



Organization

The City of Baton Rouge and Parish of East Baton Rouge (City-Parish) operate under a charter entitled The Plan of Government, which became effective on January 1, 1949. The Plan is unusual in that the government of the City of Baton Rouge is substantially consolidated with that of the parish (county). The Metropolitan Council of the Parish of East Baton Rouge, elected from 12 single-member districts, serves as the governing authority of the city and parish. The Mayor-President is elected at large and is the Chief Executive Officer of the city and parish. Economies are realized through combined operations and management.

Until 2005 the parish contained, in addition to Baton Rouge, two other municipalities. In July 2005 a third municipality, the City of Central, was incorporated. These three are independent from the consolidated government.

The Process

Operating Budget

The purpose of the Annual Operating Budget for the City of Baton Rouge and Parish of East Baton Rouge is to provide fiscal guidance for the upcoming year. The aim of the budget process is to determine how the limited estimated revenues will be allocated. The budget calendar for preparation of the *2006 Annual Operating Budget* was as follows:

June 14	Instructional letter forwarded to depts. by CAO
August 19	Deadline for submission of budget requests
Sept. - Oct.	Mayoral budget discussions
Oct. 18-19	Council budget discussions
November 2	Mayor-President's budget submitted to Council
December 14	Metropolitan Council approval of revised budget
January 1	Effective date of current expense budget

When budget-request packets were sent to the various departments and agencies in June 2005, each department was given a target amount determined by the Administration and Finance Department. Department heads were asked to limit their budget request for 2006 to that amount. Supplemental requests, which would be considered individually by the Administration, were allowed; and those supplemental requests that were approved are identified separately in each budget unit. Special-fund requests are limited by the level of resources available from their dedicated revenues.

During the mayoral budget discussions, department heads are called upon to justify their budget requests and to discuss how their activities relate to the Mayor-President's Strategic Initiatives shown earlier in this document. The *Plan of Government* requires the Mayor-President to submit balanced budgets for all departments and special districts for which the Metropolitan Council serves as the governing authority no later than November 5 of each year. The Council then must hold at least one public hearing prior to adoption of the final budget. By December 15, the Council must

act upon the budget, or the Mayor-President's proposed budget is automatically adopted effective January 1.

Responsibility for the administration of the Annual Operating Budget is shared between the Mayor-President, through his Chief Administrative Officer and the Finance Director, and the Metropolitan Council, through its Council Administrator/Treasurer and Council Budget Officer.

Capital Improvements

For informational purposes, the Annual Operating Budget includes a section entitled "Capital Improvement Programs." This section provides a summary of major capital improvements that are either continuing into or beginning in the proposed budget year, as well as details of the capital outlay appropriations for all funds. Major capital improvements are subjected to separate budgetary processes which often involve the issuance of long-term debt; therefore, detailed budgets are generally adopted or amended individually. The operating budget does, however, include provisions for debt service on outstanding debt. This section also includes the source of funds and operational impact of planned capital improvements.

Budgetary Structure

The Annual Operating Budget for the City of Baton Rouge and Parish of East Baton Rouge includes various funds that are budgeted and accounted for separately. Categorized into Governmental, Proprietary, and Fiduciary, the funds are as follows:

Governmental Funds are used to account for most tax-supported activities.

The General Fund is the general operating fund of the city and parish. It is composed of a City Sub Fund and a Parish Sub Fund and accounts for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes or required for sound financial administration.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Funds of this type are generally not included in the Annual Operating Budget because of various timing and legal requirements of the bond issues that usually support capital projects. These budgets are submitted to the Metropolitan Council separately and are adopted on a project-length basis.



Proprietary Funds are used to account for the City-Parish business-type activities.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City-Parish on a cost-reimbursement basis.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The Pension Trust Fund is used to account for transactions of the Original Employees' Retirement Trust and the Police Guarantee Trust under the Employees' Retirement System. The Original Trust includes the accumulation of contributions for a defined-benefit cost-sharing multiple-employer pension plan to provide retirement benefits to qualified employees. The Police Guarantee Trust holds assets and pays certain retirement benefits to those members who have voluntarily transferred to the Municipal Police Employees' Retirement System of Louisiana (MPERS).

GASB statement 34 requires that funds be classified as major or non-major. Governmental Funds designated as major funds are the General Fund and the Capital Projects Fund. The two Enterprise Funds that are reported as major funds are the Comprehensive Sewerage System Fund and the Greater Baton Rouge Airport Authority Fund. All other funds are designated as nonmajor.

Financial Policies

Auditing, Accounting, and Financial Reporting

The City-Parish accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles and the standards of the GASB. A fixed-asset system will be maintained to identify all City-Parish assets, their location, historical cost, useful life, depreciation method, depreciation to date, and the individual responsible for asset control.

The City-Parish will contract with an independent accounting firm, which will issue an audit opinion on the official Comprehensive Annual Financial Report. Competitive requests for proposals from qualified firms will be sought every four years. The City-Parish will maintain a good credit rating in the financial community.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund will be determined by its measurement focus. Governmental Funds will be accounted for by using a current financial resources measurement focus. Proprietary Funds and the Pension Trust Fund will be accounted for on an economic resources measurement focus. The modified accrual basis of accounting will be used for all Governmental Fund types, which include the General Fund. Under this basis of accounting, revenues are recognized in the period in which they become available and measurable; expenditures are reported when the liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, net pension obligation, and compensated absences are recorded as expenditures when paid with expendable available financial resources. The accrual basis of accounting will be used for all Proprietary Fund types, which include the Enterprise and Internal Service Funds, and the Pension Trust Fund, which is a Fiduciary Fund type. Under this method, revenues are recognized in the period when earned and measurable; expenses are reported in the period incurred, if measurable. Property taxes are considered measurable in the calendar year of the tax levy. Sales and use taxes and gross receipts business taxes are considered measurable when the underlying transaction occurs and when received by the Finance Department of the City-Parish within 60 days after the end of the fiscal year to be used to pay liabilities of the current period.

With the approval of the Mayor-President and the Metropolitan Council, the City-Parish may authorize expenditures associated with anticipated federal and state assistance programs based on a written commitment from the grantor. If such a commitment is not obtainable, the historical record relative to the particular grantor and the judgment of financial administrators will be used to determine which assurances are acceptable.

Basis of Budgeting

Budgets adopted for the governmental funds deviate from Generally Accepted Accounting Principles (GAAP) in the budgeting for encumbrances and capital leases. Encumbrances are shown as expenditures on the budget basis in the year of commitment. Capital leases are budgeted as departmental appropriations on the budget basis, while on a GAAP basis they are considered as debt service.

Budgets adopted for proprietary funds and fiduciary funds deviate from GAAP to the extent that additional budget allocations are shown with a Memorandum Only caption for (1) selected recurring principal payments for debt service (although no expenses are charged); and (2) capital outlays expected during the budget year for planned cash flow purposes. Budgets for proprietary and fiduciary funds serve as a management tool, but are not required by GAAP or Louisiana state law.



