

## CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City-Parish government, we offer readers of this financial statement an overview and analysis of the financial activities of the City of Baton Rouge, Parish of East Baton Rouge Consolidated Government. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the government's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. It should be read in conjunction with the Letter of Transmittal and the financial statements that begin with Exhibit A-1.

### FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City-Parish primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,005.0 million (*net position*). Unrestricted net position for governmental activities is a deficit of \$650.0 million, while unrestricted net position for business-type activities is approximately \$35.3 million. The deficit in governmental unrestricted net position is the result of the recognition of \$368.8 million in other postemployment benefit liabilities and \$465.7 million in net pension liability for governmental activities.
- The primary government's total net position decreased by \$48.1 million during 2015 after restatement of 2014 by \$437.7 million. See Note 1(f) for additional information regarding this restatement.
- Governmental activities' net position decreased \$20.2 million during 2015 primarily as a result of other postemployment benefits in excess of contributions (\$40.6 million), increase in compensated absences (\$3.0 million) and other miscellaneous decreases (\$2.3 million) offset by increase in revenues from sales tax (\$7.7 million) and contributions for capital assets from capital grants and donated infrastructure (\$18.0 million).
- Net Position of business type activities decreased \$27.9 million during 2015. Increases in collections of sales tax and user fees in the sewerage fund and capital contributions received by the airport district were offset by increases in depreciation and bond interest expense.
- As of the close of the current fiscal year, the City-Parish's governmental funds reported combined ending fund balances of \$456.2 million, an increase of \$33.5 million in comparison with the prior year. Approximately 2.9% of the fund balances, \$13.1 million, is *available for spending* at the City-Parish's discretion (*unassigned fund balance*). The remainder of the fund balances are not available for discretionary spending because they are either nonspendable restricted, committed or assigned for specific purposes.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The City-Parish financial statements focus on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the City-Parish's accountability.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Statements**

The government-wide financial statements (see Exhibits A-1 and A-2) are designed to be similar to those of private sector businesses in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. The statements combine all governmental funds and internal service funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the primary government. Component units are separate legal governmental entities to which the City-Parish Metropolitan Council may be obligated to provide financial assistance and are presented as a separate column in the government-wide statements and as individual activities within the basic financial statements.

The Statement of Net Position (Exhibit A-1) presents information on all the government's assets and liabilities, and deferred inflows/outflows of resources, with the difference being reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the City-Parish is improving or weakening.

The Statement of Activities (Exhibit A-2) presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidies to various governmental and business-type activities and component units.

The governmental activities reflect the City-Parish's basic services including public safety (fire, law enforcement, emergency medical services, emergency preparedness, communications), general government services (executive, legislative, judicial), health and welfare (mosquito control, animal control), transportation (street and road maintenance), culture and recreation (library), conservation and development (social programs), and interest and fiscal charges on long-term debt. These services are financed primarily with taxes. The business-type activities reflect private sector type operations (sewer utilities, airport, parking facility, convention center, solid waste collection and disposal) where the fee for service typically covers all or most of the costs.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental major fund (see Exhibits A-3 through A-9) presentation is presented on a modified accrual basis. This is the manner in which the budget is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The City-Parish has presented the General Fund, Library Board of Control Special Revenue Fund, Grants Special Revenue Fund, and the Capital Projects Fund as major funds. All nonmajor governmental funds are presented in one column, titled other governmental funds. Combining financial statements of the nonmajor funds can be found in the combining and individual fund statements and schedules that follow the basic financial statements.

While the total column on the business-type fund financial statements for enterprise funds (see Exhibit A-10) is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires a reconciliation to the government-wide financial statement because of the different measurement focus which

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

is reflected on the page following each statement (see Exhibits A-4 and A-6). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources and will show capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements.

**Proprietary Funds** encompass both enterprise and internal service funds on the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary major fund (see Exhibits A-10 through A-12) presentation is presented on an accrual basis. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City-Parish's various functions. The government uses internal service funds to account for its equipment rental and replacement program and the Central Garage fleet maintenance and fuel activities. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities section in the government-wide financial statements. Combining statements of the nonmajor individual enterprise and internal service funds can be found in the combining and individual fund statements following the basic financial statements.

Generally accepted accounting principles also require the City-Parish to present **fiduciary funds**. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

### **Capital Assets**

General capital assets include land, improvements to land, noise mitigation costs, easements, buildings, vehicles, machinery and equipment, infrastructure, and all other assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (see Note 6, Exhibit A-17). The City-Parish has capitalized all purchased general capital assets. Donated infrastructure assets accepted into City-Parish maintenance since year 1980 have been capitalized.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-17 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City-Parish's progress in funding its obligation to provide other post-employment benefits to its employees and schedules of net pension liability and pension plan contributions. Required supplementary information can be found on Exhibit A-18 through A-22.

