



November 2, 2005

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 and special funds for the City of Baton Rouge and the Parish of East Baton Rouge for the year 2006.

The economy of East Baton Rouge Parish has been impacted by Hurricanes Katrina and Rita, experiencing growth in both employment and sales tax collections as a result of unprecedented population growth. At the same time, there has been an additional burden on the City-Parish to provide services for the increased population, and difficulty projecting the length of temporary residence and the number of permanent businesses and residents as a result of relocation.

East Baton Rouge Parish experienced sales tax growth of almost 6 percent for the first seven months of 2005, and a growth rate of about 4.5 percent if the impact of the American Bowling Congress Tournament is discounted. Dr. James A. Richardson and Dr. Loren C. Scott, expert economists from Louisiana State University, advise that, while revenue projections may be subject to a wide margin of error, baseline growth for sales tax collections of between 2.5 and 3.5 percent can be expected.

Infrastructure improvements, a priority set by this Administration pre-Katrina, will be fast-tracked with the approval of an extension of the current one-half percent sales and use tax for street and road improvements. The proposition offered by my Administration and approved in the October 15, 2005, election authorizes the issuance of bonds supported by these proceeds to allow for construction of new roads, widening of existing roads, and intersection and signalization improvements.

The City-Parish also presented an alternative Sanitary Sewer Overflow (SSO) Capital Improvements Program to the EPA on August 1, 2005, for approval. This alternative program consists of a rehabilitation of the sewer system rather than the construction of the complex tunnel system originally proposed in 2003. The rehabilitation program is designed to provide a more cost efficient means of controlling sewer overflows and providing capacity for the future growth of East Baton Rouge Parish.

Baton Rouge's increased population is finding a vibrant Downtown area that surpassed the billion-dollar investment threshold in the redevelopment of the city center in 2005, and continues to experience the opening of new restaurants and attractions. Anchored by the Shaw Center for the Arts and an adjacent parking garage, a growing entertainment district and new residential options provide an exciting urban lifestyle for professionals of all ages.

A new Riverfront Master Plan will provide a blueprint for activating the riverfront with entertainment options and visitor amenities, while identifying opportunities for expanded development in Downtown and Old South Baton Rouge. With the national television exposure resulting from the Miss Teen USA pageant hosted at the River Center, Baton Rouge's Riverfront is quickly becoming one of our city's greatest assets. The East Baton Rouge Parish Library Board of Control has also indicated that it favors Downtown Baton Rouge for the location of a new main library. With the October 2005 renewal of the ten-year property millage to maintain and operate the library system, planning will now get underway for the construction of three new libraries throughout the parish.



Public safety is a top priority of this Administration, and with added demands on our Baton Rouge Police Department in the post-Katrina environment, a pay increase is necessary to maintain competitive salaries for police officers and assure the successful recruitment of top quality professionals to the force. This budget also includes funding for an additional 20 Police Officers to supplement our Police force. In addition to a Police Department pay raise at an average rate of 11.5%, the budget also allows for a 3% across-the-board raise for City-Parish employees.

To provide more efficient and citizen-friendly services through the Department of Public Works, a reorganization was implemented in conjunction with the search for a new Director. This department was heavily impacted in the aftermath of the two hurricanes, with the parish suffering over 600 downed trees, record debris removal, and the increased trash collection for a much larger population. Reorganization seeks to streamline the organization and reporting and provide greater access to services by the citizens of East Baton Rouge.

The City-Parish has an even greater need for affordable housing post-Katrina, and continues to work with the Federal Emergency Management Agency (FEMA) to provide temporary and permanent housing for new residents of East Baton Rouge Parish. I have met several times with the Secretary of Housing and Urban Development (HUD) and conducted workshops in Baton Rouge for non-profit, private-sector developers and the faith community to help develop housing opportunities for those in need.

Each department of the City-Parish government has been challenged to seek greater efficiency and service through technology. City-Parish employees are encouraged to participate in continuing education opportunities to bring greater professionalism to government and improved service to the public. The Administration sincerely appreciates their work and dedication throughout this budget process as they continue to work under difficult circumstances. East Baton Rouge Parish has received national attention for our successful management of the nation's largest national disaster, and we owe a debt of gratitude to all those who served with dedication, honor, and courage.

ECONOMIC OUTLOOK AND REVENUE FORECAST

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. Following are comments from James A. Richardson, 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 2006.

“The Baton Rouge economy, pre-Katrina, was modestly recovering from the 2001-2002 recession in which the area lost 5,400 jobs. It took two years to recover the jobs lost in 2001-2002, and for 2005 employment growth was expected to be only about 0.2 percent. Overall growth for 2006 and 2007 was projected to be about 4,400 jobs per year or a growth rate of 1.3 percent. Katrina has, of course, had a powerful impact on the New Orleans area and on the Baton Rouge Metropolitan Area. Some of the impact of Katrina will be temporary, though the definition of temporary may vary from person to person, and some of the impact of Katrina on Baton Rouge will be permanent.”



