are substantial. Additional benefits are that these are much brighter and ultimately create safer intersections, limiting liability and enhancing public safety.

The 2007 budget includes \$350,000 for the purchase of video detection systems for 20 intersections to increase traffic signal efficiency. These systems will allow for computerized monitoring of intersections, faster repairs of malfunctioning detector loops without having to close lanes, and vehicle counts by lane. The information provided is used by traffic engineers to increase traffic signal efficiency through traffic-related impact studies, monitor hurricane evacuation routes, and automate the retiming of the signals. This data will also be available to the public via the worldwide web early next year.

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Funding in the amount of \$200,000 is included for the first phase of the replacement of the aging school flasher system with state-of-the-art equipment. The second phase of this project, also costing \$200,000, will be funded in 2008. The system will enhance the safety of our school children, reduce the amount of power consumed, and free up manpower for other traffic system maintenance needs. The upgrade of the school flasher system will also allow remote changing of school flashers in order to account for changes in the school year release times such as early release days, and thus will enhance the safety of children walking to school.

Priority Building Improvements and Capital Outlay

An issue addressed by Public Works employees in the reorganization process was the need to upgrade some of the maintenance facilities. Included in the 2007 budget is \$150,000 to pave the three maintenance lots and \$120,000 to construct a metal building at the south lot.

Funding for energy lighting upgrades of various City-Parish buildings of \$160,000 is also included, as well as \$70,000 for energy management controllers, programming, and training. Twenty-five buildings have been analyzed for reduction of electric and gas utility usage. It is anticipated that utility costs can be reduced 30%-50% compared to present usage by installing energy management controllers to regulate HVAC equipment and replacing old high-wattage lighting fixtures with modern lower-wattage lighting fixtures. Annual savings from these changes are estimated to be between \$100,000 and \$200,000.

Other capital outlay items funded are \$10,000 for computer equipment, \$30,000 for traffic engineering equipment, and \$261,600 for street improvement projects.

311 Call Center

Citizens can now use a simple three-digit telephone number to request service or make inquiries about available services. The 311 Call Center was first opened in order to assist with the transition from a manual to automated garbage collection process in early 2006, and was later expanded to include all Public Works related complaints. In October of 2006, the center began taking calls on behalf of the entire City-Parish government. Representatives answering calls provide information and forward service requests to the appropriate department through the use of state of the art technology.

HUMAN RESOURCES

Performance Management Appraisal System

Beginning in January of 2007, employees' work performance will be evaluated under a new appraisal system. It will be a structured form of performance management designed to evaluate the performance of employees and to encourage their development. An open line of communication will be promoted between supervisors and employees that will establish performance expectations and acknowledge an employee's accomplishments.

The rating cycle will begin each January when the employee receives their annual performance expectation plan. During the month of June, a mid-year "non-rated" review reflecting their performance up to that date will occur. Finally, a year-end performance review will be completed and discussed with the employee by December.

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The current two-tier rating scale will be expanded to four tiers, which will include “Poor,” “Needs Improvement,” “Meets Requirements,” and “Exceeds Requirements.” A “Poor” rating makes an employee ineligible for a merit increase, transfer, or promotion for a 12-month period, and failure to improve job performance within 90 days will result in the employee’s termination. A “Needs Improvement” rating places these same restrictions on an employee for a six-month period, at which time he or she will be re-rated. Upon re-rating, an employee who improves their job performance by advancing to a higher rating level will be eligible for a merit increase, may be considered for promotion, and may be allowed to transfer only within his or her department for the remaining six months of the rating period.

Americans with Disabilities Act Task Force

A task force has been assembled to assist in fully integrating individuals with disabilities into all aspects of community life. A diverse group of participants will serve on the task force, including representatives from several City-Parish departments, the Governor’s Office of Disability Affairs, Capital Area Transit System, and people with disabilities.

The guiding principles of the task force relative to barriers for people with disabilities are as follows:

- Being responsive to people with disabilities.
- Making the City of Baton Rouge and Parish of East Baton Rouge a showplace for compliance with the Americans with Disabilities Act.
- Serving as a policy advisor to the Mayor-President and Metropolitan Council.
- Reviewing and reacting to government activities.
- Encouraging community involvement.
- Promoting pedestrian safety and access to all public streets.
- Ensuring that all public buildings, facilities, services, programs and activities are in compliance with ADA Regulations.
- Developing disability awareness and educational outreach programs.
- Promoting the inclusion of disabled persons in the City-Parish’s emergency and disaster preparedness plans.
- Addressing unmet transit needs.
- Creating a barrier-free community.

Anyone with requests, complaints, or grievances will have access to the City-Parish and task force through an interactive Internet web page, the 311 call center, and individuals on the task force. Topics of concern may include employment, structural accessibility, parking, barrier removal, accommodations, and City-Parish programs, services, and activities.

PARISH ATTORNEY’S OFFICE

Risk and Claims Management Division

The Risk and Claims Management Division of the Parish Attorney’s Office is being reorganized in an effort to identify, measure, and minimize exposures to losses due to accidents and other unforeseen events. Losses can be reduced through activities including education, training, data analysis, insurance compliance, and claims adjusting. The goal is to achieve public safety as it relates to personal, physical and property damage.

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Recognizing and acting upon opportunities, as well as working to minimize losses, can help shape fundamental risk management goals.

The Division will have a full-time Safety Officer who will be the point of contact for all City-Parish departments. This person will implement and coordinate a comprehensive safety program for the City-Parish and will ensure a uniform safety initiative across all departments. He or she will also be responsible for the investigation and evaluation of processes, facilities, and equipment to identify and eliminate potential hazards or dangerous conditions.

Currently, safety policies and procedures are addressed by each individual City-Parish department. This has been problematic, especially in the area of workers' compensation. A positive perspective towards risk management effectiveness, with a commitment from the top down, will help to successfully achieve the goal of overall loss prevention. The Risk and Claims Management Division estimates that it can generate savings of \$200,000 in 2007 as compared to the amount spent in 2006.

New Collections Division

A Collections Division was created in 2006 to implement a consolidated and unified system to collect delinquent accounts for various City-Parish departments and agencies. Under the direction of the Office of the Parish Attorney, it will fairly, compassionately, and consistently pursue the collection of delinquent accounts related to fines, liens, service fees, NSF checks, tickets, medical services, and other sources of funding.