Budgetary Accounting

The City-Parish Finance Department will maintain budgetary control at the major object level of appropriation (personal services, supplies, etc.) for management purposes. The legal level of control is the department or project level. Budget transfers within a department or project may be made with the approval of the Finance Director. Budget supplements are required before expenditures in excess of appropriations on a department level may be processed. Such supplemental appropriations must be approved by both the Mayor and the Metropolitan Council. Unexpended appropriations normally lapse at year-end, except those for projects of a continuing or capital nature, which remain open until the projects are completed or abandoned. Departments are allowed to transfer projected operating surpluses to capital accounts so that they may be carried forward to future years and used for capital needs.

The City-Parish will subsidize the operations and maintenance of the Enterprise Funds unable to attain self-sufficiency. This is accomplished through budgeted transfers of General Fund resources.

All recurring calendar-year grants will be included in the proposed budget. Line-item budgets for grants that do not operate on a calendar-year basis are recorded upon receipt of the grant award and therefore are not included in the Budget Detail section of the *Annual Operating Budget*; however, summaries of these programs will be provided in the Special Revenue Fund section.

Debt Issuance and Cash Management

Debt Management

The City-Parish may issue short-term debt to cover temporary or emergency cash flow shortages or to provide necessary financial resources to comply with *The Plan of Government* requirements as to the ability to appropriate funds. All short-term borrowing will be subject to the approval of the Mayor-President and the Metropolitan Council.

The City-Parish will use interfund loans if cash is available rather than outside debt instruments to meet short-term cash flow needs. A single consolidated bank account has been established in a local bank into which monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of this consolidation is to reduce administrative costs and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings according to its average cash and investments balance, prorated among funds. Cash is transferred from those funds with available cash resources to cover any negative cash balances in other funds at year-end. In addition, an imprest bank account is used for disbursements of payrolls, and separate accounts have been established for the Greater Baton Rouge Parking Authority, the East Baton Rouge Sewerage Commission, and city

and parish sales tax revenue bonds, as required by bond indentures for various bond issues.

The City-Parish will confine long-term borrowing to capital improvements that cannot be funded from current revenues. Proceeds of long-term debt will not be used for current on-going operations. The term of the bonds shall not exceed the expected useful life of the project. The City-Parish will establish an appropriate mix of bonded debt and pay-as-you-go financing for capital projects.

The City-Parish will adhere to all legal and statutory limitations relative to debt issuance. The City of Baton Rouge, Parish of East Baton Rouge, and a variety of special districts created in the parish have the authority to incur debt and issue bonds in accordance with a number of provisions found in the Louisiana Constitution and Louisiana Revised Statutes. The City-Parish will obtain approval from the State Bond Commission prior to the issuance of any type of long-term debt, as required by state law. The City-Parish will issue general obligation bonds only when authorized by a majority of all qualified voters voting on a proposition to issue general obligation bonds. The sales and use tax revenue is the strongest credit source of the City-Parish and has been the preferred pledge for bonds issued in recent years. Recent issues relying on this tax include certain refunding bonds, landfill bonds, public building bonds using the 2% city sales tax, and sewer bonds that have a ½ of 1% tax dedicated exclusively for sewer purposes. The recently approved rededication of the ½ of 1% tax dedicated for transportation improvements will require additional issuance of debt in 2006. State law requires that annual sales tax revenues dedicated to the payment of sales tax revenue bond debt service be at least 133% of the highest year's debt service on sewer and transportation bonds and 250% on bonds supported by the 2% general fund tax. The City-Parish has the legal capacity available to issue considerable amounts of additional bonds based on these revenue streams. The issuance of additional sales tax revenue bonds supported by existing sales and use taxes does not require further voter approval.

The City-Parish Finance Department will review outstanding debt periodically to determine the feasibility of refunding all or a portion of particular issues.

City-Parish employees will participate substantially in the bond issuance and refunding processes with the assistance of learned individuals who serve as financial advisors and bond counsel in order to make the most efficient use of resources by timing and sizing deliveries in a manner designed to minimize borrowing costs.

Debt Level and Capacity

The City-Parish will adhere to all legal or statutory limitations on debt level and capacity. Prior to the issuance of debt, an evaluation of debt capacity will be conducted based on current financial capacity, projected future capacity, statutory and constitutional limitations, and bond covenants. The Debt Service Funds section of



the budget contains calculations of debt capacity for various types of debt. In general, each entity may issue general obligation bonds in an amount up to 10% of its assessed valuation on taxable property for each purpose enumerated in the law. However, a municipality may issue debt in excess of this general limitation if the aggregate for all such purposes, determined at the time of issuance, does not exceed 35%. Special laws increase the general limitation to 15% for sewerage purposes in the parish. Based on the latest assessed valuation information, the city, parish, and special districts could issue additional general obligation debt totaling several hundred million dollars.

Investment Policy

The Council Administrator/Treasurer will submit an investment policy to the Metropolitan Council for review and adoption. The investment policies are governed by state statutes and bond covenants. The investment policy will be reviewed periodically, and all amendments will be submitted to the Metropolitan Council for review and adoption. The most recent amendments were approved by the Council on October 11, 2000.

Revenue Diversification

The City-Parish will strive to improve its revenue diversity to the extent feasible in order to improve its ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing services.

Revenue Review

The City-Parish will review each revenue annually in regards to factors relevant to past, present, and projected future collections. The results of this review shall be included in a revenue manual entitled *Revenue Facts*, which will be made available to all interested parties, and shall be used in the preparation of revenue estimates for future operating budgets. The manual shall include a brief description of the revenue source; a statute section providing authorization and any limitations; identification of any dedication of the revenue, whether by legislation or other means; collection methodology and any collection issues; definition of the revenue base and tax or rate structure; accounting information, such as account and fund numbers; historical information such as legislative history, impact of other laws, rate changes, exemptions, etc.; historical revenue levels (collections for the last four years) and projected future levels, with the basis for the future projections, along with graphic presentations of trends; equity impacts on taxpayers or ratepayers; and the effect of changes in economic circumstances or other external factors.

Use of One-Time Revenues

The City-Parish will limit the use of one-time revenues which cannot be relied on in future budget periods to non-recurring expenditures in order to minimize disruptive effects on services due to non-recurrence of these sources. One-time revenues may include, but are not limited to, legal settlements, bond refunding

savings, the sale of government buildings, non-recurring grants, etc. Prior to 2006, gaming revenues were considered as non-recurring; however, these revenues have been a stable source of revenue since October 1994. Therefore this budget includes a conservative estimate, \$2,000,000, as a source of funds for recurring operational needs. Acceptable uses of non-recurring funds include, but are not limited to, infrastructure improvements, capital acquisitions, startup costs, early debt retirement, and other expenditures of a non-recurring nature.