The projected pre-Katrina employment growth for Baton Rouge of 1.3 percent per year is still the baseline expected growth for the next two years. This employment growth, based on the historical relationship between employment growth and sales tax collections, suggests a baseline growth in sales tax collections of between 2.5 percent and 3.5 percent. In 2005, the City-Parish has experienced sales tax growth of almost 6 percent for the first seven months of the year, and a growth rate of about 4.5 percent if the impact of the American Bowling Congress Tournament is discounted. The employment projections do not suggest a sustained 4.5 percent growth in sales taxes. We recommend the City-Parish allow for a 2.5 percent to 3.5 percent growth rate for baseline sales tax collections.

The Katrina impact is subject to assumptions regarding how long many of the New Orleans residents stay in Baton Rouge or, at least, have to shop in the Baton Rouge area; how many may decide to make Baton Rouge a permanent place for business and raising a family; and how quickly New Orleans can get back to normal with houses, schools, shopping, and jobs available. Based on information from the Baton Rouge Chamber of Commerce and school attendance records, it appears that Baton Rouge will have about 50,000 new residents for the duration of 2006. This will lead to additional burdens on the City-Parish in terms of services to be provided and additional sales tax collections. This additional population will augment the sales tax collections for 2006 by about \$4 million to \$5 million. It is not clear that these persons will remain in Baton Rouge permanently. Hence, it would be prudent not to commit these sales tax collections to recurring responsibilities of government at this time.

As we are reconsidering the Louisiana Economic Outlook post-Katrina, we appreciate the responsibilities of Mayor Holden and the Metro Council. Baton Rouge must adopt a budget for 2006 and this budget must be based on the best available revenue projection. Any revenue projection at this point in time is subject to a wide margin of error. We do believe a baseline growth rate for sales tax collections of between 2.5 and 3.5 is prudent for 2006.”

Based upon the advice of these experts, the proposed budget assumes a 3.5% growth rate for sales and use tax revenues in 2006.

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

SOLID WASTE PROGRAM

A significant change in our solid waste program will occur in 2006 as we implement automated residential garbage collection. In early January, we will begin to phase in this new service, and it should be completely implemented by the end of June. Each resident will receive a new 96-gallon garbage cart. Approximately 20,000 carts will be distributed each month. Existing routes will remain in effect to the extent possible, and collections will continue twice per week. We will also begin the transition to weekly single-stream recycling in 64-gallon wheeled carts beginning in March of 2006, which will eliminate the need to sort various types of recyclables. These carts will be provided to all residents that participate in the recycling program. Trash collection will continue at a frequency of once per week.

This budget proposes a residential monthly solid waste user fee increase from \$8.40 to \$12.00 per household. The current fee has been in effect since March of 1997. Reserves that were built up in earlier years were used to fund the increase in expenses in later years. Since 1997, the cost of collection has risen steadily. The increased fee in 2006 will generate only enough funding to replace the amount that was funded from reserves and to cover increased costs. Even with this increase, the rate will be less than that paid by residents of surrounding parishes. Subsidies from the General Fund and Consolidated Garbage District will remain in effect during 2006. The user fees for multi-family service will be increased approximately 20%.

An increase in the tipping fee at the North Landfill is also proposed in 2006 to cover expenses. The price per ton for disposal will increase from \$20 to \$28 for in-parish solid waste. A reduction in the out-of-parish tipping fee is proposed from \$55 to \$32 per ton. When the out-of-parish tipping fee was increased from \$25 to \$55 per ton in August of 2003, approximately 60,000 tons of waste was diverted each year from the North Landfill. Decreasing the fee to \$32 per ton will create a business opportunity that will generate additional revenues and allow us to hold down costs for our in-parish customers. The purchase of 617 acres of property adjacent to the Landfill in 2004 allows for the acceptance of waste from out-of-parish customers.

BUILDING PERMIT FEES

The Department of Public Works has proposed an increase in building permit fees in this budget of approximately 50%. This will update valuation standards for residential and commercial development, which are currently based on 1978 values. Permit fees were last increased in 1986. This fee increase is expected to generate about \$1 million per year in additional revenues and will add about \$250 in fees to a 2,000-square-foot residential construction project.

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 \$4.3 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.

PAY RAISES FOR EMPLOYEES

Police pay has been addressed as a priority item in the budget. Funding in the amount of \$4,486,000 has been provided in order to bring our police personnel's pay up to a level comparable to other cities of our size. This funding will increase pay for officers by an average of 11.5% and provide even more for higher ranks, with a 17% increase for Captains and Majors.

In 2003, we contracted with MGT of America to conduct a comprehensive pay and classification study. The purpose of the study was to achieve internal equity and to move towards a salary structure that approaches relevant market conditions. In April of 2004, a partial implementation of the MGT salary structure was implemented at 97% of their proposed amounts. This budget includes a 3% across-the-board increase in pay for all employees in departments other than the Police Department at a cost of \$2,259,010.

EMPLOYEE BENEFITS

Health Insurance

A 5% rate increase is proposed for the health insurance program in 2006 with no change in benefits, co-payments, or deductibles. We have held rates constant for three years, and an increase in the 12% to 14% range could reasonably have been proposed. However, our insurance reserves are strong, and we will maintain rates as low as possible for as long as possible. A substantial increase in rates can be expected in 2007.