Items will be analyzed and examined to consider their own unique factors and delinquent histories. While aggressive and consistent methods will be pursued, a certain level of understanding will be required in cases where constituents are unable to pay due to circumstances beyond their control. The focus will be on accounts that have substantial past due amounts and the elimination of as much delinquent debt as possible. The collaborative efforts of this section and various City-Parish departments will produce positive results that will provide additional operating revenues for the General Fund and a number of special funds.

INFORMATION SERVICES

Six additional positions were provided to the Information Services Department in this budget, including one transferred from the DPW Sewer Fund. The department's focus is not just to maintain the status quo, but to leverage technology to create strategic advantages in services for both the City-Parish government and our citizens. The new positions will be beneficial to various activities as indicated below.

Beginning in 2007, the Information Services Department will assume responsibility for the Mobile Data operations of the Baton Rouge Police Department. This will increase the workload related to personal computer support for an additional 500 laptop computers. The addition of two Network Technicians will allow the Baton Rouge Police Department to assign two uniform Police Officers to other law enforcement duties.

The addition of two Project Manager positions will provide assistance in managing geographical information system applications and a variety of requests from departments throughout the City-Parish. This will also make a group leader available for new applications development and provide a Database Manager to assist with database functions, ensuring a backup role that does not currently exist. One additional Senior Programmer will provide programming functions for all new development in the area of web services. Also, one position was

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transferred from DPW Sewer Operations and Maintenance to assist Information Services with the 311 Call Center System.

Adding these positions will allow the Information Services Department to address requests for services from various departments. In 2007, the City-Parish will embark upon new techniques that require new skills and more training for both current and new employees. With the changes in this budget, the Information Services Department will be in a position to move the government into a new age of web services and improve the government's service relationship with its citizens.

ANIMAL CONTROL CENTER

A Veterinary Technician position was added to the Animal Control budget for 2007. Professional veterinary treatment and care is continuous for owned or stray animals relative to cruelty, dog fighting, and injured or sick animals. The demand has increased recently due to demographic changes in East Baton Rouge Parish. Providing the Veterinary Technician will provide for the assessment and care of animals when the part-time Veterinarian is not present and will ensure a reduction in both suffering and euthanasia.

Funding in the amount of \$10,000 has been included to allow the Center to remain open two Saturday mornings per month. This will provide more convenient hours for adopting individuals to select a companion animal, increase adoptions, and have a positive public relations impact.

The Animal Control Center has worked with the LSU School of Veterinary Medicine and local veterinarians to allow either annual or triennial anti-rabies vaccinations of companion animals in 2007. Proposed adjustments to the registration fee will result in an increase in funding and the digital imaging of registration records will create a more efficient licensing process.

CITY CONSTABLE

The Baton Rouge City Jail is equipped with an Automated Fingerprint ID System that is used in the booking and identification process for prisoners. The current machine is approximately nine years old and will no longer be compatible with the State Police Data Bank by the end of 2007. The manufacturer of the equipment has also provided notification that they are migrating to a newer generation of equipment and will not guarantee the availability of replacement parts or software support beyond the year 2006. This budget includes \$80,000 for the purchase of a new Automated Fingerprint ID System.

CAPITAL AREA TRANSIT SYSTEM

Funding in the amount of \$2,150,000 has been provided in this budget from the General Fund to subsidize the operations of Capital Area Transit System. This is equivalent to the total General Fund subsidy to that agency in 2006. It will also receive funding in 2007 from the Parish Transportation Fund in the amount of \$1,147,200 and about \$950,000 from the state shared hotel/motel tax that is dedicated to the agency by law.

A proposal is currently under consideration to engage a transportation consultant to perform an assessment of current and projected financing, operating, and planning needs for Capital Area Transit System that will better prepare the City-Parish to support regional transit services. In addition, the assessment will review financial requirements for transit service expansion proposals in the region in conjunction with ongoing system



operations, maintenance, and capital replacement needs. The consultant will recommend the next steps that should be taken relative to mass transit.

Special Funds

Approximately 40.3% of spending authorized in this budget relates to the budgets for general operations, as reflected in the General Fund. The remaining 59.7% 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. Highlights of selected funds are discussed below.

SOLID WASTE FUNDS

Solid Waste Collection Fund

The City and Parish portions of the solid waste collection program are consolidated in the “Solid Waste Collection Fund.” The program is funded from a combination of user fees paid by residents and subsidies from the City General Fund and the Consolidated Garbage Service District.

Total financial resources and the proposed use of funds for the program are shown in Figures 4 and 5 below.

FIGURE 4

SOLID WASTE COLLECTION FUND
SOURCES OF FUNDS
\$30,786,900

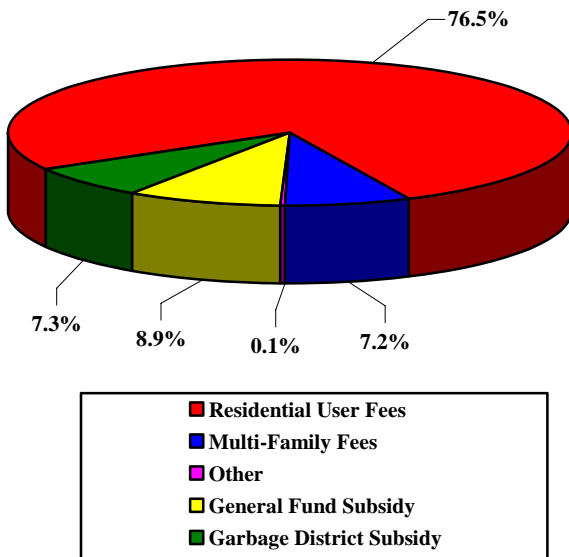
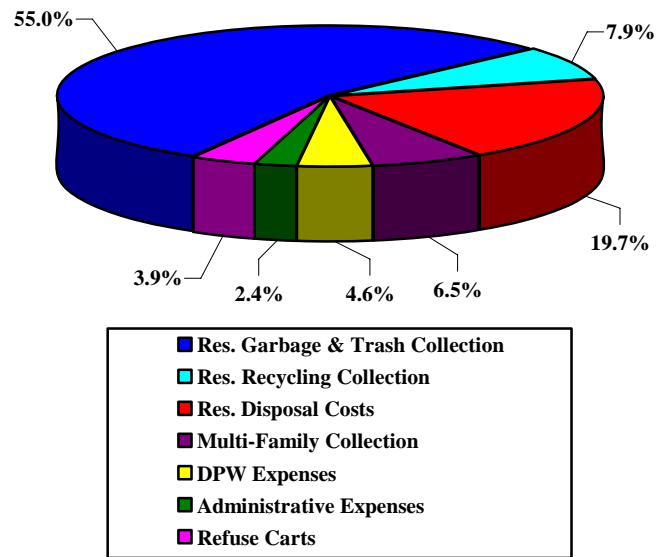


FIGURE 5

SOLID WASTE COLLECTION FUND
USES OF FUNDS
\$30,158,930



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Solid Waste Disposal Fund

The Solid Waste Disposal Fund accounts for activity at the sanitary landfill and administration of waste diversion programs. These activities include the disposal of residential and commercial waste, recycling administration, a portion of environmental compliance, postclosure, and debt service payments.