Use of Unpredictable Revenues

The City-Parish will identify major revenue sources it considers unpredictable and limit the use of these revenues to non-recurring expenditures or establish a contingency reserve to guard against the disruption of services in current and future budget periods. For example, due to the fluctuation in state-shared revenues generated through the Parish Transportation Fund, a fund balance equal to at least 5% (increased to 15% post-Katrina) of current appropriations will be maintained at all times in that fund. If at any time during the year a reduction in state revenues is deemed to be probable, a contingency reserve will be established. Sales and use tax revenues, which is the largest income producer, will continue to be estimated in a conservative manner utilizing trend data, statistical analysis, and the recommendations of local economists.

Review of Fees and Charges

The City-Parish will establish fees and charges to cover the costs of services provided. All fees imposed by the City-Parish will be approved by the Administration and established by the Metropolitan Council by ordinance, and will not be in conflict with state law. Costs of services include direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital (depreciation and debt service). All fees and charges will be reviewed periodically to determine the level of cost recovery for services and the reason for any subsidy. Reasons for not recovering full costs will be identified and explained.

Expenditure Policies

The City-Parish will maintain a level of expenditures that will provide for the well-being and safety of the residents of the community. All expenditures made shall be for a public purpose, and no expenditures will be made which are prohibited by administrative directives, local ordinances, or federal and state statutes. City-Parish departments and agencies will comply with the procedures included in the Purchasing Ordinance and Purchasing Manual in the procurement of goods and services.

Balancing the Operating Budget

As discussed previously under the section entitled "The Process," the Mayor-President will submit a balanced operating budget to the Metropolitan Council, and the Metropolitan Council shall adopt a balanced operating budget in accordance with the budget calendar each year. A "balanced budget" is defined as one in which total



appropriations do not exceed total anticipated revenues, taking into account the estimated surplus or deficit at the end of the previous fiscal year. The City-Parish shall maintain a balance between operating expenditures and operating revenues over the long term. If extenuating circumstances result in a deviation from a balanced budget, the details will be disclosed in the Mayor-President's Budget Message.

The calculation of operating revenues will exclude non-recurring or unstable collections. Recurring subsidies from other funds, in which the expenditure is built into the base operating budget for the fund providing the source, will be considered as operating revenues. Operating expenditures will include personal services, supplies, contractual services, transfers out, and capital maintenance replacement programs. These items will be excluded if they pertain to a special project of a non-recurring nature and are identified as such. The City-Parish will avoid budgetary and accounting procedures that balance the current budget at the expense of future budgets. The budget will remain balanced throughout the year.

The Finance Department will conduct periodic forecasts of revenues and expenditures and report the results to the Mayor-President. If at any time the Mayor-President determines that there will not be sufficient funds to meet appropriations, it shall be his duty to revise the budget to forestall the incurring of a deficit through the control of budget allotments as discussed under the "Legal Requirements" section. The Finance Department will annually update and review long-range financial plans and projections. The information obtained from these plans and projections will be used in determining the resource and expenditure options available for the budget period and the implications of those options.

Contingency Planning

The City-Parish will maintain a managerial fund entitled "Insurance Reserve Fund" to provide funding for liabilities that cannot be paid from current financial resources. Any balance remaining in the Risk Management operating budget at year-end will be forwarded to this fund. The City-Parish shall seek restitution from companies and individuals when negligence results in the unexpected use of funding in accordance with applicable laws. The City-Parish will fund expenditures out of departmental operating budgets in the event of emergencies or natural disasters. The City-Parish will seek reimbursement for the expenditures from the appropriate agencies, and recognize the reimbursement, once received, as revenue in the fund from which the expenditures were made.

Stabilization of Funds

The City-Parish will maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. A designation of General Fund-Fund Balance will be made at the end of each year equal to at least 5% of the following year's appropriations. The budget stabilization

designation for the year ending December 31, 2005, is projected to be \$11.7 million. Designations for Special Funds will be established based on the annual assessment of the fund during budget preparation. Consideration will be given to cash resources available to the fund when determining designations. The reserves will be utilized for emergency purposes, or for the purpose for which the designation was established, and only upon approval from the Mayor-President and the Metropolitan Council.

Capital Improvement Budgets

The City-Parish will make all capital improvements in accordance with capital improvement budgets approved by the Mayor-President and the Metropolitan Council. Proposed funding mechanisms will be in place prior to the authorization of any contract associated with a proposed capital improvement project. Capital improvements financed through the issuance of bonds will be financed for a period not to exceed the useful life of the project. The City-Parish will seek intergovernmental assistance to finance capital improvements. The City-Parish will present a spending plan for capital projects whose proposed financing requires a vote of the people prior to such vote. All interest earned on capital improvement financing will be utilized for the project or purpose for which the original financing was intended. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts. The City-Parish will not approve capital improvement projects that are in conflict with the Horizon Plan (20-year "Comprehensive Land Use and Development Plan").

Reporting Entity

The City-Parish reporting entity includes various departments and other organizational units governed by the Mayor-President and members of the Metropolitan Council. The criteria of evaluation used are those established by the Governmental Accounting Standards Board (GASB), which defines the City-Parish government's reporting entity. The criteria deal with the legal status of the unit, appointment of a majority of board members, fiscal interdependency, imposition of will, and the financial benefit/burden relationship between the City-Parish and the component unit. The primary government includes the City-Parish (all departments and agencies under the auspices of the Mayor-President and the Metropolitan Council) as the oversight unit, and one blended component unit, the Employees' Retirement System.

Along with the primary government, the following discrete component units are included in accordance with GASB Statement No. 14—The Financial Reporting Entity: Capital Area Transit System (CATS), Capital Region Planning Commission, Parish Fire Protection Districts, East Baton Rouge Parish Clerk of Court, East Baton Rouge Parish Coroner, District Attorney of the Nineteenth Judicial District, Nineteenth Judicial District Court, East Baton Rouge Parish Family Court, East Baton Rouge Parish Juvenile Court, and the Nineteenth Judicial District Indigent Defender Board.



The City-Parish is required to prepare financial statements that consider all units within the reporting entity. The City-Parish budget establishes appropriations for operations of the primary government, which in some cases include interaction with the component units. However, the City-Parish does not exercise budgetary control over the component units.

Legal Requirements

Budget Amendments

Legal requirements applicable to budget amendments are set forth in The Plan of Government and in certain local ordinances. Section 8.17 of The Plan of Government gives the Mayor-President the authority to authorize the transfer of any unencumbered balance of an appropriation to supplement another appropriation made in the same budget. At the request of the Mayor-President, but only within the last three months of the year, the Council may by resolution transfer any unencumbered balance of an appropriation to supplement an appropriation to another department or agency.