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 its 5% premium increase and for excess claims should the total premium income fall short of total expenses for 2006.

Dental Insurance

A 20% rate increase is recommended in the dental program, with the same level of benefits that we have enjoyed for several years. We last had a rate increase, of 15%, in 2003. In 2004, our expenses were 109% of premiums and this figure may exceed 120% in 2005. For several years, we have shared all premiums, single and family, at the ratio of 62% for the employer and 38% for the employee. However, for 2006, it is recommended that the employer contribution remain at the current level. This will result in an increase for employees of \$4.29 more per month for single coverage and \$16.04 more per month for family coverage.

Retirement Contributions

The 2006 employer's contribution rate to the City-Parish Employees' Retirement System was certified at 18.88% by the system's Board of Trustees. This budget provides funding at this level. This is a significant accomplishment since economic factors have not permitted funding at the level recommended by the actuary for several years. This represents a 2.38% increase over the 2005 employer contribution rate. The employee contribution rate will remain at 9.5% in 2006.



The transfer of law enforcement personnel to the Municipal Police Employees' Retirement System (MPERS) shifted the responsibility for payment of their pension to that system. However, the City of Baton Rouge is required to make employer contributions. Effective July 1, 2005, the employer contribution rate to that system decreased from 21.50% to 16.25%. This change results in a savings in the General Fund of \$1,346,000 in 2006, which allowed for partial funding of the proposed police pay raise.

Post-Employment Benefits

The rate for post-employment benefits in 2006 will be 7%, which is up from 6.59% in 2005. 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 and dental benefits for retirees. These 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.

All Fund Summary

The proposed budget for the year 2006 for all funds, exclusive of operating transfers between funds, totals \$591,160,633. This is an increase of 5.47% or \$30,663,013 from the year 2005. The chart below and the graph in Figure 1 that follows depict the total annual operating budget by fund type for 2006. Major changes in proposed funding are also discussed.

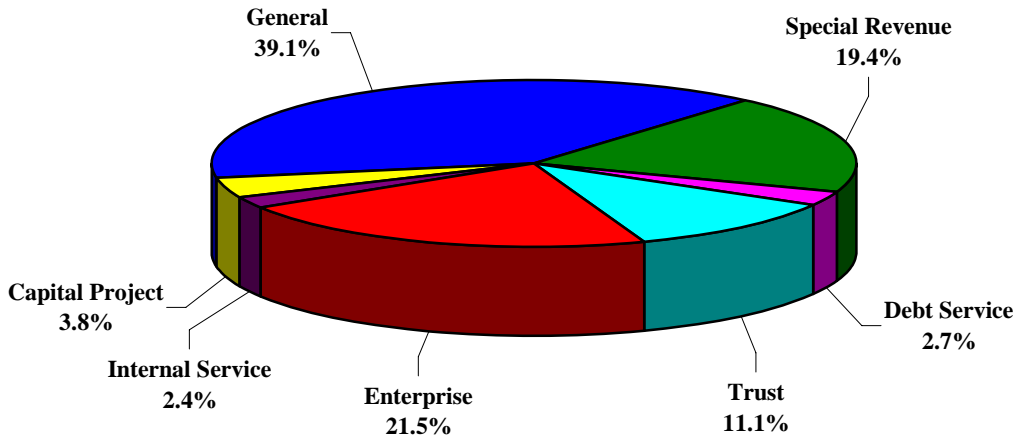
**APPROPRIATIONS – ALL FUNDS
2006 COMPARED TO 2005**

<u>Fund Type</u>	<u>2005</u>	<u>2006</u>	<u>2006 Budget Over</u>	
	<u>Budget</u>	<u>Budget</u>	<u>(Under) 2005 Budget</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Percent</u>
General	\$ 227,879,130	\$ 234,789,720	\$ 6,910,590	3.03%
Special Revenue	129,233,970	115,933,943	(13,300,027)	-10.29%
Debt Service	23,050,740	21,861,880	(1,188,860)	-5.16%
Capital Project	35,017,960	26,719,870	(8,298,090)	-23.70%
Enterprise	104,253,520	142,125,910	37,872,390	36.33%
Internal Service	15,149,590	14,117,890	(1,031,700)	-6.81%
Pension Trust	57,448,810	65,771,250	8,322,440	14.49%
Subtotal	592,033,720	621,320,463	29,286,743	4.95%
Less: Transfers Between Funds	(31,536,100)	(30,159,830)	1,376,270	-4.36%
Grand Total	<u>\$ 560,497,620</u>	<u>\$ 591,160,633</u>	<u>\$ 30,663,013</u>	<u>5.47%</u>



FIGURE 1

TOTAL ANNUAL APPROPRIATIONS BY FUND TYPE
(Excluding Transfers Between Funds)
\$591,160,633