Sources and proposed uses of funds are as indicated below in Figures 6 and 7.

FIGURE 6

**SOLID WASTE DISPOSAL FUND
SOURCES OF FUNDS
\$12,148,000**

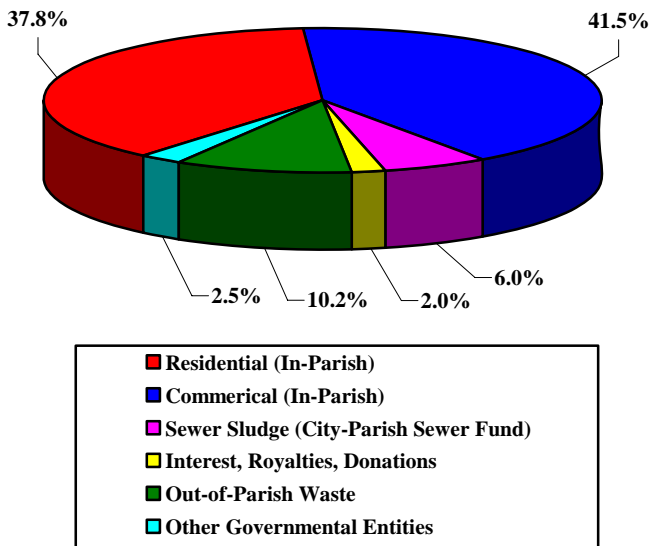
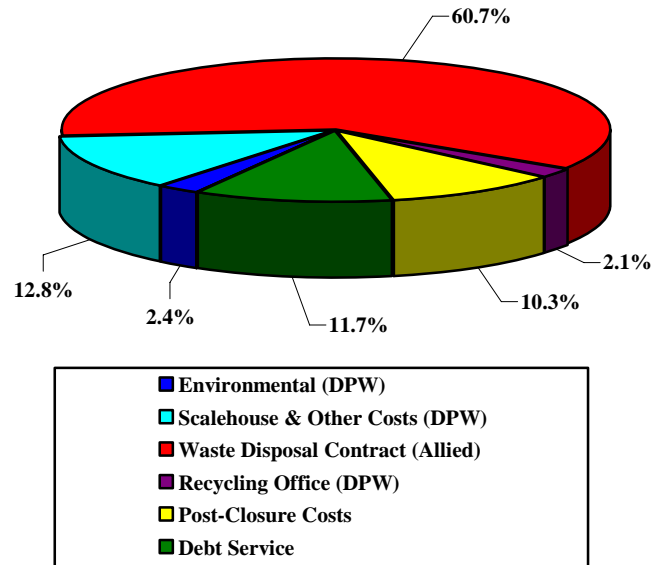


FIGURE 7

**SOLID WASTE DISPOSAL FUND
USES OF FUNDS
\$11,508,620**



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 sewer user fees, a one-half percent sales and use tax, sewer impact fees, and a \$4 million annual subsidy from the General Fund. 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.

Total financial resources for the sewer system operating budget and the uses of these funds are illustrated in Figures 8 and 9. The General Fund/Other category includes the General Fund subsidy, interest earnings, and other miscellaneous fees. Any excess sources are transferred to the Sewer Capital Improvements Program.

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FIGURE 8

SEWER OPERATIONS SOURCES OF FUNDS \$103,001,650

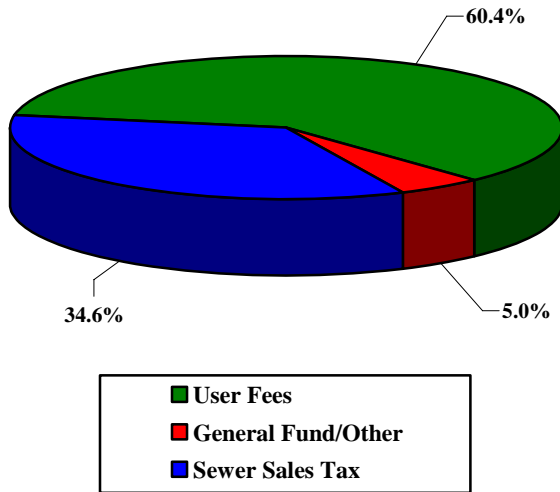
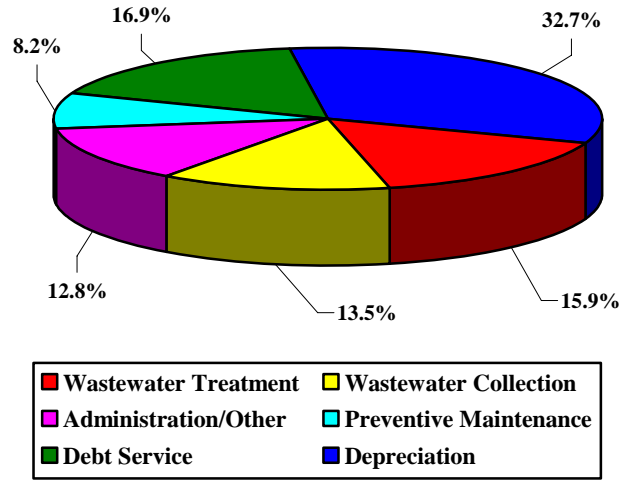


FIGURE 9

SEWER OPERATIONS USES OF FUNDS \$82,686,100



CAPITAL IMPROVEMENTS

We are in the process of completing or implementing a number of major capital improvements in our parish, with some very significant projects beginning this fiscal year. Details of these items can be found in the section of the budget titled “Capital Improvement Programs.” However, listed below are some of these major projects or programs.