The audited combining statements referred to earlier in connection with the nonmajor governmental and proprietary funds are presented in Exhibits B-1 through E-4.

Certain supplementary financial information can be found in Exhibits F-1 through F-2 of this report. These schedules and the statistical section (Exhibits G-1 through G-22) are included for additional information and analysis and do not constitute a part of the basic financial statements.

Also included in the report is the Office of Management and Budget 2 CFR part 200 (Uniform Guidance) Single Audit auditor reports, findings, and schedules. This information can be found under the Single Audit section.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Analysis**

The following table reflects the condensed Statement of Net Position for 2015, with comparative figures from 2014:

City of Baton Rouge, Parish of East Baton Rouge  
 Condensed Statement of Net Position  
 December 31, 2015 & 2014  
 (in millions)

	Governmental Activities		Business- Type Activities		Total	
	<u>2015</u>	<u>2014*</u>	<u>2015</u>	<u>2014*</u>	<u>2015</u>	<u>2014*</u>
Assets:						
Current and Other Assets	\$ 520.1	\$ 524.9	\$ 217.2	\$ 208.6	\$ 737.3	\$ 733.5
Restricted Assets	--	--	368.2	492.9	368.2	492.9
Capital Assets	<u>891.3</u>	<u>878.6</u>	<u>1,880.6</u>	<u>1,785.1</u>	<u>2,771.9</u>	<u>2,663.7</u>
Total Assets	<u>1,411.4</u>	<u>1,403.5</u>	<u>2,466.0</u>	<u>2,486.6</u>	<u>3,877.4</u>	<u>3,890.1</u>
Deferred Outflow of Resources	<u>96.2</u>	<u>57.1</u>	<u>138.0</u>	<u>134.0</u>	<u>234.2</u>	<u>191.1</u>
Liabilities:						
Current Liabilities	49.1	87.3	81.7	79.4	130.8	166.7
Non-current Liabilities	<u>1,269.2</u>	<u>1,149.9</u>	<u>1,697.9</u>	<u>1,688.4</u>	<u>2,967.1</u>	<u>2,838.3</u>
Total Liabilities	<u>1,318.3</u>	<u>1,237.2</u>	<u>1,779.6</u>	<u>1,767.8</u>	<u>3,097.9</u>	<u>3,005.0</u>
Deferred Inflow of Resources	<u>8.1</u>	<u>22.0</u>	<u>0.6</u>	<u>1.1</u>	<u>8.7</u>	<u>23.1</u>
Net Position:						
Net Investment in Capital Assets	665.2	650.4	652.4	668.6	1,317.6	1,319.0
Restricted	166.0	195.9	136.1	160.5	302.1	356.4
Unrestricted	<u>(650.0)</u>	<u>(644.9)</u>	<u>35.3</u>	<u>22.6</u>	<u>(614.7)</u>	<u>(622.3)</u>
Total Net Position	<u>\$ 181.2</u>	<u>\$ 201.4</u>	<u>\$ 823.8</u>	<u>\$ 851.7</u>	<u>\$1,005.0</u>	<u>\$1,053.1</u>

\*Restated

For more detailed information see Exhibit A-1, the Statement of Net Position.

As of December 31, 2015, \$1,317.6 million of the City-Parish's net position reflects the government's investment in capital assets (land, buildings, noise mitigation costs, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The City-Parish government uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Restricted net position represents those assets subject to external restrictions on how those assets may be used such as a property tax approved by the electorate for a specific purpose. Restricted net position decreased by \$29.9 million from the previous year for governmental activities, because of the expenditure of dedicated funds as part of the continuation of construction projects for library capital improvements. Restricted net position decreased by \$24.4 million for business-type activities, due to decreases in amounts restricted for debt service and a decrease in required collateral posted for swap agreements. Unrestricted net position decreased by \$5.1 million from the previous year for governmental activities. This decrease was primarily due to an increase in expenses for public safety and health insurance claims offset by an increase in sales tax collections. Unrestricted net position increased by \$12.7 million for business-type activities. This increase was primarily due to a decrease in collateral posted for swap agreements.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