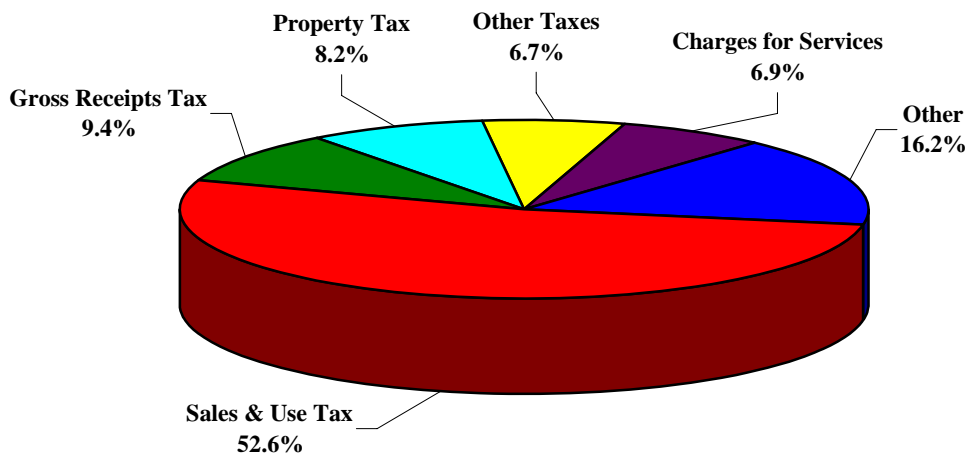


General Fund

As shown in Figure 1, the General Fund makes up 39.1% of the total City-Parish budget for the year 2006. 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
\$234,789,720



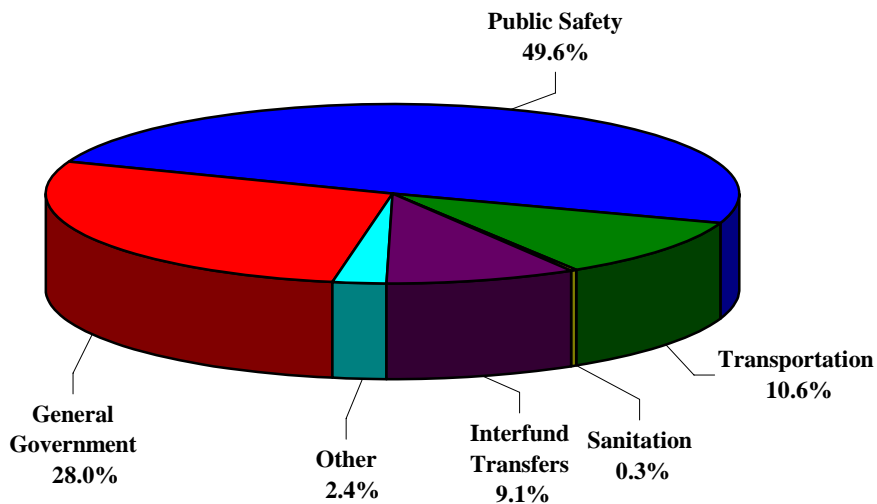


Significant changes in General Fund funding sources include the following:

Growth (Loss) from Existing Revenue/Reserve Sources Including the City of Central:		
Sales & Use Taxes	\$9,009,510	
Gross Receipts Business Taxes	1,044,430	
Property Tax	290,480	
Other Taxes	272,200	
Fiscal Management Fees	237,540	
Other Sources	801,130	11,655,290
Net Effect of Central Incorporation		(918,570)
Depletion of Reserve for Solid Waste		(2,286,000)
Loss from Airport (1980 Debt Paid Off)		(1,073,260)
Transfer Solid Waste User Fees to Enterprise Fund		(7,150,600)
Fund Landfill Debt Service from Landfill Tipping Fee Increase		1,679,060
Fund Health Insurance Increase from Insurance Reserve		600,000
Fund Additional Capital from Fund Balance		1,020,670
New Revenue Sources and/or Increases in Existing Revenues:		
Gaming Revenues Added for General Operations		2,000,000
Parade Permits		100,000
Increase Building Inspection & Planning User Fees by Average of 43%		1,040,000
Increase City Court Civil Filing Fees, Excluding Small Claims & Evictions, by \$10		100,000
Rent from Public Defender		144,000
Total Revenue Gain Shown in General Fund		\$6,910,590

Total appropriations for the General Fund Annual Operating Budget increased by \$6,910,590 or 3.03%, compared to the 2005 budget. Our commitment to public safety continues as shown in Figure 3 with nearly 49.6%, or \$116,466,090 of the 2006 budget proposed for that function. In addition to this amount, \$4,018,870 is provided for capital needs in the Police and Fire Departments, of which \$390,000 is included in the General Fund due to capitalization restrictions.