ONE-HALF PERCENT ROAD AND STREET IMPROVEMENT PROGRAM

Green Light Plan

On October 15, 2005, the citizens of East Baton Rouge Parish approved an extension of the current one-half percent (1/2%) sales and use tax for street and road improvements. The proposition offered by my Administration extended the so-called “pothole” tax for an additional 23 years until 2030, and allows for 70% of the proceeds to be used for transportation improvements. This includes the construction of new roads, widening of existing roads, and intersection and signalization improvements, along with the necessary engineering, construction management, and drainage requirements for these projects. In this new program, the issuance of bonds was authorized, which will allow for an accelerated road construction schedule. Under the “pay-as-you-go” system, only a limited number of road construction projects could be advanced in a given year. Meanwhile, the prices of construction materials, such as concrete and steel, and labor have been increasing at a rate much faster than inflation. These rising cost issues are especially true with the rebuilding efforts that are underway in south Louisiana following the aftermath of Hurricane Katrina and Hurricane Rita. Extending the term of the tax and bonding the 70% transportation improvement component of the tax was a wise and prudent

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decision of the citizens of this Parish, because it will allow the City-Parish to complete road projects much faster and at a lower overall cost.

Twenty-seven percent (27%) of the proceeds of the tax will continue the successful road rehabilitation program. The remaining three percent (3%) portion of the proceeds of the tax will be used for beautification and street enhancement projects.

The road rehabilitation and beautification portions of this tax will not be bonded. It is anticipated that approximately 750 miles of additional City-Parish streets and roads will be rehabilitated during the next 25 years. The rehabilitation program will continue as it currently functions, with projects prioritized on a six-month basis. The beautification allocation will include projects such as new sidewalk and curb construction, sidewalk repairs and improvements to meet Americans with Disabilities Act standards, traffic signal synchronization, landscaping, and the maintenance thereof. Special attention will be given to projects which provide safe pedestrian routes to and from area schools and other public facilities.

The priority projects and the supplemental projects listed in the proposition approved by the voters are listed below. These projects will be completed to the extent that funding is available within the program. Due to the increased construction and labor costs that we are currently experiencing, the costs of all the projects listed in the Green Light Plan are expected to rise.

Priority Projects

- A. Burbank Drive (Segment 1) (West Lee Drive to Bluebonnet)
- B. O'Neal Lane (Segment 1) (South Harrell's Ferry Road to I-12)
- C. South Harrell's Ferry Road (Segment 2) (Millerville Road to O'Neal Lane)
- D. Central Thruway 4-Lane (Florida Boulevard to Sullivan Road)
- E. Jones Creek Road (Segment 3) (S. Harrell's Ferry Road to Coursey Boulevard)
- F. Staring Lane Extension 1 (Highland Road to Burbank Drive)
- G. Essen Lane at I-10 (Intersection Improvements)
- H. Lobdell Improvements (Goodwood Boulevard to Florida Boulevard)
- I. Ford Street (Plank Road to Mickens Road)
- J. Hooper Road (Blackwater Road to Devall Road)
- K. Brightside Lane (River Road to Nicholson Drive)
- L. Nicholson Drive (Segment 1) (Gourrier Avenue to Ben Hur Road)
- M. North Harrell's Ferry Road (Sharp Road to S. Sherwood Forest Drive)
- N. McHugh Road (Wimbush Drive to Lower Zachary Road)
- O. Old Hammond Highway (Segment 1) (Boulevard de Province to Millerville Road)
- P. Staring Lane (Perkins Road to Highland Road)
- Q. Perkins Road (Segment 1) (Siegen Lane to Pecue Lane)
- R. Pecue Lane Interchange and Improvements (Perkins Road to Airline Highway)
- S. Old Hammond Highway (Segment 2) (Millerville Road to O'Neal Lane)
- T. Sullivan Road (Central Thruway to Wax Road)
- U. Perkins at Stanford Drive/Acadian Thruway (Intersection Improvement)
- V. Burbank Drive (Segment 2) (Bluebonnet Road to Highland Road/Siegen Lane)
- W. Highland – Burbank Connector
- X. Siegen Lane (Highland Road/Burbank Drive to Perkins Road)

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- Y. Elm Grove Garden (Fairchild to Rosenwald Road)
- Z. O'Neal Lane (Segment 2) (I-12 to Florida Boulevard)
- AA. Stumberg Extension/Pecue Lane (Jefferson Highway to Airline Highway)
- BB. Jones Creek Road Extension (Segment 1) (Tiger Bend Road to Jefferson Highway)
- CC. Highland Road (Perkins Road to Airline Highway)
- DD. Foster at Government (Intersection Improvement)
- EE. Downtown Signals (Approximately 30 signals)
- FF. Fairchild-Badley Road (Scenic Highway to Veterans Memorial Boulevard)
- GG. Coursey Boulevard at S. Sherwood Forest Boulevard (Intersection Improvements)
- HH. Mt. Pleasant-Zachary Road – (Hwy 64) (Hwy 61 to Hwy 964)
- II. Picardy – Perkins Connector (Perkins Road to Picardy Interchange)
- JJ. Veterans Memorial Boulevard Extension (Harriet Quimby to Blount Road)
- KK. Glen Oaks Drive (Plank Road to McClelland Drive)

Supplemental Projects

- S1. Sharp Road (Old Hammond Highway to Florida Boulevard)
- S2. Sullivan Road (Segment 2) (Wax Road to Hooper Road)
- S3. Tiger Bend Road (Jones Creek Road to Antioch)
- S4. Cedarcrest (Airline Highway to Old Hammond Highway)
- S5. South Flannery Road (Old Hammond Highway to Florida Boulevard)
- S6. Nicholson Drive (Segment 2) (Ben Hur Road to Bluebonnet Road Extension)
- S7. Nicholson Drive (Segment 3) (Bluebonnet Road Extension to Parish Line)
- S8. Staring Lane Extension (Segment 2) (Burbank Drive to Nicholson Drive)
- S9. Old Hammond Highway (Segment 3) (O'Neal Lane to Florida Boulevard)
- S10. Perkins Road (Segment 2) (Pecue Lane to Highland Road)
- S11. North Boulevard – Florida Connector (Florida Boulevard at Cloud Drive to North Boulevard)
- S12. Essen Park – Midway Connection (Essen Park to Perkins Road)

On February 22, 2006, the Metropolitan Council authorized a contract with CSRS, Inc., for program management services for the projects listed in The Green Light Plan. The program manager will be responsible for developing and recommending to the City-Parish an overall program strategy for the execution and completion of The Green Light Plan. Their specific scope of services include development of the project schedule and budget, preparation of the project development report, establishment of inter-agency coordination, development of program processes and procedures, establishment of community awareness and reporting procedures, development of program engineering standards and specifications, and development of the program's right-of-way acquisition process.