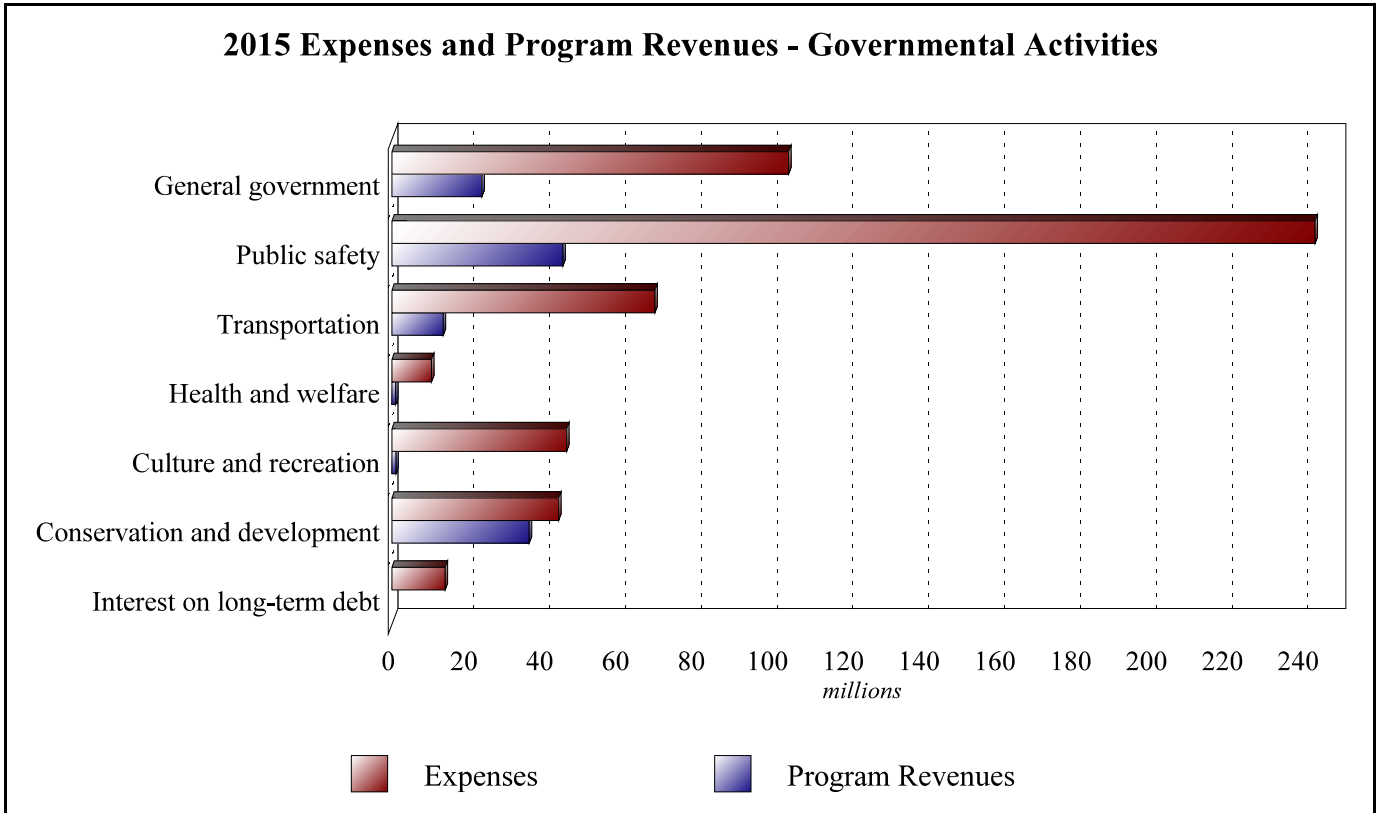
The table below provides a summary of the changes in net position for the year ended December 31, 2015, with comparative figures from 2014:

City of Baton Rouge, Parish of East Baton Rouge  
Condensed Statement of Changes in Net Position  
For the Years Ended December 31, 2015 & 2014  
(in millions)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 57.8	\$ 54.7	\$142.6	\$137.6	\$ 200.4	\$ 192.3
Operating Grants and Contributions	45.1	44.3	7.4	7.7	52.5	52.0
Capital Grants and Contributions	17.9	24.4	17.0	10.3	34.9	34.7
General Revenues:						
Sales Taxes	231.5	223.8	44.8	43.6	276.3	267.4
Other Taxes	151.8	150.3	--	--	151.8	150.3
Grants and Contributions Not Restricted to Specific Programs	6.1	5.5	--	--	6.1	5.5
Other	<u>1.1</u>	<u>1.2</u>	<u>1.4</u>	<u>1.2</u>	<u>2.5</u>	<u>2.4</u>
Total Revenues	<u>511.3</u>	<u>504.2</u>	<u>213.2</u>	<u>200.4</u>	<u>724.5</u>	<u>704.6</u>
Expenses:						
General Government	104.6	99.1	0.7	2.7	105.3	101.8
Public Safety	243.5	233.0	--	--	243.5	233.0
Transportation	69.4	66.9	27.8	28.5	97.2	95.4
Sanitation	--	--	198.0	197.2	198.0	197.2
Health and Welfare	10.5	9.8	--	--	10.5	9.8
Culture and Recreation	46.1	43.8	13.9	13.4	60.0	57.2
Conservation and Development	44.0	46.1	--	--	44.0	46.1
Interest on Long-Term Debt	<u>14.1</u>	<u>13.4</u>	<u>--</u>	<u>--</u>	<u>14.1</u>	<u>13.4</u>
Total Expenses	<u>532.2</u>	<u>512.1</u>	<u>240.4</u>	<u>241.8</u>	<u>772.6</u>	<u>753.9</u>
Decrease in Net Position Before						
Transfers	(20.9)	(7.9)	(27.2)	(41.4)	(48.1)	(49.3)
Transfers	<u>0.7</u>	<u>0.9</u>	<u>(0.7)</u>	<u>(0.9)</u>	<u>--</u>	<u>--</u>
Decrease In Net Position	(20.2)	(7.0)	(27.9)	(42.3)	(48.1)	(49.3)
Net Position, January 1	<u>201.4</u>	<u>614.6</u>	<u>851.7</u>	<u>925.5</u>	<u>1,053.1</u>	<u>1,540.1</u>
Net Position, December 31	<u>\$181.2</u>	\$ 607.6	<u>\$823.8</u>	\$883.2	<u>\$1,005.0</u>	\$1,490.8
Adjust capitalization of construction costs		--		4.7		4.7
Effects of GASB 68 and 71 implementation		<u>(406.2)</u>		<u>(36.2)</u>		<u>(442.4)</u>
Net Position, December 31, restated		<u>\$ 201.4</u>		<u>\$851.7</u>		<u>\$1,053.1</u>