FIGURE 3
GENERAL FUND APPROPRIATIONS
BY MAJOR FUNCTION
\$234,789,720





Significant changes in General Fund appropriations are shown below:

Police Pay Raise	\$4,486,000
Fire & All Other City-Parish Employees Pay Raise (2nd Phase of MGT Plan)	2,529,010
Twenty Additional Police Officers	800,000
Additional Capital Equipment, Including Replacement Fire Station	1,429,870
Retirement Rate Increase for City-Parish Employees Retirement System	1,550,000
Retirement Rate Decrease for Municipal Police Employees Retirement System	(1,346,000)
Increase in Public Building Utilities, Fuel & Vehicle Costs	1,539,500
Transfer Solid Waste Function to Enterprise Fund	(8,305,080)
Transfer Telecommunications Function to EBR Communications District	(503,570)
Post Employment Benefit Increase from 6.59% to 7%	835,260
Capital Area Transit System	600,000
Health Insurance Increase of 5%	600,000
Constitutional Offices, Primarily District Court & District Attorney	583,990
General Pay & Benefit Increases/Other	583,410
Correctional Institution, Due to Housing Out-of-Parish Prisoners	582,800
Return Police Communications to General Fund	207,000
Risk Management, Due to Structured Settlement	204,340
LASM, Primarily for Utility Costs	150,000
River Center, Primarily for Utility Costs	120,800
State Legislative Assistance	60,000
Fire-Add 1 Fire Inspector	50,000
City Constable (DARE)	71,000
Animal Control-Add Kennel Attendant & Subsidize 3% Pay Raise	45,000
Eastside Fire (In Lieu of Revenue Sharing)	37,260
Total Appropriation Increase Shown in General Fund	\$6,910,590

All departments were asked to submit a “target budget” at essentially the same level as the 2005 original budget, with additions for increases in merit and longevity pay, retirement costs, and health care costs. In addition, several capital and one-time items were funded and are itemized below. The source of funds for these expenditures is the surplus from the prior year.

<u>Department/Program</u>	<u>Department Total</u>
FROM FUND BALANCE - UNDESIGNATED	
Police:	
Vehicles	\$1,000,000
Equipping 20 Officers	<u>700,000</u>
	\$1,700,000
Fire:	
Fire Fighting Equipment	268,000
Replacement of Fire Station	901,770
Aerial Truck	750,000
Pumper Truck	<u>285,000</u>
	2,204,770
Public Works:	
Capital Equipment and Small Projects	<u>365,900</u>
	365,900
TOTAL FROM FUND BALANCE UNDESIGNATED	<u>\$4,270,670</u>



Special Funds

Approximately 39.1% of spending authorized in this budget relates to the budgets for general operations, which is reflected in the General Fund. The remaining 60.9% 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 Collection Fund

As stated previously, the solid waste program will undergo many changes in 2006. In order to fully understand the funding of the program, this budget consolidates both the City and Parish portions into a new fund entitled "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
\$29,763,780

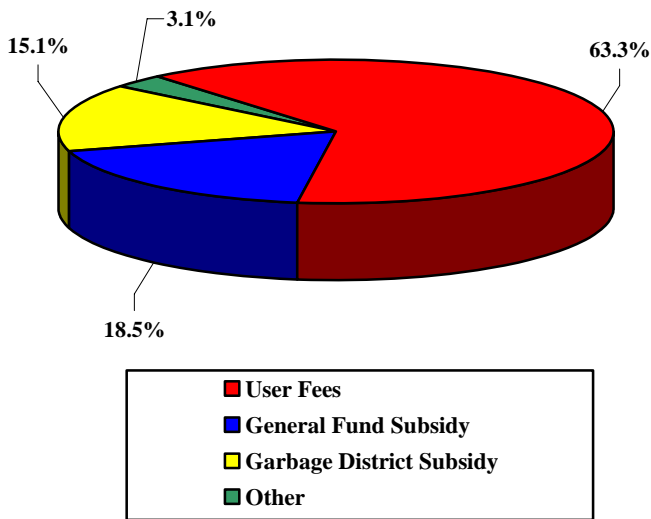
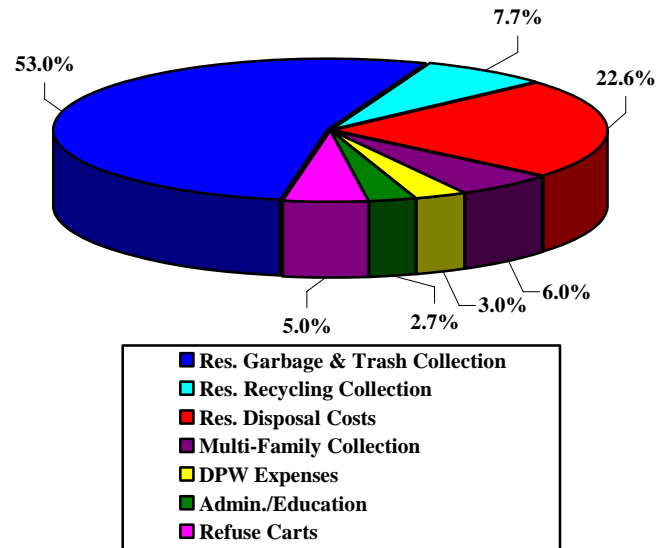


FIGURE 5

SOLID WASTE COLLECTION FUND
USES OF FUNDS
\$29,763,780



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 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 6 and 7. 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.