The first major step toward funding the projects in The Green Light Plan took place on May 3, 2006, when the Parish of East Baton Rouge issued \$125,000,000 in Road and Street Improvement Sales Tax Revenue Bonds. The first \$53,750,000 of this issue and an additional pay-as-you-go appropriation of \$4,800,000 were used to provide funding for seven existing road improvement projects that were approved under prior pay-as-you-go road improvement propositions which include: Central Thruway (\$34,000,000), Comite Drive (\$6,000,000), O'Neal Lane - George O'Neal to South Harrell's Ferry Road (\$3,700,000), Picardy Avenue (\$650,000), South Harrell's Ferry Road – South Sherwood to Millerville (\$8,600,000), Blount Road (\$164,000), and I-10 Frontage

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Roads (\$436,000). In addition, funding was provided for the costs of issuance for the \$125,000,000 bond sale (\$2,000,000) and to fast track engineering design on several of the new projects (\$3,000,000).

It is estimated that over the 25-year period from January 1, 2006, through December 31, 2030, the tax along with the issuance of road improvement sales tax bonds and interest earnings will fund \$798 million in road improvement projects. The remainder of the tax will provide \$440 million for the rehabilitation and beautification components of the program. In addition to the funds administered by the City-Parish, the municipalities of Baker, Zachary, and Central will share and administer an additional \$104 million.

On August 23, 2006, CSRS, Inc., presented to the Metropolitan Council, a prioritized list of the first 24 projects that would require funding along with the Corridor Preservation Program. The list was generated by the program manager using a project schedule evaluation matrix. This matrix used project components such as accident rates, road utilization, the availability of right-of-way, total project cost, potential for future funding from federal, state, or other sources, and environmental and permitting concerns as the basis for ranking each project. Each project was scored on a scale of one to five and weighted on a scale of one to six in each category. This ranking system provided an objective method of prioritizing the projects listed in the proposition.

The purpose of the Corridor Preservation Program is to acquire rights-of-way along future Green Light Plan routes before development takes place in the planned right-of-way. This will aid in lowering right-of-way costs, if they can be acquired before development is begun.

The table below indicates the estimated costs in today's dollars for the first 24 Green Light Plan projects and the Corridor Preservation Program. The table indicates what services (design engineering, right-of-way, and construction) have been funded through 2006.

ROAD TAX PROGRAM– GREEN LIGHT PLAN

Projects	Estimated Cost in Today's Dollars	Appropriations (Yr 2006)			Total Funded
		Design	Right-of-Way	Construction	
Corridor Preservation	\$ -	\$ -	\$ 3,500,000	\$ -	\$ 3,500,000
I - Ford Street	20,290,700	800,000	-	-	800,000
N - McHugh Road	11,142,200	182,000	2,933,000	-	3,115,000
DD - Foster @ Government	3,902,800	188,000	1,866,000	1,988,000	4,042,000
C - S. Harrell's Ferry Rd (Segment 2)	9,485,300	853,000	275,000	-	1,128,000
GG - Coursey @ Sherwood Forest	5,197,300	292,000	1,955,000	-	2,247,000
A - Burbank Drive (Segment 1)	17,315,900	835,000	850,000	15,160,000	16,845,000
B - O'Neal Lane (Segment 1)	20,523,600	1,228,000	-	-	1,228,000
U - Perkins @ Stanford/Acadian	8,547,900	279,000	5,839,000	-	6,118,000
H - Lobdell Improvements	6,646,100	543,000	1,110,000	-	1,653,000
JJ - Veterans Memorial Blvd.	6,516,900	503,000	42,000	5,729,000	6,274,000
G - Essen Lane @ I-10	6,804,600	442,000	1,003,610	-	1,445,610
EE - Downtown Signalization	10,258,400	850,000	-	9,346,000	10,196,000
V - Burbank Drive (Segment 2)	9,030,900	555,000	85,000	8,210,000	8,850,000
CC - Highland Road	31,373,600	1,688,000	-	-	1,688,000
X - Siegen Lane	18,610,900	1,233,000	-	-	1,233,000
K - Brightside Lane	31,159,000	1,902,000	-	-	1,902,000

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Projects	Estimated Cost in Today's Dollars	Appropriations (Yr 2006)			Total Funded
		Design	Right-of-Way	Construction	
P - Staring Lane	\$ 49,765,500	\$ 1,867,000	\$ -	\$ -	\$ 1,867,000
S - Old Hammond Highway (Segment 2)	12,061,900	868,000	-	-	868,000
F - Staring Lane Extension 1	10,097,400	974,000	-	-	974,000
AA - Stumberg Extension	22,002,100	520,000	-	-	520,000
T - Sullivan Road	31,981,300	900,000	-	-	900,000
M - N. Harrell's Ferry Road	3,308,000	250,000	150,000	-	400,000
Y - Elm Grove Garden	4,525,600	220,000	-	-	220,000
FF - Fairchild-Badley Road	9,926,600	431,000	-	-	431,000
	\$ 360,474,500	\$ 18,403,000	\$ 19,608,610	\$ 40,433,000	\$ 78,444,610

1997-2001 and 2002-2007 Road Tax Improvement Programs

The projects approved by the voters in the 1997 and 2001 road tax propositions, respectively, will be completed. My administration's commitment to completing these projects is evidenced by the fact that we provided \$53,550,000 in the first bond sale to provide additional funding to start and/or complete: Central Thruway (\$34,000,000), Comite Drive (\$6,000,000), O'Neal Lane - George O'Neal to South Harrell's Ferry Road (\$3,700,000), Picardy Avenue (\$650,000), South Harrell's Ferry Road - South Sherwood to Millerville (\$8,600,000), Blount Road (\$164,000), and I-10 Frontage Roads (\$436,000).