Appropriations in addition to those contained in the current expense budget may be made only on the recommendation of the Mayor-President and only if the Finance Director certifies that there are surplus funds sufficient to meet such appropriations. If funding is available, a budget supplement, which must be signed by the Mayor-President, Finance Director, and Council Budget Officer, is submitted to the Metropolitan Council for approval. Departmental requests for changes in the current pay plan or personnel allotment must also be approved by means of a budget supplement, which requires formal Council approval.

Budget Allotments

After the current expense budget has been adopted and before the beginning of the fiscal year, the head of each department, office, or agency to which any appropriation is made must submit to the Mayor-President a work program that shows the requested quarterly allotments of said appropriation. After reviewing the work programs, the Mayor-President approves the allotments for each budget entity and files them with the Finance Director. Allotments requested by parish officers elected by the people must be approved as submitted. The Finance Director may not authorize any expenditure to be made from any appropriation except on the basis of an approved allotment. An approved allotment may be revised during the fiscal year in the same manner as that in which the original allotment was made. If the Mayor-President at any time ascertains that there will not be sufficient funds to meet total appropriations, it is his duty to revise allotments to forestall the incurring of a deficit.

Revenue Assumptions

Overview

Total sources, which exclude the Pension Trust Fund, transfers, and internal charges, reflect an overall increase for 2006 of 8.38%, primarily in the Licenses and Permits and Charges for Services categories. Following is a general overview of revenues and detailed revenue discussions for the more significant items.

After several disappointing years in terms of growth, the sales and use tax rebounded in 2005 and is projected to exceed 2004's collections by 6.24%. The influx of new residents following Hurricane Katrina played a major factor for the last four months of 2005; the effect will continue into 2006. We are not forecasting any additional revenue growth from the increased population at this time. The \$1.2 million, or 34.6% increase in Licenses and Permits and the \$20.5 million, or 18.2% increase in Charges for Services are due largely to the intergovernmental agreement with the City of Central and several user fee increases proposed for 2006.

A comparison of 2005 and 2006 total sources of funds is as follows:

	2005 Budget	%	2006 Budget	%	% Inc.
Taxes	297,150,360	61.98%	309,041,620	59.48%	4.00%
Lic. & Permits	3,396,420	0.71%	4,571,510	0.88%	34.60%
Intergov.	46,746,120	9.75%	52,915,650	10.18%	13.20%
Charges for Serv.	112,736,720	23.52%	133,243,760	25.64%	18.19%
Fines & Forf.	2,024,000	0.42%	2,003,100	0.39%	-1.03%
Miscellaneous	14,427,940	3.01%	13,928,560	2.68%	-3.46%
Other Fin. Sources	2,936,510	0.61%	3,895,720	0.75%	32.66%
Total Sources	\$479,418,070	100.00%	\$519,599,920	100.00%	8.38%

2006 Sources of Funds

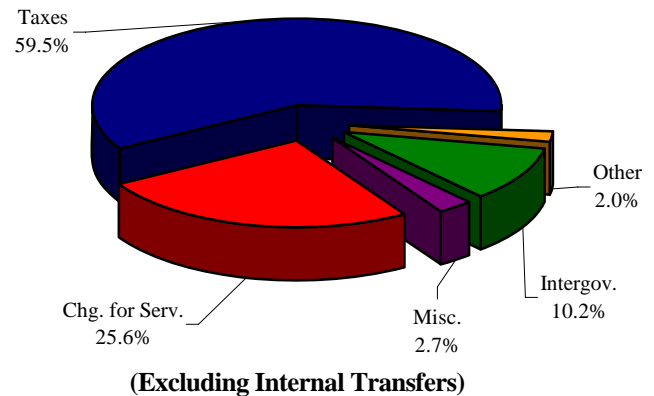


Figure 1



Taxes

The taxes revenue category includes sales and use, property, gross receipts business, occupational license, insurance premium, gaming and occupancy taxes. With the Pension Trust Fund, transfers, and internal charges between funds excluded, taxes account for 59.5% of total sources in the 2006 budget, as shown in Figure 1.

Taxes, along with their associated interest and penalties, are projected to generate \$309.0 million of the total \$519.6 million generated externally in the 2006 budget. Sales and use tax reflects reductions for potential enterprise zone sales tax rebates.

A four-year history of tax revenues is as follows:

History of Tax Collections

	2001	2002	2003	2004
Sales & Use	\$179,360,300	\$184,404,530	\$190,892,830	\$195,465,100
Property	54,971,800	57,954,610	61,290,010	63,337,580
Gross Receipts	22,835,800	20,507,650	21,847,780	22,203,420
Occupational Lic.	7,092,500	7,343,970	7,983,390	8,124,180
Insurance	2,947,040	3,071,730	3,054,020	3,194,150
Gaming	7,054,030	7,131,320	6,819,780	6,504,030
Occupancy	716,040	772,350	729,700	763,830
Interest & Penalty	1,884,210	1,946,120	1,977,160	2,314,980
Total	\$276,861,720	\$283,132,280	\$294,594,670	\$301,907,270

Sales and Use Tax

The sales and use tax rate in East Baton Rouge Parish is presently 9% and is distributed as follows:

**Sales and Use Tax Distribution
9% Total State and Local**

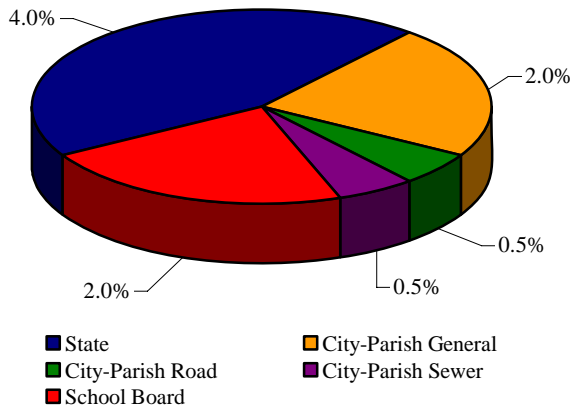


Figure 2

Sales and use tax revenues showed a slowdown during 2000 and 2001. Since that time a slight upward trend was felt culminating in robust growth during 2005 as seen in Figure 3. Beginning in 2005, collections showed renewed life, and year-to-date receipts through August of 2005 reflect an increase of 5.4% for the City-Parish 2% General Fund tax. Road tax collections, excluding the Baker and Zachary portions, increased by 6.0% and sewer taxes by 6.2% for the first eight months of 2005. The major differences between these taxes are that the road and sewer taxes do not tax food for home consumption, prescription drugs, or medical devices. The municipalities of Baker and Zachary administer their individual 2% and road taxes, but the City-Parish administers the parishwide sewer tax. In 2006, the City of Central will administer their portion of the road tax.