FIGURE 6

SEWER OPERATIONS SOURCES OF FUNDS \$95,969,100

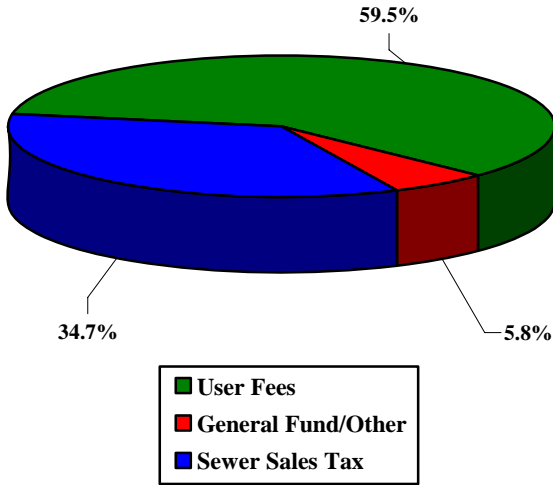
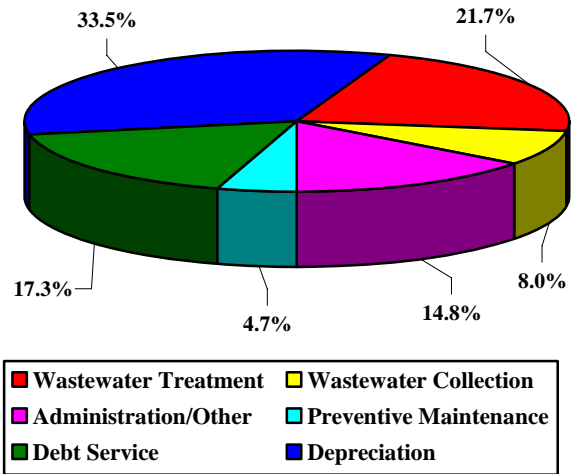


FIGURE 7

SEWER OPERATIONS USES OF FUNDS \$80,596,780



East Baton Rouge Parish Communications District

The East Baton Rouge Parish Communications District plans to increase rates levied on telephone lines effective January 1, 2006. The monthly rates will change from \$.50 to \$.75 for residential lines, from \$.85 to \$1.50 for business lines, and from \$.50 to \$.85 for wireless services. An additional \$2.1 million is expected to be generated annually by these changes.

The change in rates is necessary to provide funding for operations of the 911 centers in Baton Rouge, Baker, and Zachary. The District has historically levied a rate well below the tariff rate, but costs to operate the 911 centers have increased over the past years. In 2006, new funding in the amount of \$504,000 will be used to pay the costs of the Telecommunications Division, and will relieve the General Fund of these costs. In the 2003 budget, Police communications personnel received a pay increase that was funded from EMS – Communications District wireless service charges. The General Fund will now pick up this cost of approximately \$207,000 annually.

The new funding will also provide the District with the ability to implement an upgraded radio communications system which has an estimated cost of over \$10 million. This new system will be used by emergency responders, including personnel of Emergency Medical Services, Animal Control, the Constable, and Police, Fire, and Public Works Departments.

Capital Area Transit Services

The ridership of Capital Area Transit Services (CATS) has recently experienced a 20% growth and is expected to continue into 2006. They plan to take a transit initiative to the voters during the first half of 2006, which will provide budget stability and fund the expansion of fixed route and para-transit services.



The local initiative would generate substantial funding and would supplement current funding sources. The timing and magnitude of the increase would depend upon the type of funding approved, such as a property tax or sales tax, and any conditions associated with the use of the proceeds.

The basic components of the initiative are the expansion of the “CATS on Demand” para-transit service parish-wide and an increase in annual trips from approximately 60,000 to 120,000. They would also like to expand CATS fixed route service and increase annual trips from about 6 million to over 10 million. This would increase service hours from approximately 180,000 to 250,000 annually. Also included in the plan are improvements to customer services facilities.

CATS has the authority to operate in multiple parishes as a regional transit authority and will explore the expansion of the system into other adjacent parishes. The first step, however, is to obtain a stable funding base in East Baton Rouge Parish.

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

Pre-2006 Program

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

The rehabilitation portion of the tax will generate an estimated \$65,500,000, which will allow for the rehabilitation of approximately 275 miles of streets and roads. Since the inception of the program, approximately 1,500 miles or 90% of the parish’s street and road system have been rehabilitated.