Under the 1997-2001 five-year Road and Street Improvement Program, the following streets have been 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
- McClelland Drive Improvement - Evangeline Street to Airline Highway
- Blount Road Improvement - Scenic Highway to Plank Road
- North Boulevard Overpass Improvement - 10th Street to 19th Street

Additionally, we anticipate that the following projects under the 1997-2001 program will be under construction or completed in 2007:

- I-10 Frontage Road - Bluebonnet Boulevard to Siegen Lane (Anticipated completion is December 2006.)
- Central Thruway Clearing and Embankment - Florida Boulevard to Sullivan Road
- Perkins Road - Essen Lane to Siegen Lane (Utility relocations are now underway and bids for construction have been received.)

Under the 2002-2007 Road and Street Improvement Program, the following streets were completed:

- George O'Neal Road - Jones Creek Road to O'Neal Lane
- Lobdell Avenue - Jefferson Highway to Goodwood Boulevard

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Additionally, we anticipate that the following projects will be under construction in 2007:

- O’Neal Lane Clearing and Embankment - George O’Neal Road to South Harrell’s Ferry Road
- Picardy Avenue - Essen Lane to Bluebonnet Boulevard
- South Choctaw Drive - North Flannery Road to Central Thruway

Also, under the 2002-2007 Road and Street Improvement Program, right-of-way acquisition is well underway and should allow for construction in early to mid 2007 for the following projects:

- Comite Drive - Plank Road to Comite River
- South Harrell’s Ferry Road - South Sherwood Forest Boulevard to Millerville

Other Street Improvements

In addition to the one-half percent Road and Street Improvement Program, the following major street or intersection improvements were completed in 2006, are currently under construction, or are in the right-of way acquisition process. These projects are funded either by the use of gaming funds alone or by a combination of gaming monies and matching state and federal funds.

- Groom Road Improvements - Old Scenic Highway to LA 19 (under construction)
- Millerville Road - I-12 to Old Hammond Highway (under construction)
- West Mount Pleasant – Zachary Road Intersection Improvement at U.S. 61 (completed)
- Comite Drive Bridge Replacement at Comite River Crossing (completed)
- Flannery Road at Florida Boulevard Intersection Improvement (scheduled to be bid)
- South Sherwood Forest Boulevard at I-12 Intersection Improvement (scheduled to be bid)
- Highland Road at Bluebonnet Boulevard Intersection Improvement (completed)
- State Street at Highland Road Intersection Improvement (right-of-way acquisition process)
- East Parker at West Lakeshore Intersection Improvement and Realignment (completed)
- Joor Road at Gurney Road Intersection Improvement (right-of-way acquisition process)

Although the following transportation improvements are not directly funded by the City-Parish, it is important to note that they were either completed in 2006, are currently under construction, or will be under construction in 2007:

- Old Scenic Highway Improvement (LA 64 to Parish Line)
- Joor Road Improvement (Mickens Road to Hooper Road)
- Old Hammond Highway Improvement - Airline Highway to Boulevard de Province (completed)
- Airline Highway/Siegen Lane Continuous Flow Intersection (completed)
- Airline Highway 6-Laning Florida Boulevard to I-12 (under construction)

SEWER CAPITAL IMPROVEMENT PROGRAM

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 wastewater improvements in

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East Baton Rouge Parish on March 14, 2002. The new consent decree requires the City-Parish to make various wastewater treatment plant and sanitary sewer infrastructure improvements in order to reduce sanitary sewer overflows in the sewer collection system and meet wastewater discharge permit requirements under wet weather conditions. The consent decree deadline for completing the Sewer Capital Improvements Program is December 31, 2014.

Program Description

The original Sanitary Sewer Overflow (SSO) Capital Improvements Program alternative selected by the City-Parish in 2003 included the construction of a complex tunnel system in the central and south areas of the Parish. This system was to function as a conveyance system and as a storage system during peak wet weather flows. This alternative also included the upgrade of multiple pump stations throughout the Parish and the rehabilitation of sewer collection lines in areas that were identified as having major infiltration and inflow problems. The cost of this program was last estimated in 2004 to be over \$680 million.

On August 1, 2005, the City-Parish presented an alternative SSO Capital Improvements Program to the EPA. This modified program will rely more on the rehabilitation of the sewer collection system, pump stations and transmission improvements, the construction of a flow equalization basin at the South Wastewater Treatment Plant, and improvements to the South Wastewater Treatment Plant Facility. The total cost for this modification has been estimated to be \$554 million. This program modification does not include the cost of ongoing projects from the original program that totals approximately \$101 million. The total projected cost for this new alternative is estimated to be approximately \$655 million when both elements are combined. EPA has given the City-Parish verbal approval to proceed with this new approach to repairing and upgrading the Parish's sewerage system. The City-Parish, DEQ, and EPA are currently working to formally adopt the Remedial Action Measures Plan 2 (RMAP2) that is required by the consent decree so that the Parish can begin this phase of the sewer capital improvements plan and meet all consent decree deadlines.

The objective of the Sanitary Sewer Improvement Program is to protect public health through the control of sanitary sewer overflows, improve customer service, provide capacity for future growth, and implement a long-term maintenance program to protect existing and future capital investments. A comprehensive financing model has been developed and is being utilized by the Finance Department to manage the finances of the Sanitary Sewer Improvement Program. The first annual 4% sewer user fee increase was implemented on January 1, 2004. Annual 4% sewer user fee increases will continue to be levied throughout the life of this program. In order to mitigate additional increases in the sewer user fee, the City-Parish will continue to seek low interest loans, federal grants, and state grants to reduce program costs.

On August 23, 2006, the Metropolitan Council authorized the sale of \$196,930,000 of Sewer Revenue/Sales Tax Bonds. This bond sale was the first sale utilizing the combined revenue streams of the sewer user fee and the sewer sales tax. Future bond sales related to sewer improvements will use this new combined revenue stream as the security for future debt. The combination of the sewer user fee and the sewer sales tax as the basis for issuing debt to fund future sewer construction projects will provide the Parish with more bond capacity than it would have if it issued debt on the sewer user fee and the sewer sales tax individually. The ability to secure bonds using the sewer user fee and the sewer sales tax individually was eliminated with the issuance of the bonds on August 23, 2006. The purpose of the \$196,930,000 bond issue was to refund the outstanding balances of the 1998A, 2001A, 2003A, and 2004A sewer sales tax bonds, pay the costs of issuance for the bond issue and provide funding in the amount of \$39,963,130 for SSO RMAP2 Sewer Construction Projects.

