



ST. CHARLES PARISH

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V.J. ST. PIERRE, JR.
PARISH PRESIDENT

September 26, 2013

To: The citizens of the Parish and members of the St. Charles Parish Council

In accordance with Article V, Sections B and C of the St. Charles Parish Home Rule Charter, I am pleased to submit the balanced 2014 Consolidated Operating and Capital Budget.

This document follows an intensive examination and review process that began in May of this year. It is a reflection of the financial plan for providing essential governmental services to the public for 2014. Our community is growing and the Parish must be able to meet the increased demand for services. Unlike a private business, St. Charles Parish has a broad range of responsibilities in providing these services. This budget covers these responsibilities and addresses the needs of the citizens of our Parish.

The priorities I have incorporated into this document are as follows:

All Parish employees will work in a safe environment where each department is adequately staffed, trained, and equipped to effectively carry out their duties.

Drainage, streets, road lighting, and other infrastructure will be well maintained.

The water and sewer system will meet the environmental needs of the Parish.

The Parish's Judicial System, prison and volunteer fire departments will be adequately supported to provide a safe community for our citizens.

Parish parks will be maintained to provide recreational opportunities for our citizens and meet or exceed the national standards recommended in the Recreation Master Plan.

Development of business enterprises will be encouraged to provide economic opportunities for our citizens.

To the extent permitted by our remaining resources, quality-of-life projects will be pursued.

The St. Charles Parish 2030 Comprehensive Plan will serve as a guiding document for Parish policies and priorities.

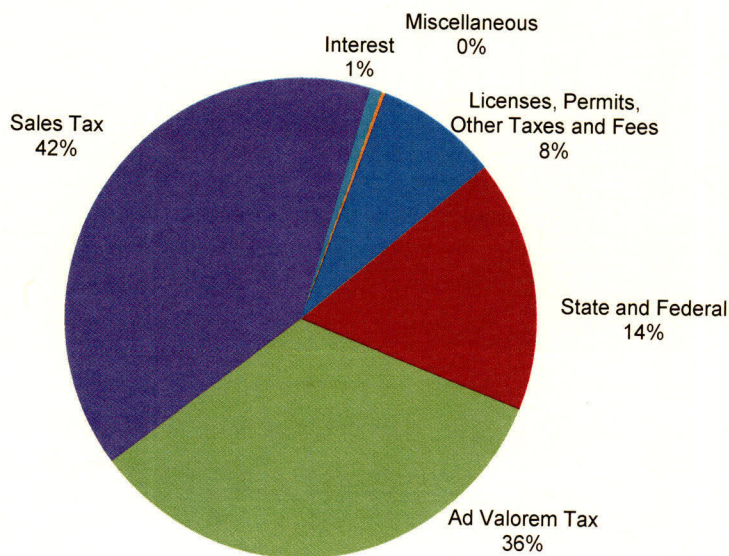
Flood and hurricane protection for the entire Parish will remain a priority to protect the lives and property of our residents.

BUDGET OVERVIEW & HIGHLIGHTS

The summary of the operating and capital budget for governmental funds for 2014 includes revenues and other financing sources of \$92.8 million plus estimated fund balances carried over from 2013 (beginning fund balances) of \$60.6 million and expenditures of \$131.1 million. The summary of operating and capital budget for proprietary funds includes revenues of \$24.2 million, cash expenses of \$22.4 million and non cash depreciation expenses of \$5.9 million.

Sales tax collections equal 42% of budgeted revenues, and ad valorem taxes equal 36% for governmental funds. The remaining sources of revenue for governmental funds are shown below.

2014 Sources of Funds
(Excluding Internal Transfers)



User fees provide 92% of the revenues in proprietary funds. The remaining 8% comes from transfers from the General Fund, Bond Proceeds, Grants and interest earnings.

Ad Valorem tax revenues are expected to maintain their average annual increase in next three years with an anticipated 4% increase in 2014. Due to the impact of the Biggert-Waters National

Flood Insurance Program reforms, property assessments in the severely impacted areas were reduced and the foregone revenues have been acknowledged in this budget. Nevertheless, according to the Assessor for the Parish the ad valorem tax revenues are projected to increase significantly by 2016 which will result in both an increase in both annual revenues and bonding capacity for capital project needs.

Over the past ten years, the Parish's sales tax collections have varied by as much as 24.5% in the Parish's favor as well as 22.9% against the Parish. The volatility of sales tax collections is primarily due to the varying industrial activity in the Parish and in recent years, the current state of the United States Economy. The Parish's sales tax collection office expects a significant decrease in Sales Taxes for the 2014, which is over and above the large decrease witnessed in 2013.