See Note 1(f) for more information regarding the restatement of net position.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**



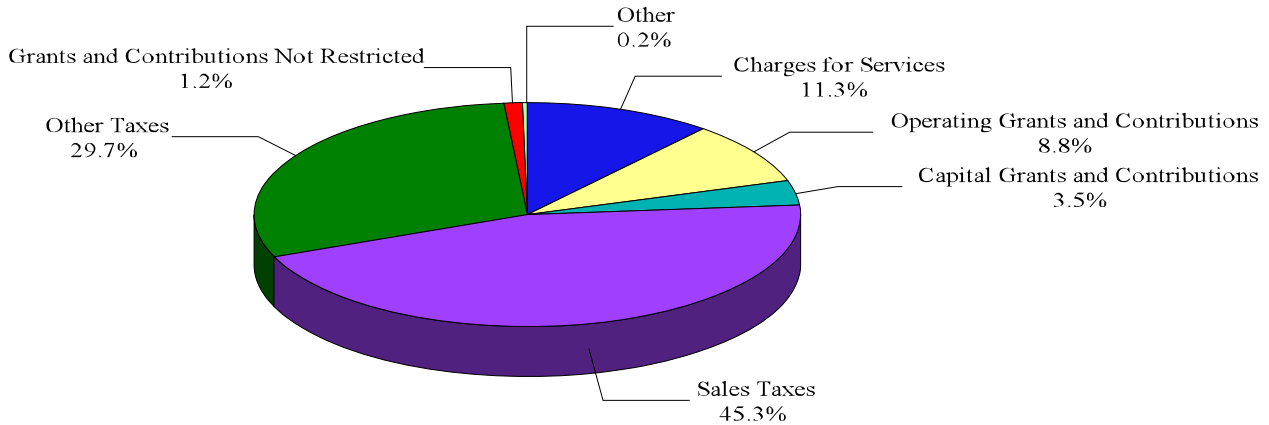
The government's net position decreased by \$48.1 million during the current fiscal year.

*Governmental Activities'* net position decreased \$20.2 million in 2015 primarily due to:

- (1) Continued reduction in net position resulting from other postemployment benefits costs in excess of contributions (\$40.6 million).
- (2) Increased expenses for compensated absences (\$3.0 million) due to an increase in the value of accumulated leave.
- (3) The decrease in net position from the change above was offset by:
  - Increased sales tax (\$7.7 million) primarily due to the improving economy.
  - Capital grants and contributions of \$18.0 million capitalized during the year from the following external sources: Capital grants from the State of Louisiana for transportation (\$9.6 million) and conservation and development (\$4.3 million) purposes, donated infrastructure from developers and private sources (\$3.2 million), and miscellaneous capital grants for public safety, health and welfare, and conservation and development from the federal and state governments (\$0.9 million).
  - Other miscellaneous decreases in net position (\$2.3 million).

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**2015 Revenues by Source - Governmental Activities  
\$511.3 million**