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On September 13, 2006, approval was granted by the Metropolitan Council to hire CH2M HILL, Inc., as the program manager for the sewer capital improvements program. CH2M HILL, Inc., was recommended for this role by the Engineers and Surveyors Selection Board. Their responsibilities will include developing and recommending an overall program strategy for the execution and completion of the SSO Capital Improvements Program, development of the project schedule and budget, initiation of a Parish Wide Sewer Master Plan and other planning efforts, establishment of inter-agency coordination, development of program processes and procedures, establishment of community awareness and reporting procedures, review of program engineering standards and specifications, review of the program right-of-way acquisition process, and other program management functions to expedite construction for compliance with the SSO Consent Decree.

In addition to the consent decree work that the City-Parish is undertaking, the 2007 operations and maintenance budget will fund the following programs that involve sewer rehabilitation and/or asset repairs and preventive maintenance:

- Operations and Maintenance – The *2007 Annual Operating Budget* will provide \$4,325,620 for a sewer preventive maintenance program. Of this amount, \$1,875,620 will be dedicated for repair and maintenance of treatment plant and pump station equipment, \$450,000 will be used for the wet well maintenance program and \$2,000,000 will be used to continue the sewer system’s asset management program.
- Sewer Rehabilitation – This will continue the on-going program to rehabilitate existing sewer infrastructure in selected areas. Emphasis has been 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. The budget provides \$3,000,000 to fund this program as required by the consent decree, \$1,000,000 for parish-wide point repair projects, and \$815,000 for the parish-wide homeowners’ sewerage pump installation program.
- Emergency Sewer Point Repair Program – This year’s budget appropriates \$2,500,000 to continue this high priority sewer repair program.

COMITE RIVER DIVERSION CANAL

On July 15, 2000, voters in the parishes of East Baton Rouge, Livingston, and Ascension approved a three-mill, ten-year property tax that provided part of the local match for the Comite River Diversion Canal flood control project. 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. It is being designed and built by the U.S. Army Corps of Engineers and is estimated to cost \$163 million. The local property tax is expected to generate \$9 million over ten years. The federal government will contribute \$114 million and the state will provide the remaining \$40 million portion of the local match. 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-way acquisitions and engineering design on several phases of the project are currently underway. These include bridges on La. Highway 67 (Plank Road), U.S. Highway 61, La. Highway 19, and drop structures for Baton Rouge, Cypress and White Bayous. The first phase of the Lilly Bayou Control Structure was completed mid-year 2004, and construction of the second phase of this control structure began in November of 2004 at a cost of \$27,600,000. Pending the availability of federal funds in 2007, it is expected that construction of a bridge over Plank Road will commence sometime in 2007.

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The Amite River Basin Commission is currently preparing a bid package to begin selling two million cubic yards of dirt that has already been dug from the western end of the canal. The dirt will be sold by public bid, and proceeds from the sale will help pay part of the local share of the project. The successful bidder on the dirt will be required to remove it in a manner that does not hamper work on the canal.

Work on the project was restarted in September 2006, when the contractor mobilized equipment after it had to suspend work for about six months because of a funding issue at the federal level. Local, state, and federal officials devised a plan to borrow money from the commission's property tax to resume the work while the federal funding problem is being corrected.

The proposed project, when completed, will greatly reduce flooding along parts of the Comite and Amite Rivers and waterways that empty into them. Water will flow into the canal only during floods. 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 to many in Livingston Parish and Ascension Parish. The completion date for the Comite River Diversion Canal Project has been revised to 2012.

FINANCIAL **AND ADMINISTRATIVE**

Debt Management

In April of 2006, ratings were assigned to the first issuance of Parish Road and Street Improvement Sales Tax Revenue Bonds. Ratings were received by Fitch Investors (A+), Moody's Investors Service (A2), and Standard and Poor's (A). Fitch Investors also upgraded their rating on the East Baton Rouge Parish Sewer Sales Tax Revenue bonds from A to A+.

In September of 2006, Standard and Poor's upgraded their ratings on the Parish Road and Street Improvement Sales Tax Revenue Bonds from A to A+. They also upgraded the City of Baton Rouge 2% General Sales Tax Revenue Bonds and Parish of East Baton Rouge 2% General Sales Tax Revenue Bonds from AA- to AA.

On May 3, 2006, the Parish of East Baton Rouge issued \$125,000,000 of Road and Street Improvement Sales Tax Revenue Bonds in two sub-series. The Series 2006A (Fixed Rate) Bonds in the amount of \$32,760,000, will mature serially on August 1 of each year through 2015 with interest from 3.75 to 5.00 percent. The Series 2006B (Variable Rate) Bonds in the amount of \$92,240,000, initially will bear interest at a weekly interest rate. The 2006B Bonds mature August 1, 2030, and shall be redeemed in part on August 1 of each year commencing August 1, 2016. In order to hedge its exposure to variable interest rates, the Parish entered into separate but substantially identical Swap Agreements relating to the Series 2006B Bonds with Citibank, N.A., New York and Merrill Lynch Capital Services, Inc. (collectively, the "Swap Counterparties"). The Swap Agreements, dated as of the date of issuance of the Series 2006B Bonds, will provide for the payment of a synthetic fixed rate with respect to the Series 2006B Bonds. Under the terms of the Swap Agreements, in general, the Parish will pay a fixed rate of 4.072% and the Swap Counterparties will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA, in each case based on an aggregate notional amount equal to the principal amount of the 2006B Bonds outstanding.

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On July 26, 2006, the Parish of East Baton Rouge entered into separate but substantially identical forward Swap Agreements with Citibank, N.A., New York and Merrill Lynch Capital Services, Inc., (collectively, the “Swap Counterparties”), relating to Parish Road and Street Improvement Sales Tax Revenue Bonds expected to be issued on or about August 1, 2008. The Parish entered into the agreements for the purpose of hedging against interest rate fluctuations arising from the execution and delivery of the bonds as variable rate obligations and to lock in a fixed cost of borrowing for the bonds. The initial notional amount of \$110,000,000 is split equally between the two agreements with the Swap Counterparties. The Swap Agreements will provide for the payment of a synthetic fixed rate with respect to the bonds. Under the terms of the Swap Agreements, in general, the Parish will pay a fixed rate of 4.128% and the Swap Counterparties will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA, in each case based on an aggregate notional amount equal to the principal amount of the bonds outstanding.