Gross Sales & Use Tax Revenue Trends

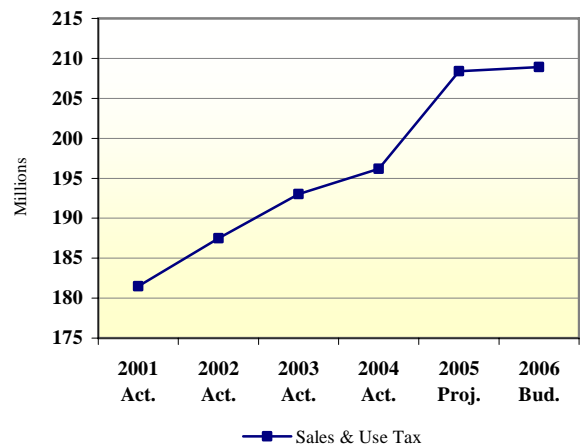


Figure 3

The 2006 sales tax revenue estimate, including audits, for all funds totals \$208.9 million. This amount has been reduced by \$3.8 million for the newly incorporated City of Central and amounts escrowed for approved enterprise zone projects. By intergovernmental agreement with the newly incorporated municipality of Central, the City-Parish will continue to provide public services to the area in exchange for 90% of that city's sales tax. This income has been reclassified as Charges for Services. Factors considered in arriving at a sales tax growth rate include historical collection data from prior years, the judgment of local government officials relative to the performance of the local economy, and the opinion of economists at Louisiana State University and Southeastern Louisiana University. These economists, Drs. Loren Scott, James Richardson, and A.M.M. Jamal, prepare an econometric model for Louisiana and its major metropolitan areas each year. Statistics on personal income growth and employment growth are generated. From these numbers, a range of potential sales and use tax growth is estimated. The economists have indicated that it would be prudent to project between 2.5% and 3.5% growth in sales tax revenue for 2005 before considering the impact of potential population increases due to Hurricane Katrina. This budget assumes a 3.5% growth factor.



Property Tax

General property taxes are expected to continue the modest growth experienced in the last several years, as illustrated in Figure 4 below. The 2005 tax roll for East Baton Rouge Parish had an assessed valuation of \$3.012 billion. Of this amount, \$612.2 million represents the valuation of exempt homesteads. Louisiana homeowners are allowed a homestead exemption of \$7,500 of assessed valuation for state, parish, and special ad valorem taxes.

The 1974 Louisiana Constitution authorizes the governing authorities of municipalities and parishes to levy annually ad valorem taxes of 7 and 4 mills, respectively. These millages may be adjusted upward or downward in reassessment years to prevent gains or losses in revenues due to reassessment. Property is reassessed every four years, with 2004 the most recent year of reassessment. In 2004 the Metropolitan Council elected to roll back the millage rates for the City and Parish to 6.85 and 3.78, respectively. The authorized maximum millage rates are 7.29 and 4.06 mills until the next reassessment in 2008. In addition, the 1921 Louisiana Constitution authorized municipalities with a population of 75,000 or more to levy a special tax not exceeding 1 mill for the purpose of providing a three-platoon police system. The 1974 Constitution provided that this authorization would continue. The maximum authorized millage through the 2008 reassessment is 1.05 mills. The Council also rolled this millage back to .99 mills. Total receipts for the General Fund are projected at \$19.1 million, with \$47.3 million estimated for Special Funds.

Property subject to taxation is assessed as a percentage of its fair market value. Residential properties and all land are assessed at 10%; other property and electric cooperative properties, excluding land, are assessed at 15%; and public service properties, excluding land, are assessed at 25% of fair market value. The overall assessed value is estimated to be 11% of actual market value. The current year tax roll is completed by the assessor after the budget is submitted to the Council for approval. Any material deviations from the estimates contained in the proposed budget are reflected in the final budget adoption.

Listed below are the current and proposed millages for East Baton Rouge Parish.

Taxing District	Current 2005 Millage	Proposed 2006 Millage
Parish-Wide Millages:*		
East Baton Rouge Parish (General Fund)**	3.78	3.78
Mosquito Abatement**	1.23	1.23
Emergency Medical Services**	3.13	3.13
Library Board of Control**	9.97	11.10
East Baton Rouge Parish School Taxes	43.45	43.45
Recreational Taxes (BREC)	14.46	14.46
Law Enforcement-Sheriff	14.99	14.99
Assessor	1.38	1.38
Special Taxing Districts:*		
Consolidated Road Lighting District**	6.39	5.45
Consolidated Garbage District**	5.55	2.55
Parish Fire Protection Districts***	130.07	130.07
Downtown Development Districts**	9.44	10.00
Comite River Diversion Canal	2.96	2.96
Ponchartrain Levee District	3.74	3.74
City Millages:		
City of Baton Rouge (General Fund)**	7.84	7.84
City of B. R. Fire Pay Enhancement Fund**	6.00	6.00
City of Baker	5.43	5.43
Baker School District	43.20	43.20
City of Zachary	3.17	3.17
Zachary School District	79.20	79.20
TOTAL	395.38	393.13

- * Homestead Exemption Applies
- ** Included in the City-Parish Budget
- *** 39.82 Mills included in the City-Parish Budget

Assessed Valuation

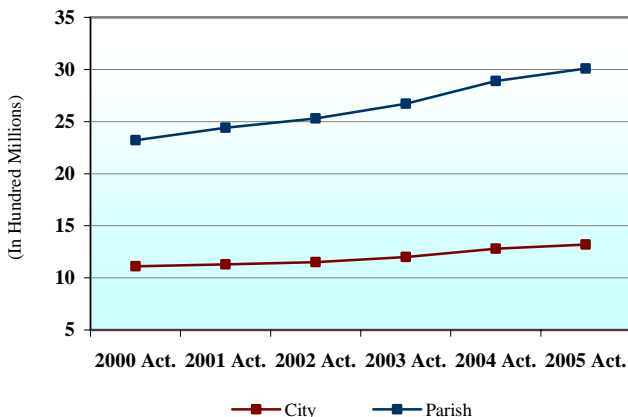


Figure 4

Gross Receipts Business Tax

Utility companies pay a tax based on the gross receipts of their business. Most companies pay a 5% tax, but there are exceptions for those whose franchise agreements dictate a different rate. As of August 31, 2005, this revenue category showed a decrease of 3% compared to the same period in 2004 largely due to utility refunds granted earlier in the year. In 2006 this revenue is expected to exceed 2005 projected collections by 1.4%.

Total gross receipts business tax revenues are expected to be \$22.1 million and are accounted for in the General Fund.

Gaming Admissions Tax (Riverboats)

State law authorizes local government to collect \$2.50 per passenger from riverboat casinos. In addition to this tax, the City-Parish through a contract with Argosy Casino collected an additional \$2.50 from one of the two casinos located in the city until July of 1999. For this reason, gaming revenues have



continued to decrease through 2004. Visitors attending the American Bowling Congress tournament and displaced persons from two recent hurricanes have boosted these revenues to \$7.65 million for 2005. Of the total, the first \$4 million has been dedicated for sewer rehabilitation projects and is shown as a source of funds from fund balance in the 2006 budget. Estimated revenue of \$2 million is included for 2006 as a source of funds for recurring operations.