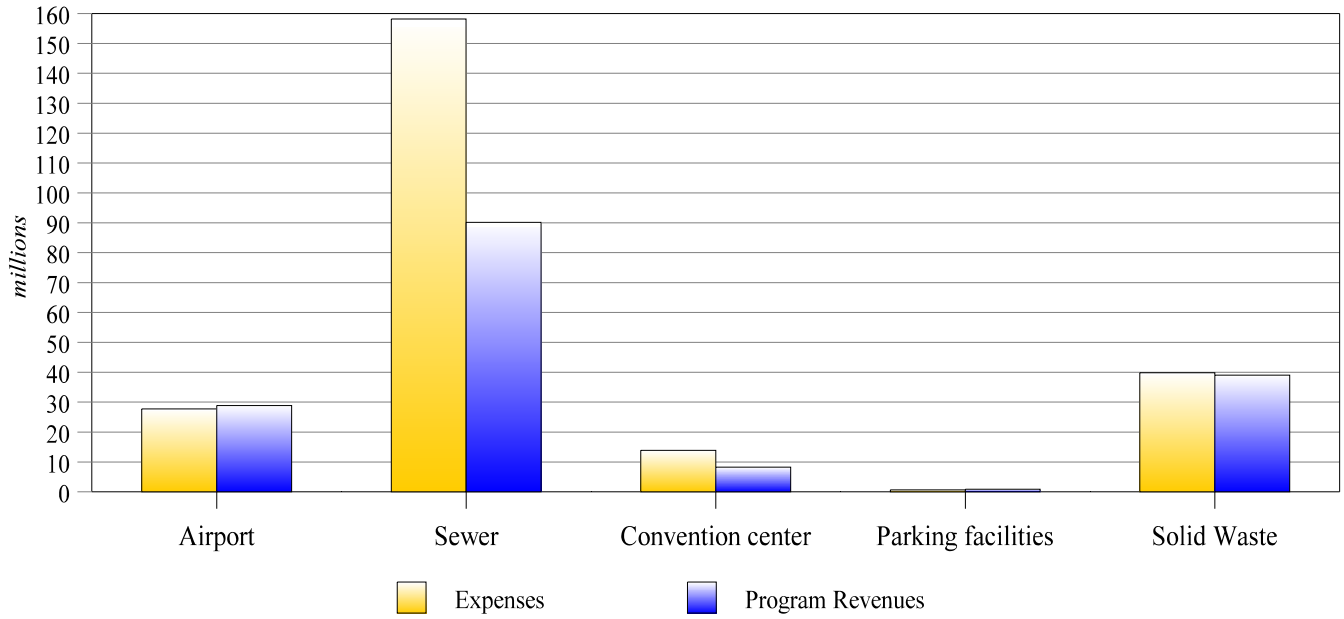


*Business-Type Activities'* net position decreased by \$27.9 million in 2015. The decrease in net position is a result of expenses exceeding revenues for the year. This decrease in net position was \$14.4 million less than the previous year. An analysis of major revenues and expenses is as follows:

- (1) The current year increase in net position for the Greater Baton Rouge Airport District compared to the decrease in net position in the previous year was primarily due to the increase in fees paid from airlines and capital contributions received.
- (2) The current year decrease in net position for the Comprehensive Sewerage System Fund was less than the previous year. The sewerage system experienced increases in collections of sales tax and user fees and a decrease in bond issuance costs from the issuance of bonds in the previous year offset by an increase in depreciation and interest expense.
- (3) The current year decrease in net position for the Solid Waste Collection and Disposal Fund was less than the previous year. A decrease in the current year for landfill closure and postclosure care expense was the result of an update of cost estimate in the previous year.

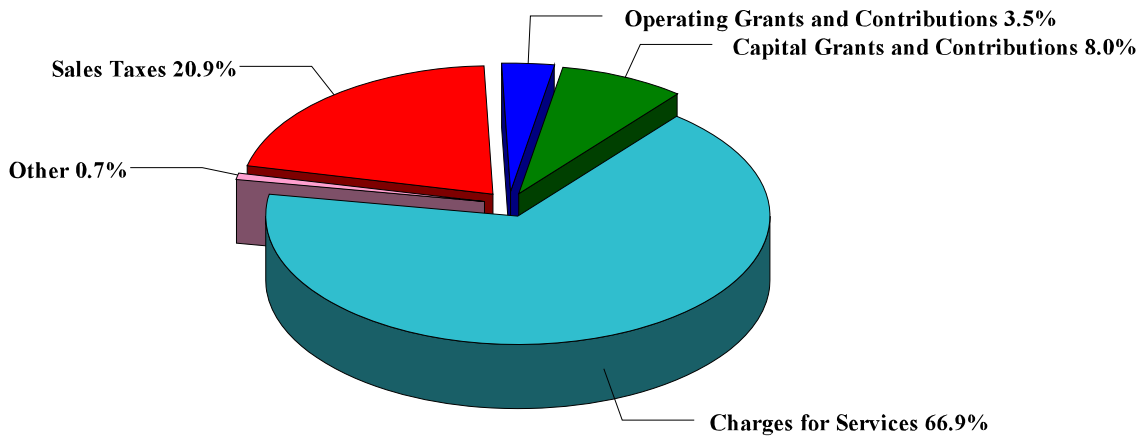
**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**2015 Expenses and Program Revenues - Business-Type Activities**



**2015 Revenues by Source - Business Type Activities**

\$213.2 million





**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Financial Analysis of the Government's Funds**

As noted earlier, the City-Parish uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds:* The focus of the City-Parish's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City-Parish's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary spending at the end of the fiscal year.