On July 26, 2006, the East Baton Rouge Sewerage Commission entered into separate but substantially identical forward Swap Agreements with Citibank, N.A., New York and Merrill Lynch Capital Services, Inc., (collectively, the “Swap Counterparties”), relating to East Baton Rouge Sewerage Commission Revenue Bonds expected to be issued on or about July 1, 2011, and July 1, 2012. The Commission entered into the agreements for the purpose of hedging against interest rate fluctuations arising from the execution and delivery of each Series of bonds as variable rate obligations and to lock in a fixed cost of borrowing for the bonds. The initial notional amount of \$185,000,000 is split equally between the two agreements with the Swap Counterparties. The Swap Agreements will provide for the payment of a synthetic fixed rate with respect to the bonds. Under the terms of the Swap Agreements, in general, the Commission will pay a fixed rate of 4.149% and the Swap Counterparties will pay a variable rate based upon an index of 70% of one-month USD-LIBOR-BBA, in each case based on an aggregate notional amount equal to the principal amount of the bonds outstanding.

On August 17, 2006, the East Baton Rouge Sewerage Commission issued \$196,930,000 of Revenue and Refunding Bonds with interest from 4.00 to 5.00 percent. Proceeds in the amount of \$154,915,000 were used to refund the Public Improvement Sales Tax Bonds, Series ST-1998B, Series ST-2001, Series ST-2003 and Series ST-2004. The remaining \$42,015,000 will be used to finance a portion of the cost of upgrading, rehabilitating, extending and improving the sewer system. The bonds mature February 1, 2036. In order to reduce the costs of borrowing funds, these bonds are secured by a combined credit of the 1/2% sewer sales tax revenues and sewer user fee revenues. In the Fifth Amendatory Intergovernmental Agreement between the City of Baton Rouge, the Parish of East Baton Rouge, and the Greater Baton Rouge Consolidated Sewerage District, the Parish pledged the net sales tax revenues as security for the payment of debt service on the bonds to be issued by the Commission under the Agreement.

Legislative Issues

Prior to the 2006 Regular Session of the Louisiana Legislature, the Governor called for a Special Session which was held from February 6, 2006, through February 17, 2006. Act 9 of the First Extraordinary Session of 2006 extended the date by which bids for the new 19th Judicial District Courthouse must be let to August 15, 2007, in order for the court to continue levying increased fees dedicated to the construction of the courthouse.

The 2006 Regular Session of the Louisiana Legislature was general in nature. Each legislator was allowed to pre-file an unlimited number of local bills, as well as five bills of a general subject matter. There were approximately 2,100 legislative items filed, with many potentially affecting the City-Parish and its various departments.

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A number of items of importance to the City-Parish were enacted in 2006, including the following:

- Act 291 specified procedures for the resolution of boundary disputes between local taxing authorities for purposes of the collection of motor vehicle sales taxes.
- Act 328 increased recordation fees imposed to defray costs of the 19th Judicial District Court Courthouse.
- Act 716 revised the termination provisions relative to the Central Transition District and the levy of a sales tax by the district, and provided for a cooperative endeavor between the City of Central and the State relative to the use of a certain parcel of property.
- Act 765 amended the definition of component parts of immovable property as they relate to sales and use taxes.
- Act 850 provided relative to tax increment financing and specified those taxes and tax increments which may be included in such a financing.
- Act 864 increased the maximum annual amount of severance taxes on all natural resources other than sulphur, lignite, and timber to be remitted to the parish in which the severance or production occurs to \$850,000, with future increases that will reflect changes in the consumer price index.

The Appropriations Act of 2006 contained \$10,125,720 in various appropriations to the City-Parish. The Capital Outlay Act of 2006 contained a number of projects that are important to the City Parish, including the following:

<u>Project</u>	<u>State Capital Outlay Funding</u>
River Center Expansion	\$26,500,000
Third Street Art Block Project	25,185,000
Comite River Diversion Canal	19,400,000
Airport – Runway 4L – 22R Extension	10,785,000
Airport – North and East Side Infrastructure and Development	9,150,000
Jefferson Highway Signal Improvements	1,725,000
Southern University Baseball Stadium Improvements	1,500,000
Airport – Air Cargo and Structural Canopy, and Aircraft and Power Plant Mechanic Facility	1,000,000
Highway 19 Turn Lanes	450,000

E-Government Implementation

E-government refers to the use by government agencies of information technologies that have the ability to transform relations with citizens, businesses, and other arms of government. Our E-government team works closely with various departments including Finance, City Court, Public Works, Human Resources, Fire, Police, the Planning Commission and others to continuously deliver and improve services to the citizens of East Baton Rouge Parish.

Our E-government team has worked diligently to deliver better services and to improve interactions with businesses throughout the parish with online processing of sales tax filings, complaints, citations, and traffic

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violations. The online sales tax system processed about 4,400 “money” transactions totaling over \$25 million in January through September of 2006, and City Court processed 4,700 tickets totaling approximately \$425,000.

The City-Parish is continuously seeking new ways to expand and improve the delivery of services for both businesses and citizens. We ranked “6” in “Best of the Web 2006,” and our expectation for 2007 is to obtain number “one.” In the coming months, the City-Parish will redesign the web site to comply with ADA requirements and add more interactive services. These services will reduce the time it takes to obtain building permits, as well as land use and inspection approvals. The City-Parish will enable an online building permit process in the near future, which will also lead to faster inspections. This will also improve employee productivity by providing real-time access to information, and eliminate unnecessary travel time and manual or redundant data entry.

Our goal is to make the interaction between government and citizens, government and business enterprises, and interagency relationships more friendly, convenient, transparent, and cost-effective.

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 *2006 Annual Operating Budget*. 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 16th consecutive year that the department 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

This budget reflects the priorities set by this Administration and continues our philosophy of providing an open public process for decision-making and full cooperation with the Metro Council.

I sincerely appreciate the commitment and dedication of the Metro Council members and our City-Parish employees who have been called upon to work countless hours in greater cooperation to successfully lead our parish through one of the most difficult times in our history. As Louisiana’s Capital City, Baton Rouge has received international attention for the role we have played in our state’s recovery from unprecedented disaster, and our nation has witnessed the strength and compassion of our people.

Working together, we have built a vibrant “Preserve America Community,” celebrating our heritage while creating a dynamic future for America’s next great city.

Sincerely,

Melvin L. “Kip” Holden
Mayor-President

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