Occupancy Tax

Effective January 1, 1999, an additional 1% tax on the occupancy of hotel rooms, motel rooms, and overnight camping facilities was authorized in East Baton Rouge Parish. These proceeds are dedicated for capital improvements and the expansion of the Baton Rouge River Center (formerly the Riverside Centroplex). In 2006, these funds, estimated to provide \$750,000, will be used to reimburse the City General Fund for a portion of the annual debt service incurred on \$18.2 million in debt issued for the expansion. Funding of the remainder of this debt service payment is discussed below under State Sales Tax Rebate.

Intergovernmental

Intergovernmental revenues include monies received from other governmental agencies such as federal and state offices. In some cases, these funds are dedicated to provide for the operation of a specific program such as Head Start, jobs training, and the Community Development programs, as well as for maintenance of state roads and traffic signals on state roads. Other funds, such as Louisiana Revenue Sharing funds, are distributed with no constraints on their use.

Parish Transportation

The parish receives monies for road and bridge maintenance, road and bridge construction, and mass transit needs through the Parish Transportation Fund. The voters approved the creation of the state's Transportation Trust Fund, with a dedication of one cent per gallon, or approximately \$24 million per year, of fuel tax receipts for the Parish Transportation Fund. The state continues to exceed this minimum dedication, which is distributed to local governments throughout the state on a formula basis as provided for in the statutes. The 2005-2006 state appropriations bill provides \$36.2 million. The 2006 City-Parish budget anticipates the receipt of an estimated \$2.6 million.

On-behalf Payments

"On-behalf" payments for salaries and benefits are estimated at \$5.5 million. These represent payments from the State of Louisiana for supplemental pay for public safety employees, City Court judges, justices of the peace, ward constables, and employees of the Registrar of Voters' Office, as well as benefit payments to the Municipal Employees' Retirement System.

State Sales Tax Rebate

The State of Louisiana rebates state sales taxes on hotel/motel rooms in East Baton Rouge Parish for various purposes. These purposes and the amounts appropriated by the state are explained below.

The East Baton Rouge Parish Community Improvement Fund receives 2%, with half dedicated to urban mass transit and half dedicated to the Research Park Corporation. The 2005-2006 state appropriation is \$1,650,000. The transit portion, previously shown in a City-Parish enterprise fund, will now be accounted for in an escrow account for the Capital Area Transit System (CATS). Prior to June 30, 1997, the Research Park Corporation was accounted for in the General Fund. Since July 1, 1997, these funds have been paid directly to the Research Park Corporation.

Debt service payments on the bonds mentioned in the Occupancy Tax section above are funded both by the Occupancy Tax and by a portion of the State Sales Tax Rebate. Total bond payments in 2006 are \$1.5 million, of which the first \$750,000 will be provided by the Occupancy Tax and the balance by the Sales Tax Rebate, as discussed in the following paragraphs.

The Baton Rouge River Center (formerly known as the Riverside Centroplex) Fund receives .97% for capital improvements at the River Center, Louisiana Art and Science Museum (LASM), Riverfront Promenade, and related projects in the Riverfront Development Plan. The 2005-2006 state appropriation is \$825,000. A proposal to extend this tax indefinitely was approved by the Louisiana Legislature in 1999. A portion of this revenue has been dedicated for the LASM Planetarium/Space Theater. The City-Parish issued bonds to provide the \$3.4 million local match for state capital outlay monies authorized for the LASM project. The .97% tax rebate is used to reimburse the City General Fund for a portion of the annual debt service incurred on these bonds; the amount included in the General Fund budget for the 2006 repayment is \$332,930.

The East Baton Rouge Parish Enhancement Fund receives 1%, with \$100,000 dedicated to urban mass transit, \$100,000 dedicated to the Baton Rouge Sports Foundation, and the remainder for use by the Baton Rouge River Center. The 2005-2006 state appropriation is \$825,000. The transit portion is placed in escrow for CATS, while the Sports Foundation portion is remitted directly to that organization. The River Center portion is dedicated for expansion of that facility and will be used to reimburse the City General Fund for a portion of the annual debt service incurred on \$18.2 million of its 2001 bond issue. The General Fund budget includes \$450,310 for the 2006 repayment from this source.

Intergovernmental revenues are expected to generate \$52.9 million in the 2006 budget, up from \$46.7 million in 2005.



Charges for Services

Sewer User Fee

The sewer user fee, first enacted in 1985, is estimated to produce \$57.1 million in 2006. This fee, along with a ½% sales tax estimated to generate \$33.3 million in 2006 and \$4 million from the General Fund, provides for capital improvements and the operation and maintenance of the comprehensive sewerage system. The user fee is based upon the amount of wastewater discharged by a residence or business. In August of 1999, the Metropolitan Council authorized a 95% increase in sewer user fees with a three-year implementation plan. In 2002 the Council approved funding for the SSO program which is discussed both in the Budget Message and the Capital Improvement Program section. This plan authorized an additional increase of 10% in the sewer user fee effective January 1, 2003, and a 4% increase each year thereafter through program completion in 2014.

Solid Waste User Fee

This revenue is derived primarily from the residential solid waste fee that went into effect in January 1991. The 2006 budget proposes an increase in the residential fee from \$8.40 to \$12.00 per month. The fee has been unchanged since 1997. In addition to the user fee, another \$5.5 million from the City General Fund, and \$4.5 million from dedicated property taxes in the parish will support the solid waste program. The solid waste collection contract was rebid in 2005, and a new contract was awarded for the ten-year period beginning September 3, 2005. Rates for apartments, which will no longer be mandated as part of the City-Parish collection program will be increased approximately 20%. The reserve which has supported the program in the past few years has now been exhausted, necessitating this increase in user fees. Total revenues from solid waste user fees are expected to be \$18.8 million in the year 2006 and will be accounted for in a separate Enterprise Fund (Solid Waste Collection Fund).

Miscellaneous

E. B. R. Sewerage Commission Note

In 1992, the City of Baton Rouge issued \$85 million of refunding bonds, which are being repaid with the proceeds of the city's 2% general sales tax. This transaction reduced future debt service (principal and interest) for the sewer system by approximately \$7 million and produced present-value savings of about \$4 million. Although obligations of the sewer system were extinguished by the refunding, the city's obligation was increased considerably by the \$85 million bond issue required to effect the refunding. A repayment schedule was established whereby the sewer system will transfer funds to the city on an annual basis to provide monies to meet the city's obligation. The 2006 budget contains a payment of \$6.9 million from the Sewer Fund to the City General Fund.

**Airport Obligations Payable
(Terminal Development Program)**

A 1980 capital improvement program at the Baton Rouge Metropolitan Airport resulted in a 25-year rent obligation payable to the City-Parish. The rental payments ended in 2005, resulting in a \$1.1 million decrease in debt service.