As of the end of the current fiscal year, the primary government's governmental funds reported combined ending fund balances of \$456.2 million, an increase of \$33.5 million in comparison with the prior year. Approximately 2.9% of total governmental funds fund balance (\$13.1 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Of the remaining fund balance, \$0.7 million is *nonspendable* and is not in spendable form, \$322.0 million is *restricted* and has limitations imposed on its use by external parties, \$92.1 million is *committed* for specific purposes imposed by the Metropolitan Council, and \$28.3 million has been assigned for various purposes by the Finance Director. Additional information on governmental fund balance can be found in Note 14 of the Notes to the Financial Statements including information on the specific purpose for amounts restricted, committed and assigned.

The General Fund is the chief operating fund of the Consolidated Government of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately \$13.1 million, while total fund balance was \$101.8 million. Compared with total fund balance of \$112.3 million at the end of 2014, fund balance had a decrease of approximately \$10.5 million during 2015. This decrease in fund balance was primarily due to increased General Fund expenditures for public safety and health insurance claims which exceeded employee premiums.

The Library Board of Control Fund collected revenues that exceeded expenditures by \$4.9 million in 2015. The primary source of revenue for this fund is a 10.78 mill property tax, which provides funding for all operating expenses of the library system and a pay-as-you-go capital improvement program. All revenues remaining after operational expenditures are funded are applied to the capital improvement program.

Fund balance in the Grants Fund increased \$2.5 million in 2015. This was primarily due to a reimbursement of \$1.4 million from the Governor's Office of Homeland Security and Emergency Preparedness for allowable costs of Hurricane Gustav. During 2015, several loans were disbursed from the Community Development Block Grant and HOME Program, resulting in an increase to the loan receivable and a decrease in expenditures of approximately \$0.9 million. In addition, \$0.5 million was transferred from the General Fund to the Grants Fund to support the operations of the Office of Community Development and for capital and other improvements needed for the relocation of the Office of Community Development.

Fund balance in the Capital Projects Fund increased \$27.5 million in 2015. This was primarily due to the sale of \$34.4 million of Series 2015 LCDA Road Improvements Project Bonds. In addition, funds were transferred from the General Fund and Special Revenue Funds for construction of a new facility for the Mosquito Abatement and Rodent Control District (\$3.9 million) as well as improvements to public buildings and infrastructure projects (\$4.6 million). Outlays during 2015, of \$43.6 million, were primarily for the acquisition of right-of-way and construction of major street and intersection improvements funded by the one-half percent sales and use tax for Road and Street Improvements. Fund balance in the Capital Projects Fund will fluctuate year-to-year based on the status of projects and the progression of financing to fund those projects.

*Proprietary Funds:* The City-Parish's proprietary funds provide the same type of information found for business-type activities in the government-wide financial statements, but in more detail.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Unrestricted net position of the Greater Baton Rouge Airport District was a negative \$6.8 million at December 31, 2015. Most of this major fund's assets are capital assets with a net investment in capital assets of \$217.2 million. The fund reported a net loss of \$9.8 million before capital contributions and transfers for the year ended December 31, 2015.

Unrestricted net position of the Comprehensive Sewerage System Fund was \$36.8 million at December 31, 2015. This fund encompasses all assets associated with sewerage operations, maintenance, and capital improvements held by the City, the Parish, the Consolidated Sewerage District, and the East Baton Rouge Parish Sewerage Commission. The net investment in capital assets portion of net position totaled approximately \$377.8 million, reflecting a heavy investment in capital assets. The fund realized a net loss of approximately \$26.7 million before capital contributions and transfers for the year ended December 31, 2015.

Unrestricted net position of the Solid Waste Collection and Disposal Fund was \$2.2 million at December 31, 2015. Most of this major fund's assets are capital assets with a net investment in capital assets of \$13.8 million. The fund reported a net loss before transfers of less than \$1.0 million for the year ended December 31, 2015.

**General Fund Budgetary Highlights**

The 2015 general fund originally budgeted expenditures of \$329.1 million (inclusive of transfers out) was increased by a net \$12.1 million during 2015 to reflect a final amended budget of approximately \$341.2 million. The additional appropriations were funded by increases in sales taxes and excess funds in fund balance - unassigned and assigned. Committed fund balances were generally used as a source for the risk management appropriations and assigned fund balances for the community center allocations.