After witnessing record highs in Sales Tax revenues in 2012, thus allowing the Parish to complete such large capital projects as the Edward A. Dufresne Community Center and the New Parish Emergency Operations Center, Sales Tax revenue swung the other direction in 2013 as the major plant expansions that took place in 2012 came to a close. As mentioned in previous budget messages, the increasing one time trends in Sales Tax revenues cannot be relied upon year in and year out, especially considering the current state of the National Economy, thus those funds were devoted to capital projects, which are generally one time in nature, versus using the additional funds for general maintenance and operation of the Parish.

ST CHARLES PARISH HISTORY OF SALES TAX COLLECTIONS

Year		Collections	% Change
2005	Actual	24,488,947	
2006		28,935,942	15.37%
2007		29,571,280	2.15%
2008		32,221,164	8.22%
2009		32,710,536	1.50%
2010		28,288,787	-15.63%
2011		31,081,468	8.99%
2012		41,172,166	24.51%
2013	Projected	33,496,234	-22.92%
2014	Budgeted	28,829,539	-16.19%

In addition, considerable financial resources and staff time have been incorporated into the 2014 budget due to the regulatory and financial burden placed on St. Charles Parish by FEMA's re-mapping of the Flood Insurance Rate Maps and subsequent appeal, the Biggert-Waters 2012 Reform Act, participation in the Levee Accreditation Mapping Procedures (LAMP) Process, and increased need to construct both the Westshore and West Bank flood protection systems.

Throughout this budget message, I have made comparisons to the Parish's 2012 financial information because it is the most recent audited financial information available. Expectations of

the estimated 2013 financial information, the original 2013 budget and the proposed 2014 budget are also presented herein.

GENERAL FUND

The actual ending 2012 General Fund balance of \$42.8 million was approximately \$2.7 million higher than that of 2011. The ending fund balance for 2013 is estimated to be \$34.9 million. The 2014 budget includes \$27.7 million of expenditures in excess of revenues budgeted which will leave an ending fund balance of approximately \$7.1 million. Included in these expenditures are transfers totaling \$20 million. The largest transfer of \$19.7 million is budgeted for the West Bank Hurricane Protection Levee construction fund, while \$100 thousand is budgeted for Capital Outlay for the Recreation Department. Other transfers include the following operating subsidies: \$200 thousand for RSVP and \$65 thousand for Solid Waste.

Year 2014's budgeted revenues are not enough to cover the budgeted expenditures. This will require the use of accumulated fund balance to fund a majority of the projected expenditures. While the 2014 budget reflects a decrease in the accumulated fund balance of several funds, several major projects have been announced by our local industries that are expected to result in considerable sales tax revenue increases in the budgets of 2015 and 2016 and will allow this and future Administrations to increase fund balances in future years.

For several years, the General Fund has not been able to recoup indirect costs from several funds because of their financial condition. In 2012, over \$1.9 million was not reimbursed from Waterworks, Wastewater, Roads and Drainage, and Recreation. Another \$296 thousand was not reimbursed from the Workforce Investment Act fund.

The General Fund is heavily dependent upon sales tax revenue as a funding source. Currently, forty-two percent (42%) of its revenue is derived from sales tax. Sales tax revenue can vary significantly from year to year as can be seen in the schedule above. For this reason a sufficient fund balance must be maintained in the General Fund to continue current operations during periods of economic downturn. I recommend that the General Fund' fund balance not be allowed to be reduced any further even though the Parish Council approved Ordinance No. 10-11-15 on November 22, 2010 establishing an minimum required fund balance of no less than \$7 million, I strongly believe we should not let the balance get that low. In keeping the General Fund balance at \$7.1 million, it allows us breathing room in case of an emergency such as a hurricane or man-made disaster. Hurricane Isaac alone is estimated to cost the Parish upwards of \$4.5 million. I would encourage the Council to keep this in mind when reviewing the budget. We should consider ourselves very fortunate to be in the situation we are in especially when considering the current state of the National Economy where Public Agencies with any sort of reserves are in very short supply.

It should be noted that the General Fund is providing seventy-three (73) percent of the cost of the Summer Feeding Program. This program was started with Federal funds many years ago. In 2013, approximately \$21,730 was received in Federal funds and the General Fund provided approximately \$52,968 for a total cost of \$74,698. Of this total, \$21,384 (28% of total expenses) was paid to the St. Charles Parish School Board for use of busses, schools and a per meal fee. Approximately 7,928 meals were served at a cost of \$11.04 each. Changes in this program will be required if it is to be continued.