In 1997, the City of Baton Rouge issued bonds, of which \$14.9 million were used for the airport terminal development program. The airport signed two promissory notes to the General Fund. The first note in the amount of \$7.3 million was pledged from the airport rates and charges. The final payment on this note was made in 2005. The second note in the amount of \$7.6 million was pledged from passenger facility charges (PFC). In 2001, the City issued additional bonds, a portion of which were used by the airport to refinance the remaining balance of its PFC note. The airport signed an amended agreement, obligating passenger facility charges over a 20-year period. Payments to the city totaling \$398,360 are included in the 2006 budget relative to this terminal-development debt.

Fund Balance

Fund balance is defined as the difference between the assets and liabilities of a governmental fund. In the General Fund, fund balance has historically been used as a funding source for a small portion of recurring operations and varying amounts for non-recurring projects. The 2006 General Fund budget includes the use of \$9 million in both designated and undesignated fund balance. The 2006 General Fund includes \$4.27 million from Fund Balance–Undesignated as a source of funds to provide for capital improvements and capital equipment. This represents about 1.8% of General Fund sources. The projects funded through undesignated fund balance are shown later in this section. The 2006 General Fund also includes Fund Balance–Designated as a source as follows: a \$4 million subsidy for the Sewerage-Operations and Maintenance Fund; \$600,000 to fund the employer's share of health insurance increase in the General Fund; and \$155,450 to fund a portion of life insurance premiums.

The use of fund balance as a source of financing current operations has been both recurring and planned in recent years. Conservative revenue estimates generate a fund balance, which allows the government to spend monies after it is assured of their collection. This philosophy of money management creates a situation that should prevent the need for drastic budgetary adjustments that could result in the severe curtailment of vital services or undue uncertainty and hardship in the workplace.

Fund balance has also been utilized as a source of funds in the Consolidated Garbage Service District for recurring operations. The property tax millage for this district was lowered in 2000 in order to achieve a more balanced budget (and was rolled back further in 2004 after reassessment). A further reduction is proposed for 2006 as the City-Parish moves towards self-sufficiency in the



solid waste program. The 2006 budget requires the use of \$2.8 million of this fund's fund balance.

The Pride Fire Protection District, Consolidated Road Lighting District, and Emergency Medical Services are also utilizing fund balance to finance a small portion of recurring operations. All of these funds have ample surpluses to support operations in the long term.

Revenue Facts Sheets

The above revenue assumptions relate to the major sources of funds included in the Annual Operating Budget. For a more in-depth analysis of the City-Parish revenue structure, the Finance Department-Budgeting Division produces a revenue manual, entitled *Revenue Facts*. This manual provides a four-year history of all recurring revenues, complete with a summary of legal authorizations, collection and distribution procedures, restrictions and/or limitations, and method of computing the revenues. This document provides a valuable resource in estimating the revenues included in the annual budget.

Appropriation Assumptions

Personal Services

The General Fund provides funding for salaries as follows:

Base Pay	\$ 91,817,800	75.07%
Base Longevity	7,779,350	6.36%
Merit Increases	1,248,540	1.02%
Longevity Increases	310,370	0.25%
Salaries of Other Govt.	7,099,950	5.81%
Severance Pay	813,220	0.66%
2% Fire Longevity	544,640	0.45%
Shift Differential	438,150	0.36%
On-Behalf Payments	4,791,840	3.92%
Overtime	6,557,030	5.36%
Contract Employees	542,580	0.44%
Temporary Employees	913,950	0.75%
Other Allowances	687,290	0.56%
Salary Savings	(1,614,520)	-1.32%
Workers' Comp. Salaries	263,050	0.22%
Substitute Appointments	113,800	0.09%
Total	<u>\$ 122,307,040</u>	<u>100.00%</u>

Appropriations included in Special Funds for salaries are composed of the following:

Base Pay	\$44,067,740	83.15%
Base Longevity	3,157,470	5.96%
Merit Increases	797,350	1.50%
Longevity Increases	132,420	0.25%
Salaries of Other Govt.	174,710	0.33%
Severance Pay	228,650	0.43%
2% Fire Longevity	150,940	0.28%
Shift Differential	146,470	0.28%
On-Behalf Payments	122,400	0.23%
Overtime	2,761,190	5.21%
Contract Employees	1,514,700	2.86%
Temporary Employees	279,110	0.53%
Other Allowances	156,450	0.30%
Salary Savings	(1,037,080)	-1.96%
Compensated Absences	192,250	0.36%
Workers' Comp. Salaries	137,940	0.26%
Substitute Appointments	13,400	0.03%
Total	<u>\$52,996,110</u>	<u>100.00%</u>

Grand Total \$175,303,150

% Change from 2005 Budget 6.66%

The average salary of a City-Parish employee is as follows:

	Regular	Police	Fire
Base Pay	\$31,440	\$38,510	\$39,910
Base Longevity	2,400	3,300	4,310
Merit Increase	530	460	480
State Longevity	0	0	1,200
On-Behalf Payments	160	3,060	3,450
Shift Differential	70	540	0
Other	10	30	130
Overtime	1,140	6,480	2,690
Allowances	180	330	150
Total	<u>\$35,930</u>	<u>\$52,710</u>	<u>\$52,320</u>
% Inc. from 2005 Budget	<u>5.65%</u>	<u>10.13%</u>	<u>3.81%</u>

In 2006, the calculation of average salary reflects the proposed pay raises for all City-Parish employees, an average 11.5% for sworn police officers and 3% for all others.

Most departmental budgets with personal services contain a section entitled "Personnel Summary," which reflects the types and numbers of employees proposed for that entity. The first column of the summary shows the job code for each position. Job codes beginning with the numeral "1" refer to "classified" City-Parish employees below the rank of department heads, and job codes



beginning with a "2" refer to "classified" department heads. Job codes beginning with a "3" refer to "unclassified" City-Parish employees, a "4" to contract employees, and a "5" to elected officials. Following each job code is the title, the number of employees in that position authorized for the department, the pay grade number assigned to that position, and the salary range for that pay grade. The approved personnel allotment constitutes the maximum employment levels for each classification within that department or agency. Amendments to the allotment and pay plan can be made only when authorized by the Metropolitan Council.

For non-Municipal Fire and Police Civil Service positions, pay grades in the 1000 series are for non-exempt general employees who are covered by the minimum wage and overtime pay provisions of the Fair Labor Standards Act (FLSA); those in the 2000's denote positions that are exempt from the Act (executive, administrative, and professional as defined by 29 CFR Part 541). Pay grades in the 3000 series are for positions in the Municipal Police Service, and those in the 7000 series for the Municipal Fire Service. Pay grades in the 8000 series are reserved for elected officials. The middle two digits of the pay-grade number determine the salary range, and the fourth digit indicates the number of hours worked per year.