Additional appropriations were made in the following areas:

	<u>(in millions)</u>
Medical treatment and housing of inmates	\$ 2.5
Other public safety costs	3.6
Risk management from fund balance committed to self-insurance purposes	1.7
Community center expenses funded from center revenue and fund balance assigned to culture and recreation	0.1
Other general fund operational costs	2.5
Community development	0.5
Economic development initiatives	0.3
Constitutional offices operational costs	<u>0.9</u>
Total additional general fund appropriations	<u>\$12.1</u>

Material differences between actual results and final amended budgeted amounts in the General Fund are as follows:

- Subrogation recovery and restitution revenues were collected in excess of budget by \$1.7 million primarily due to a settlement received from BP for economic loss suffered after the 2010 deepwater horizon spill.
- Traffic safety fees were collected in excess of budget by \$1.1 million primarily due to increased collection efforts on prior year violations.
- The risk management budget was overspent by approximately \$2.1 million when net self-insured health care claims were higher than projected in the operating budget.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Approximately \$19.1 million of the appropriations for departmental budgets were not spent during 2015. The Plan of Government allows for the carry-forward of funds that are allocated to one-time projects to subsequent years. These appropriations carried forward, in the amount of \$17.1 million, are included in assigned fund balance on the General Fund balance sheet. The majority of these funds are appropriated for needed police vehicles and other public safety equipment, to upgrade information services network systems and computers, provide for replacement of departmental office equipment, fund needed economic development and urban restoration programs, and provide funds for public works projects such as drainage, street improvements, and repairs and renovations to City-Parish buildings.

**Capital Asset and Debt Administration**

**Capital Assets:** The City of Baton Rouge, Parish of East Baton Rouge Consolidated Government's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$2,771.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, airport facilities, parking facilities, a convention center, a landfill, wastewater treatment facilities, roads, highways, bridges, and drainage systems. The total increase in the City-Parish's investment in capital assets for the current fiscal year was \$108.2 million, a 1.4 percent increase for governmental activities and a 5.3 percent increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Planning, design, right-of-way acquisition, and construction on approximately twenty-one major street or intersection improvements funded by the one-half percent sales and use tax dedicated for street and road improvements (\$2.1 million).
- Completion and capitalization of several infrastructure projects:
  - Fairchild-Badley road (\$6.5 million)
  - Stumberg lane extension phase 2 (\$11.5 million)
  - Sullivan road (\$16.6 million)
  - Essen lane at I-10 (\$3.6 million)
  - Antioch extension (\$5.2 million)
  - Florida street gateway corridor (\$1.5 million)
- Purchase or completion and capitalization of facility improvements:
  - Public safety complex renovations (\$4.9 million)
  - Library - consolidated non-public service building (\$1.0 million)
- Capital improvements to the sewerage system, including upgrades to treatment plants and rehabilitation of major sewer lines (\$171.3 million).

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

- Renovations and improvements to Airport buildings, runways, and other Airport improvements (\$11.7 million).
- Depreciation expense of \$45.3 million for governmental activities and \$83.8 million for business-type activities offset the above increases.

City of Baton Rouge, Parish of East Baton Rouge  
Capital Assets  
(Net of Depreciation)  
December 31, 2015 & 2014  
(in millions)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and right-of-way	\$162.1	\$160.2	\$ 94.5	\$ 91.5	\$ 256.6	\$ 251.7
Buildings	133.8	134.4	110.3	117.1	244.1	251.5
Noise Mitigation Costs	--	--	58.4	58.4	58.4	58.4
Improvements (Other Than Buildings) and Infrastructure	533.0	510.5	1,419.2	1,397.9	1,952.2	1,908.4
Machinery and Equipment	25.5	24.9	1.5	0.7	27.0	25.6
Construction Work-In-Progress	<u>36.9</u>	<u>48.6</u>	<u>196.7</u>	<u>119.5</u>	<u>233.6</u>	<u>168.1</u>
Total	<u>\$891.3</u>	<u>\$878.6</u>	<u>\$1,880.6</u>	<u>\$1,785.1</u>	<u>\$2,771.9</u>	<u>\$2,663.7</u>

Additional information on the City-Parish's capital assets can be found in Note 6, Exhibit A-17 of this report.

**Long-Term Debt:** At the end of the current fiscal year, the City-Parish had total bonded debt outstanding of \$1,740.7 million. Of this amount, \$117.7 million comprises debt backed by the full faith and credit of the government. The remainder of the debt represents bonds secured solely by specified revenue sources such as sales tax and user fees. There were no general obligation bonds outstanding for the City of Baton Rouge or the Parish of East Baton Rouge at the end of the fiscal year.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

City of Baton Rouge, Parish of East Baton Rouge  
Summary of Excess Revenue and Revenue Bonds  
December 31, 2015 & 2014  
(in millions)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Excess Revenue Contracts, Loans and Notes	\$114.5	\$ 84.7	\$ 431.7	\$ 433.0	\$ 546.2	\$ 517.7
Sales Tax Revenue Bonds	<u>210.9</u>	<u>224.1</u>	<u>983.6</u>	<u>979.3</u>	<u>1,194.5</u>	<u>1,203.4</u>
Total All Bonds, Contracts, Loans and Notes	<u>\$325.4</u>	<u>\$308.8</u>	<u>\$1,415.3</u>	<u>\$1,412.3</u>	<u>\$1,740.7</u>	<u>\$1,721.1</u>