In addition to the transfers mentioned above, the other major allocations included in this budget are funding of \$1.5 million for Emergency Preparedness, \$7.6 million for operating and maintaining general governmental buildings, including \$4.2 million for converting the old jail into much needed office space, \$3.1 million for Planning & Zoning, CZM and Building Codes, \$2.1 million for the District Attorney's Office, \$1.7 million for the Sheriff's Office, including the feeding and housing of parish prisoners, and \$1.5 million for 29th Judicial District court system.

The requested budget for Personal services in the General Fund is decreasing approximately \$1.3 million from the 2013 original budgeted amount.

GASB 45

In 2004, the Governmental Accounting Standards Board (GASB) released Statement 45 (GASB 45) concerning health and other non-pension benefits for retired public employees also referred to as "other postemployment benefits". The Parish was required to implement this new standard in its 2008 financial statements. This rule requires the Parish to report its annually accruing cost of future health benefits for retirees whether they have provided the funds to offset the cost or not. The premise is to report the current cost associated with the employees working years that is paid out after they retire. This rule does not impose regulations on the Parish as to 'how' we should fund retiree health benefits, it does however govern the rules that auditors must follow in providing opinions on the reliability of our financial statements.

During the 2013 budget process, a portion (\$2.5 million) of the amounts actuarially determined to fund the Parish's postemployment benefits without changing those benefits was approved and a formal trust was created. To actually fund our total obligation; the Parish would be required to reserve approximately \$13.1 million to reach our current obligation. Also note that the \$2.5 million start up amount was from the General Fund; as we begin to further fund the obligation, the cost will be spread out over all departments based on employees and thus will impact all governmental and proprietary funds. There are several reasons why we should fund the entire amount when available funds are secured. Those reasons are:

- Funding results in a reduction in costs over time as investment earnings would supplement employer and employee contributions for retiree health costs.
- Funding helps secure expected benefits for employees by creating a pool of assets strengthening the ability to continue to offer benefits over time.

- Funding contributes to higher bond rating as bond rating agencies monitor the funding status of the retiree health program, and help determine the interest rates paid on debt.

As noted above, in 2013, a formal trust (The St. Charles Parish Retiree Benefits Funding Trust) was set up thus allowing the investment earnings from the trust to supplement employer and employee contributions over time. Given the drop in sales tax numbers for the current year, the Administration has not budgeted any additional funds to go towards the trust for 2014. However, it is the administration's plan to budget at a minimum \$2,500,000 spread across all departments in the 2015 budget. The administration is also currently reviewing ways to limit our future liability.

SPECIAL REVENUE FUNDS

It is estimated that the fund balance of the Parish's Special Revenue Funds will decrease by approximately \$9.1 million from the projected end result for 2013. Expected revenues budgeted for 2014 are not sufficient to cover recurring expenses and capital outlay. Accumulated fund balance is therefore being used to fund capital projects. Proposed capital expenditures for 2014 are approximately \$14.4 million, which is nearly 60% less than the budgeted result for year ending 2013. The fund balances previously used for capital outlay have been used for drainage, road, and recreation projects.

Please note that new Funding sources for capital outlay will be required to continue implementation of the master drainage plan. The increased sales taxes experienced in recent years were used for several of these projects; however, it does not begin to address the drainage issues in this Parish. It should also be noted that we are currently budgeting approximately \$32.3 million of Roads and Drainage projects to be completed by the end 2013 with another \$13.4 million budgeted for 2014. Should these projects be implemented, the unrestricted fund balance will be depleted to approximately \$5.5 million, down from the \$14.4 million expected to remain as of 12/31/2013. It is important to note that considerable funding has been budgeted to continue the permitting, design, and construction of the Westbank Hurricane Levee system. In addition, in 2013 St. Charles Parish became the governing authority of the Sunset Drainage District and has invested and budgeted over \$\$1.6 million in pump station improvements and equipment upgrades.

The Roads and Drainage M&O Fund is also heavily dependent upon sales tax revenue as a funding source. Over fifty-seven percent (57%) of the revenues expected in 2014 are estimated to come from sales tax. Since sales tax revenue can vary significantly from year to year, a sufficient fund balance must be maintained to continue current operations during periods of economic downturn. Although Sales taxes increased significantly in 2012, which was primarily attributed to onetime expansions at DOW Chemical, Valero, and the Monsanto facilities, Sales taxes fell drastically in 2013 and are budgeted to decrease even further in 2014. As such, these spikes in Sales tax revenues cannot be relied on. Therefore, it is imperative that the fund balance in this fund should be held at a level high enough to cover emergency expenditures, including flood and hurricane events, but also to help the Roads and Drainage Fund weather the storm of economic uncertainty.