Each pay grade in the pay plan contains 12 steps (Fire contains 14 steps), with a salary differential between steps of approximately 3%. In budgeting an amount for salary for each employee, it is assumed that the employee will receive a step or merit increase, not to exceed the maximum steps in the pay grade, on his or her "merit date," and the applicable increase is included in that employee's salary figure from that point in the year forward. Additional amounts are also budgeted for longevity pay for workers who have been in the employ of the City-Parish for at least 10 years. Longevity pay is calculated at 5% for employees with at least 10 years of service, increasing by 1% per year thereafter up to a maximum of 20% for 25 years of service.

City-Parish employees earn vacation and sick leave in varying amounts according to years of continuous service as follows:

<u>Years of Service</u>	<u>Leave for Each</u>
Less than 3	12 days/year
3-4	15 days/year
5-9	18 days/year
10-14	21 days/year
15 & Over	24 days/year

Special calculations are necessary for employees who work 42-hour weeks and municipal fire personnel.

Unused vacation time accumulates for up to 5 years, and unused sick leave accumulates indefinitely. Both types of leave are payable within certain limits at the death or retirement of the employee from the City-Parish Employees' Retirement System (CPERS); vacation is also payable on resignation or discharge and

is charged to the budget of the department from which the employee separates.

Employee Benefits

Employee benefits are shown in a separate object level. Amounts for health, dental, and life insurance; retirement; and Social Security/Medicare for each department are appropriated in that department's budget under the heading Employee Benefits. Workers' compensation is allocated between personal services and employee benefits to facilitate the tracking of leave balances for employees on workers' compensation. The Employee Benefits section continues to include all medical claim payments. Only the major departmental budgets include appropriations for workers' compensation.

Through 2002, health and dental benefits for retirees were budgeted in the General Fund-Risk Management Budget. Beginning with the 2003 Budget, the cost of such post-employment benefits, expected to total \$10.7 million in 2006, is distributed out to all departments and agencies.

Employee benefits are 35.2% of personal services in the overall City-Parish budget. This percentage of personal services dropped in 2000 because of the voluntary transfer in that year of municipal police employees to MPERS, although it has since risen steadily because of increasing retirement and insurance premium rates. The liability to MPERS is shown as debt service in the budget, but is considered a retirement obligation for purposes of setting the rates for employer contributions to CPERS. This obligation expressed as a percentage of payroll is an additional 1.9% in the cost of benefits.

The CPERS effective retirement rate for the year 2006 will be 22.38% of total eligible payroll for all employers. This includes the debt obligation to MPERS to be paid by the General Fund and the certified contribution rate to CPERS of 18.88%. To accomplish a charge to all funds equal to the effective rate, all funds and employers not funded from the General Fund will be assessed 22.38% of payroll, and General Fund departments and employers will be charged 15.81% of eligible payroll. The employee's contribution rate for CPERS is 50% of the employer's rate but not more than 9.5%; therefore the employee rate will remain at 9.5% for 2006. The employer's contribution rate for employees who joined MPERS will be 16.25% of payroll for 2006 and the employee's contribution rate will be 7.5%.

Blue Cross/Blue Shield will continue to serve as plan administrator of the health insurance program, which will continue to offer both an HMO and a point of service (POS) plan to employees. The cost difference between the HMO and POS plans is paid by the employee, and the rates will increase by 5% for 2006.

In 2003 Medicare-eligible retirees were given a 50% credit toward their monthly Medicare Part B premium. In 2004 this credit was increased to 75%, and in 2005 100% credit was granted. 100% credit will continue to be granted in 2006. Vesting for retiree insurance coverage is based on "total years of service" rather than



the previous “continuous years of participation in the plan.” This allows an employee to opt out of the plan while employed and still accumulate vesting rights for retiree coverage.

A 20% increase is proposed for dental insurance with the entire increase to be borne by the employee. Even with this increase, substantial changes are needed to balance this program. Life insurance rates charged to departmental budgets will not increase in 2006. The last of the funds received from the demutualization of Prudential will be exhausted in this proposed budget.

Blue Cross Claims History

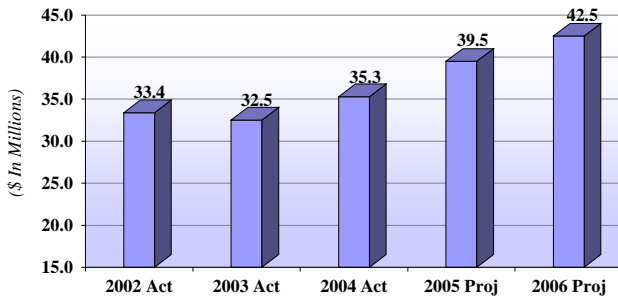


Figure 5

Supplies

In 2002 the capitalization threshold for movable capital assets was increased from \$1,000 to \$5,000, thereby reclassifying all items with a unit cost between those amounts from Capital Outlay to Supplies. Amounts in the Budget Detail section reflect this classification scheme.

Fuel

The amount budgeted for Fuel is still the largest line-item under the Supplies category, representing 19.5% of the total Supplies budget. Proposed fuel rates for 2006 are as follows:

Gasoline:	
Regular Unleaded	2.0352
Unleaded Plus	2.0824
Unleaded Premium	2.1599
Highway Diesel	2.0647
Non-Highway Diesel	1.8647
Compressed Natural Gas:	
Fuelman sites	1.4740
DPW sites	1.4740

These prices include markups for Fuelman in the amounts of 5.9 cents per gallon at DPW sites, 8.9 cents at unattended Fuelman sites, and 12.9 cents at attended commercial sites. They also include 17.5 cents per gallon for Central Garage.

Contractual Services

Solid Waste Collection Contract

The solid waste collection contract with Allied Waste began September 3, 2005, for a ten-year period. The contract provides for a rate change beginning in the second year according to a calculation involving changes in the Consumer Price Index (CPI). A separate ten-year contract with Recycling Foundation, Inc., was entered into for the collection of recyclables effective November 1, 2005. The proposed budget assumes that new automated services will be phased in over a 5-month period beginning in January 2006. A new Enterprise Fund, entitled Solid Waste Collection Fund, will account for all income and costs associated with the solid waste program.

Appropriations from Fund Balance-Undesignated

Included in the 2006 General Fund budget are appropriations funded from projected fund balance at the end of 2005. These items are generally non-recurring. Details are as follows:

Department/Program	Department Total
From Fund Balance Undesignated:	
Police:	
Vehicles	\$1,000,000
Vehicles & Equipment (20 New Officers)	700,000
Fire:	
Fire Station	\$901,770
Pumper and Aerial Truck	1,035,000
Equipment	268,000
	2,204,770
Public Works:	
Equipment	30,000
Various Street Projects	335,900
	365,900
Total from Fund Balance Undesignated	\$4,270,670