The construction portion of the tax will generate an estimated \$98,250,000 and will provide funds for the remaining projects originally approved in the 1997 tax election and will also provide the funding source for the design and construction of seven new street improvement projects. The projects and their estimated costs are as follows:

Completion of 1997-2001 Program		\$21,400,000
George O’Neal Road	Jones Creek Road to O’Neal Lane	6,250,000
O’Neal Lane	George O’Neal Road to South Harrell’s Ferry Road	13,950,000
Comite Drive	Plank Road to Comite River	17,550,000
Lobdell Avenue	Jefferson Highway to Goodwood Boulevard	3,100,000
South Harrell’s Ferry Road	South Sherwood Forest Boulevard to Millerville Road	22,500,000
Picardy Avenue	Essen Lane to Bluebonnet Boulevard	4,000,000
South Choctaw Drive	North Flannery Road to Central Thruway	<u>9,500,000</u>
TOTAL PROJECT COSTS		<u>\$98,250,000</u>



Under the 1997-2001 five-year Road and Street Improvement Program, the following streets were completed:

- Bluebonnet Road Realignment
 - Nicholson Drive Realignment
 - South Choctaw Drive Improvement
 - Stumberg Lane Improvement
 - McClelland Drive Improvement
 - Blount Road Improvement
- I-10 to Airline Highway
 - Skip Bertman Drive to Burbank Drive
 - Monterrey Drive to Dumont Drive
 - Jefferson Highway to Coursey Boulevard
 - Evangeline Street to Airline Highway
 - Scenic Highway to Plank Road

Additionally, we anticipate that the following projects under the 1997-2001 program will be under construction or completed in 2006:

- I-10 Frontage Road
 - North Boulevard Overpass Improvement
 - Central Thruway Clearing and Embankment
 - Perkins Road
- Bluebonnet Boulevard to Siegen Lane
 - 10th Street to 19th Street
 - Florida Boulevard to Sullivan Road
 - Essen Lane to Siegen Lane

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

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

Additionally, we anticipate that the following projects will be under construction in 2006:

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

Also, under the 2002-2007 Road and Street Improvement Program, right-of-way acquisition started in 2005 and will be completed in 2006 for the following projects:

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

2006 - 2030 Program

On October 15, 2005, the citizens of East Baton Rouge Parish approved an extension of the current one-half of one percent (1/2%) sales and use tax for street and road improvements. The proposition offered by my Administration extends the so-called “pot-hole” 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 of collection and road construction that has been in effect for many years, only a limited number of projects could be advanced in a given year. Meanwhile, the prices of construction materials, such as concrete and steel, have been increasing at a rate much faster than inflation. Extending the term of the tax and bonding



the 70% transportation improvement component of the tax will allow the City-Parish to complete road projects much faster and at a lower overall cost.

During April and May of this year, a series of public hearings was held in each Council District to solicit input from citizens and their elected representatives. The staff of the Department of Public Works prepared a list of transportation improvement projects which offered the greatest congestion relief, provided much-needed connectivity throughout the Parish, were able to be constructed, and provided the best return on investment. Simultaneously, the public was asked to offer projects with the greatest value to the community, which enhanced quality of life and improved the overall aesthetics of the street and road system. This discussion led to the dedication of a portion of the tax (3%) for beautification and street enhancement projects. The remaining portion (27%) will continue the successful road rehabilitation program.

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 A.D.A. 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.

It is estimated that over the 25-year period from January 1, 2006, through December 31, 2030, the tax will fund \$784 million in projects to be administered by the City-Parish government. The transportation improvement component will include \$493 million for projects throughout the parish. However, should additional funds become available through higher-than-anticipated revenues, project cost under-runs, or other external sources, the program provides a list of supplemental projects. These supplemental projects will be advanced only after Projects A through KK are fully funded. A program document has been prepared which contains a schedule of estimated project costs, aerial views and descriptions of the proposed transportation improvement projects, and typical roadway cross sections. The remainder of the tax will provide \$291 million for the rehabilitation and beautification components. In addition to the funds administered by the City-Parish, the municipalities of Baker, Zachary, and Central will share and administer an additional \$68.2 million.

The project selection process was refined in an open and public process. This dedicated revenue stream does not prohibit the City-Parish from utilizing funds, yet to be identified, to complete these projects. We will continue to aggressively pursue federal and state dollars to supplement this proposed plan and our overall transportation improvement program.

The following is a listing of the approved priority and supplemental projects which were added to the existing program through the passage of the one-half percent sales and use tax extension:

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)
- 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)



Other Street Improvements

In addition to the one-half percent Road and Street Improvement Program, the following major street or intersection improvements will be completed or under construction in 2006. 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)
- Millerville Road (I-12 to Old Hammond Highway)
- West Mount Pleasant – Zachary Road Intersection Improvement at U.S. 61
- Comite Drive Bridge Replacement at Comite River Crossing
- Flannery Road at Florida Boulevard Intersection Improvement
- South Sherwood Forest Boulevard at I-12 Intersection Improvement
- Highland Road at Bluebonnet Boulevard Intersection Improvement
- State Street at Highland Road Intersection Improvement
- East Parker at West Lakeshore Intersection Improvement and Realignment
- Joor Road at Gurney Road Intersection Improvement

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

- 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)
- Airline Highway/Siegen Lane Continuous Flow Intersection
- Airline Highway 6-Laning Florida Boulevard to I-12.

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 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 estimated 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 station 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 \$500 million. This program modification does not include the cost of ongoing projects (excluding tunnels) from the original program that totals approximately \$100 million. The total projected cost for this new alternative is estimated to be approximately \$600 million when both elements are combined. A decision from the EPA is pending as to whether these requested program modifications will be approved.