A recent development concerning the documentation of best practice standards for pump stations as provided by the Federal Emergency Management Agency (FEMA) could very well result in significant costs to the Roads and Drainage Fund, which would be on a perpetual basis. Since those costs are unknown at this time and most likely, if implemented would not take effect until late 2014, the Administration has decided not to budget a general figure for these likely costs, rather we decided to keep the unreserved fund balance as high as possible to not only cover these costs but also provide a safety barrier for emergency expenditures. In addition, additional spending on the levee design, permitting, and construction is occurring at the same time as the Parish participates in the LAMP process and appeals the FEMA Flood Insurance Rate Map. These urgent and vital projects and processes will continue to be a priority of the Departments of Public Works and Coastal Zone Management.

As the Roads and Drainage Fund represent the Parish's largest single department, it will also be impacted significantly by GASB 45. The Public Works Department currently employs 173 individuals and thus stands to bear a significant portion of the \$13.1 million current obligation for our net post employment benefit obligation. As previously mentioned, only \$2.5 million of the total obligation was budgeted in 2013. Beginning with the 2015 budget, amounts will be budgeted across all funds with a goal of at least \$2 million budgeted in the Roads and Drainage Fund, which is yet another reason to maintain a high fund balance to cover such costs.

Grass cutting and field maintenance consumes the largest portion of the Department of Parks and Recreation's budget. New parks and responsibilities are added with each new subdivision. The Department maintains over 320 acres of parks and ball fields at approximately 51 locations throughout the Parish. The department's budget includes estimated expenditures of \$3.7 million, including \$291 thousand of Capital Outlay. These expenditures are \$114 thousand above the revenue that is expected to be generated in 2014. As a result of this deficit, there is a budgeted \$100 thousand transfer from the General Fund to Recreation. The Recreation program is a vital service to citizens of all ages in our Parish and we must work to maintain its core programs within the budget constraints.

Contributions from the General Fund are now higher than the funding provided by the state and local grants for the Retired Senior Volunteer Program. This budget includes a subsidy of \$200,000.

Expenditures in the Road Lighting Fund have increased over the years due to the increased cost of lighting and the increased capital needs in our growing Parish. It is estimated to have an ending fund balance of \$2.3 million.

Expenditures in the Mosquito Control Fund have also increased. The cost of increased surveillance, suppression for encephalitis, and the West Nile virus are primarily responsible for these increases.

Personal Services in the Parish's Special Revenue Funds are expected to decrease by \$409 thousand from that originally requested in 2013. All Special Revenue funds are budgeted to provide an acceptable level of service to the public during 2014 and ending fund balances met the minimum recommended level, with the exception of Retired Senior Volunteer Program. However, to insure sound financial operations and capital improvements, changes are required for some of the Special Revenue Funds. Long term capital improvement funding for Roads and Drainage must be obtained, and the functions of the Department of Parks and Recreation, Mosquito Control and Retired Senior Volunteer Program must be maintained within budget constraints.

CAPITAL PROJECT FUNDS

Ending fund balance in the Parish's Capital Project Funds is expected to decrease to \$1.6 million by the end of 2014. Included in the 2014 Capital Outlay expenditures are \$24.9 million for the construction of the West Bank Hurricane Protection. The levee is of extreme importance to the West Bank of our Parish and even though its total cost is far beyond the capacity of our Parish we must continue to work for its permitting and construction. To date, the engineering firm responsible for acquiring the required permits for the West Bank Hurricane Protection Levee estimates that the total cost to construct the levee with one hundred year protection will be over \$500 million.

Proceeds of the 1996 one percent sales tax bond issue and the Public Improvement Sales Tax Bond Construction Fund are now depleted. In previous years, this money funded projects addressing the major drainage problems identified by the Master Drainage Plan and Wastewater projects. As you are aware, this has not solved all of the Parish's drainage problems, but it has afforded some degree of relief to a number of our Parish's citizens. Funding to implement the remainder of the master drainage plans' recommendations far exceed the Parish's current financial capabilities and further construction will require additional funding sources.

DEBT SERVICE FUNDS

The Parish's Debt Service Funds were established pursuant to the provisions of bond resolutions for the exclusive purpose of retiring the debt of various Parish bond issues. The budgets are self explanatory in nature.

ENTERPRISE FUNDS

For years the Solid Waste Collection & Disposal fund was self-sufficient by utilizing customer service charges to fund the program. The Parish's businesses and industry were not burdened with additional ad valorem or sales taxes to pay for a service they were not using. Rate adjustments as recommended in past budget messages were not always implemented, therefore, the General Fund had to subsidize this fund \$1,041,000 between 2002 and 2014.