On April 9, 2015, the Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority"), a political subdivision of the State of Louisiana, issued \$34,415,000 Revenue Bonds (Parish of East Baton Rouge Road Improvements Project), Series 2015. The proceeds of the bonds were loaned by the Authority to the Parish of East Baton Rouge pursuant to a Loan Agreement dated April 1, 2015, to be used for the purpose of (1) providing funds to finance the construction of new public roads and streets and/or the widening of existing public roads and streets within the Parish and (2) paying the costs of issuance of the bonds. The payments under the loan agreement are payable and secured on a junior and subordinate lien basis by a pledge and dedication of seventy percent (70%) of the net proceeds of the one-half of one percent (½%) road and street sales and use tax. If these pledged revenues are insufficient, payments will be made from lawfully available funds of the City-Parish. The Bonds will mature on August 1 of each year beginning 2016 through 2030 with interest from 2.00 to 5.00 percent.

On April 9, 2015, the Parish of East Baton Rouge issued \$59,430,000 Road and Street Public Improvement Sales Tax Revenue Refunding Bonds, Series 2015 for the purpose of (1) providing funds to advance refund a portion of the Parish's \$110,000,000 Sales Tax Revenue Bonds, Series 2009A bonds in the aggregate principal amount of \$59,695,000 maturing August 1, 2022 to and including August 1, 2030, excluding the Series 2009A bonds maturing August 1, 2023, and bearing interest at a rate of 4.75%; and (2) paying the costs of issuance. The bonds will mature on August 1 of each year beginning 2022 through 2030 with interest of 5.00 percent.

On October 8, 2015, the East Baton Rouge Sewerage Commission issued \$20,000,000 Taxable Revenue Bonds, Series 2015A. The bonds were issued through a loan and pledge agreement with the Louisiana Department of Environmental Quality (DEQ) for the purpose of upgrading, rehabilitating, extending and improving the sewerage disposal system. Outstanding principal will carry a 0.45% interest rate and an administrative fee of 0.50% for a total of 0.95%. Funds will be drawn on a reimbursement basis from DEQ. Interest will be payable only on the amount drawn from the date reimbursed. The bonds will mature on February 1 of each year beginning 2017 through 2036.

**CITY OF BATON ROUGE - PARISH OF EAST BATON ROUGE, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

As of December 31, 2015, City-Parish bonds were rated by three major rating services as follows:

	<u>Underlying Ratings</u>		
	<u>Moody's</u> <u>Investors</u> <u>Service</u>	<u>Standard</u> <u>and Poor's</u>	<u>Fitch</u> <u>Investors</u>
City of Baton Rouge (2%) Sales Tax Revenue Bonds	Aa2	AAA	AA+
Parish of East Baton Rouge Road and Street Improvements (½%) Sales Tax Revenue Bonds	A2	A+	AA-
East Baton Rouge Sewerage Commission Revenue Bonds	Aa3	AA-	AA

Additional information on debt administration can be found in Note 10 of the Notes to the Financial Statements including information concerning the computation of legal debt margins for different types of bonds.

**Economic Factors and Next Year's Budget and Rates**

The City-Parish's General Fund receives over 59 percent of its revenues from the 2 percent general sales and use tax levied by the City of Baton Rouge or the Parish of East Baton Rouge; therefore, economic indicators are very important in forming the General Fund budget estimates. Dr. James A. Richardson and Dr. Loren C. Scott, expert economists, 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. Based upon the advice of these experts, the 2016 operating budget assumes a 1.5 percent growth rate for sales and use tax revenues in 2016 over the 2015 anticipated collections.

The proposed budget for the year 2016 for all funds, exclusive of operating transfers between funds, totals \$880.4 million. This is an increase of approximately \$50.0 million or 6.02 percent over the 2015 budget. The General Fund budget increased by approximately \$5.5 million mainly attributed to the appropriation of additional funds for salaries and related benefits associated with the employee pay raise implemented in April of 2015. Other items requiring additional funds included employer health insurance, operational needs for the Coroner and District Attorney, and prison expenses. The increase of \$6.8 million in the Special Revenue Funds budgets and \$9.9 million in the Capital Project Funds is due to one-time funding for capital projects budgeted for in 2016. Enterprise Fund Budgets increased \$30.5 million due to depreciation of assets in the sewerage system. Debt Service Fund Budgets increased \$2.9 million as a result of debt incurred in 2015 to continue road and street improvements under the Green Light Plan.

**Requests For Information**

This financial report is designed to provide a general overview of the finances of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, Accounting Division, P.O. Box 1471, Baton Rouge, Louisiana, 70821-1471 or email address: [finance@brgov.com](mailto:finance@brgov.com).