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 went into effect 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.

This budget will fund the following programs:

- Operations and Maintenance – This will continue the preventive maintenance program. The *2006 Annual Operating Budget* will provide \$4,202,820 for this program. Of this amount, \$1,752,820 will be dedicated for repair and maintenance of treatment plant and pump station equipment, and \$450,000 will be used for the wet well maintenance 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 and \$1,000,000 for parish-wide point repair projects.
- Emergency Sewer Point Repair Program – This year’s budget appropriates \$2,000,000 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 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 managed 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.



The proposed project, when completed, will greatly reduce flooding along parts of the Comite and Amite Rivers and waterways that empty into them. This will be of great benefit to thousands of property owners in East Baton Rouge Parish who are impacted by flood waters, as well as to many in Livingston Parish and Ascension Parish. The Comite River Diversion Canal Project is expected to be complete in 2010.

FINANCIAL **AND ADMINISTRATIVE**

Debt Management

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

On April 19, 2005, the City of Baton Rouge issued \$2,100,000 of Public Improvement Sales Tax Revenue Bonds for the purpose of providing a loan to the Greater Baton Rouge Airport District. The District used the loan to reimburse itself for certain prior expenditures made by the District with respect to the terminal facility located at the Baton Rouge Metropolitan Airport.

On May 5, 2005, the Parish of East Baton Rouge issued \$33,255,000 of Public Improvement Sales Tax Revenue Refunding Bonds. This transaction resulted in over \$1.1 Million in net present value savings on debt service over the term of the bonds. The sewer capital improvement program will receive the benefits of this transaction.

On August 18, 2005, the Parish of East Baton Rouge entered into a forward delivery bond purchase agreement with Merrill Lynch, Pierce, Fenner and Smith, Incorporated. The agreement provided for the purchase by the underwriter, and the sale by the Parish of East Baton Rouge, of \$25,855,000 Public Improvement Sales Tax Revenue Refunding Bonds on November 3, 2005. This transaction resulted in over \$1.1 million in net present value savings on debt service over the term of the bonds. The sewer capital improvement program will receive the benefits of this transaction.

Legislative Issues

The 2005 Regular Session of the Louisiana Legislature was a fiscal session. Each legislator was allowed to pre-file an unlimited number of local bills, as well as five bills of a non-fiscal subject matter. There were approximately 1,200 legislative items filed, with many potentially affecting the City-Parish and its various departments.

A number of items of importance to the City-Parish were enacted in 2005, including the following:

- Provided that any newly created municipality in East Baton Rouge Parish shall be responsible for the maintenance of any road or drainage infrastructure which is located within its boundaries and was



maintained by or dedicated to the parish prior to the effective date of incorporation of the new municipality.

- Authorized the Nineteenth Judicial District Court Building Commission to pledge and dedicate the receipts of the courthouse construction fund for the payment of any lease or sublease.
- Created the Capital Area Transit System to operate public transportation in East Baton Rouge Parish and other parishes choosing to participate.
- Created the Central City Transition District and provided for the continued provision of services and collection of taxes to fund the services upon incorporation of the City of Central.

The Appropriations Act of 2005 contained \$9,676,850 in various appropriations to the City-Parish. The Capital Outlay Act of 2005 contained a number of projects that are important to the City Parish, including the following:

<u>Project</u>	<u>State Capital Outlay Funding</u>
Third Street Art Block Project	\$25,185,000
River Center Expansion	26,500,000
Comite River Diversion Canal	27,980,000
Signage/Visitors' Amenities Program	5,000,000
Air Cargo and Structural Canopy, and Aircraft and Power Plant Mechanic Facility	1,000,000
Airport – North and East Side Infrastructure and Development	9,150,000
Highway 19 Turn Lanes	450,000
Jefferson Highway Signal Improvements	1,725,000

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 Finance, City Court, Public Works, Human Resources, Fire, Police, Planning Commission, and other departments to continuously deliver and improve services to the citizens of East Baton Rouge Parish.

During the past year, our e-government team has worked diligently to deliver better government services to the citizens and improved interactions with businesses throughout the parish with the successful implementation of online processing of sales tax filings, complaints, citations and traffic violations. Since the inception of online sales tax filing, we have processed 5,600 “money” transactions totaling over \$39 million. Approximately 2,500 complaints have been filed, and City Court has collected payments on about 3,400 tickets totaling approximately \$273,000.

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 *2005 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 15th 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 the Administration’s philosophy of providing an open public process for decision-making and full cooperation with the Metro Council in working to move East Baton Rouge Parish forward. I sincerely appreciate the commitment and dedication of the Metro Council and City-Parish employees who worked countless hours to help lead Baton Rouge successfully through one of the most difficult times in our history. The nation has witnessed the strength and compassion of our people.

Working together, we will build America’s next great city and an even better place for those who choose to live and work in East Baton Rouge.

Sincerely,

A handwritten signature in black ink that reads "Melvin L. 'Kip' Holden".

Melvin L. “Kip” Holden
Mayor-President