Only half of the Wastewater rate adjustments recommended by the 2005 and 2006 Wastewater rate studies were implemented, due to the hardship adjustments have caused our citizens. Therefore the Wastewater system has not reached the full 15% residual. This has caused a corresponding decrease in the Wastewater Funds unreserved net assets. In July 2013 however, the administration implemented the second of three Fifty-Seven cent per one thousand gallon used Wastewater rate adjustments, with the final adjustment to take place in July 2014. As operational expenses continue to mount for the Wastewater Department with continued need for capital improvements to maintain the current system, and due to the fact that a rate adjustment had not been implemented since 2007, the administration deemed it vital to implement this series of adjustments with the intention of minimizing the disparity between revenues and expenses for the department, as well as provide some funding for capital outlay.

The administration is also working to establish a Non-Domestic Sewer Program to maintain a safe and sanitary wastewater system. The current estimates for additional revenues provided by the Non-Domestic Sewer Program are \$250,000 for 2014, which is expected to double in 2015. This new stream of revenue will not solve all of the department's funding issues, but it is definitely a step in the right direction. For many years, the General Fund has had to subsidize the Wastewater Fund in order to meet annual expenditures. However, over time this subsidy has been reduced and is forecast to be eliminated in the next three years.

The new reporting requirements of GASB 54 dictate the separation of Net Assets into four different groups: Amount invested in Capital Assets Net of Related Debt, Restricted for Debt Service, Restricted for Capital Projects, and Unrestricted. Over the past several years, the Wastewater Funds unreserved net assets have depleted significantly which has resulted in a cash shortage for capital maintenance and improvements. In 2011, the Parish received approval for a \$6.5 million, 0.95 percent 20 year loan from LDEQ for the purpose of repairing 6 Lift Stations Vital to the Parish, as well as major repairs for the Parish's Eastbank and Westbank WasteWater Treatment facilities. The principle and interest payments on the this loan will be subsidized from the General Fund at an amount of approximately \$360,000 per year, which is included in the ½ % Public Improvement Sales Tax Bond Reserve Fund. As of September 20, 2013, the Parish has utilized \$4.6 million of this loan for Capital Outlay, and expects to utilize the remaining \$1.9 million in the remainder of 2013 and 2014.

PERSONAL SERVICES

Personal Services, wages and benefits, are budgeted to decrease 5.7% in the governmental funds and 2.6% in proprietary funds over the original budget for 2013. Also included in this budget is a 1.1% cost of living increase for our employees and up to 3% in merit raises for eligible employees.

Medical insurance benefits for Parish employees have increased approximately 152% from 2000 to 2012. In 2000, the Parish paid \$488 per month for family coverage and is currently

paying \$1,120 per month. That is an additional \$7,584 per employee with family coverage. This year an employee pays only \$149 (average) per month for family coverage and \$59 per month for individual coverage.

The Parish's contributions for the Parochial Employees Retirement System have also increased. In 2003 the Parish paid 7.75% (\$1.1 million) for employee retirement contributions. The percentage has increased over the years and is 16.75 % for 2012 and 16% for 2014. The 2014 cost to the Parish is estimated to be \$3.58 million.

I know that our employees are our most important asset and I will always keep them and their well being in mind through every budget process.

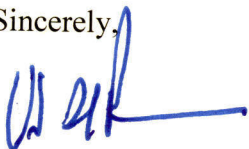
FUTURE REQUIREMENTS

The goal in preparing this budget was to provide the same level of Parish services without increasing taxes. However it is important to note that in doing so, the fund balance of the General Fund and the Road and Drainage Maintenance and Operations Fund have been drawn down considerably. There are still millions of dollars of drainage improvements that are necessary along with Wastewater and Water system improvements. Funding for these projects must be secured before these improvements can be budgeted. I think it is vital that we budget the funds for these projects now, as opposed to delaying them, which could possibly lead to higher costs and thus a greater drain on the fund balance. In addition, investment in full comprehensive flood protection for all of our residents must continue to be a top priority of this government.

Final decisions in budgetary matters belong, quite properly, to the Legislative Branch. On the way to those final decisions, I hope that you will find our work in proposing this budget to be intelligent, honest, cooperative and helpful.

In closing, I want to thank the staff of the Finance Department, the Finance Director, the Chief Administrative Officer, and other department heads and staff who worked with us for their dedication and cooperation in preparing this proposed budget. My staff and I stand ready to answer your questions as best as we can and we look forward to working with you to make 2014 another great year for St. Charles Parish.

Sincerely,



V.J. St. Pierre, Jr.
Parish President