



Everything New Orleans

The Times-Picayune

Offering cut of revenue for ideas criticized

Watchdogs question private bids to N.O.

Friday, June 03, 2005

By Gordon Russell and Manuel Torres
Staff writers

Since March, at the behest of New Orleans Mayor Ray Nagin, a group of civic leaders has been meeting on a volunteer basis to come up with ideas that could produce enough money to pay off a legal settlement of about \$150 million owed to the city's firefighters.

Simultaneously, the administration has been seeking proposals from private companies that would help develop similar ideas -- but for a share of the money. When news of the city's request for proposals leaked to the committee last week, several members reacted angrily, with one member threatening to file a lawsuit if any of the group's ideas result in profits for a private firm.

▼ Advertisement

[CONTINUE STORY](#) ↓

An advertisement for nola.com featuring a photograph of a large, two-story house with a green lawn. The text reads: "Buying A Home? Get Up-to-Date Mortgage Rates at your fingertips!" Below the photo, it says "The Best Local Real Estate" and includes the nola.com logo and "Everything New Orleans".

Buying A Home?
Get Up-to-Date Mortgage Rates
at your fingertips!

The Best Local Real Estate

 Everything New Orleans

One of the two firms to respond to New Orleans' offer, Revenue Resources LLC, of River Ridge, has held a similar contract with Jefferson Parish since 1995, and the company recently signed a deal with the St. Charles Parish School Board. The firm, owned by retired Entergy worker Louis Biondolillo, also had a three-year deal with the city of Kenner that expired in 2002.

Revenue Resources' contract with Jefferson Parish, which was renewed by the Parish Council last year, has paid handsomely. The company has collected just over \$1 million since 1998, all of it from commissions based on the revenue its ideas generate for the parish. The company is paid 30 percent of the first \$5 million that results from one of its concepts; thereafter, its share is 10 percent.

The New Orleans bid process has drawn the interest of watchdog groups, which are now questioning the wisdom of the arrangement in both parishes. And Jefferson Parish Councilman Chris Roberts on Wednesday said he will seek to cancel Revenue Resources' contract.

"This is ridiculous," Roberts said of the firm's commissions. "They should not be paid a dime."

Biondolillo said his firm gets paid only when its ideas make the parish additional money, and that Jefferson does not cover his expenses when ideas do not pan out, as is often the case.

Asked about Roberts' proposal to cancel his contract, Biondolillo said: "If that's what he wants to do, that's fine. He has a right to do that."

The watchdogs have several basic questions about such contracts. Among them: Why are governments paying outside firms to come up with ideas for raising money, when doing exactly that is among the most basic of government functions? And even if public officials can't dream up the ideas, should a private company get such a large cut of the money?

"I think it's very unusual," said Jim Brandt, director of the Public Affairs Research Council of Louisiana. "I've never heard of a government doing this for new revenue sources. I've obviously heard of hiring a collection agency, but getting a premium for developing new revenue sources I find highly unusual."

Janet Howard, director of the Bureau of Governmental Research, attended a pre-bid conference sponsored by the city, which attracted three firms, including the two that entered bids. Howard sent a letter to the Nagin administration this week calling the request for proposals "confusing and disturbing" and asking the city to rethink it.

The process "opens the door to unnecessary payments for improvements that a well-run government would identify and make on its own," Howard's letter said. "It also presents the unsavory prospect of a contractor receiving a slice of tax revenues for nothing more than an idea to impose or increase a tax, or a slice of sale proceeds or lease payments for recommendations to dispose of underutilized property."

Biondolillo countered that contracts like his are a "win-win." If he has a good idea that is implemented, he makes some money. But the parish doesn't have to pay him a dime if his notions never pan out, as often happens. So it's smart business, he argued.

"It's not costing them 30 percent of the first \$5 million," he said. "They're getting 70 percent of something they didn't have."

Nonetheless, Biondolillo acknowledged that, in his words, "the watchdog groups are not all wrong" in raising concerns about his role and pay structure.

"Should the parish or the city be doing the things we're doing?" he asked rhetorically. "Yes. They should be doing it themselves, but they're not."

'Outside the box'

Biondolillo says his ideas, particularly his latest -- which involves selling the depreciation of public assets to private companies for tax purposes -- require "thinking outside the box" in ways that government officials are unlikely to do.

But regardless of the merits of some of his proposals, most resemble routine government decision-making.

For instance, by far his most lucrative idea was to persuade the state Legislature in 1997 to rededicate a 1 percent portion of the hotel-motel tax that had been earmarked to pay off debt associated with the Superdome. Since the Dome debt was being retired, Biondolillo figured the money should go to the parishes that collected the tax.

But dozens of other parishes, including Orleans, were able to reap the same benefits as Jefferson, without having to pay him or any other private party.

Another of Biondolillo's ideas involved adding an occupancy charge to hotel stays in Jefferson Parish, similar to one already levied in New Orleans. That idea likewise was adopted, although Biondolillo and the parish are embroiled in a dispute over whether he should be paid for it.

Questioning payments

Some Jefferson Parish Council members are also now asking why a private company is still getting paid a large portion of a tax approved by legislators eight years ago and collected by Sheriff Harry Lee, who serves as the parish's tax collector.

Biondolillo said his firm researched the tax redistribution idea, drafted the bill and lobbied legislators to pass it in 1997.

Councilman Roberts said he has spoken recently with legislators who questioned the role Revenue Resources played in passing the tax rededication.

"Why would the parish want to put ourselves in the circumstance of having a private firm doing what the Legislature does?" Roberts asked.

Boiling over

In New Orleans, members of the committee are ticked off at the notion that they may be getting played for suckers.

Nick Felton, president of the firefighters union and a member of the blue-ribbon panel, told fellow panelists that the request for bids had "taken him aback."

Felton took a jab at the salaries of Nagin's top aides, which are far higher than those of previous administrations. With such highly paid professionals on staff, he wondered aloud, why would the city "farm out" the work of coming up with revenue sources?

"Why do we have unclassified employees on staff, including many who just got substantial raises?" Felton asked. "It seems to me this should be their job."

Lawyer Sidney Bach, one of the most enthusiastic and active panelists, was shocked to hear the administration might pay for ideas similar to those he and others have been providing for free.

"To turn this into a profit-making venture is, in my opinion, abhorrent," he told Terry Ebbert, the city's homeland security director and Nagin's representative on the committee. "Should anyone who attempts to profit from our work have to compensate us?"

Bach added that he "will not hesitate" to file suit if he feels someone is making money from the committee's work. "I am absolutely outraged that anyone would attempt to turn this exercise into a profit-making venture," he said. "It's an insult to all of us. It stinks!"

Bach said the administration should reach out to the academic community before hiring consultants and giving them a cut.

Ebbert and panelist Joseph DiRosa, the city's chief deputy attorney, both said they knew nothing of the city's bid request. Another member of the panel, Reggie Zeno, Nagin's finance director, remained silent during the meeting.

Not the same

Charles Rice, Nagin's chief administrative officer, said the work the city is seeking to outsource shouldn't be confused with the work being performed by the pro bono committee.

"It just happened to coincide at the same time," he said. "This wasn't done specifically for the firefighters."

Rice said he decided to seek the proposals after hearing that hiring a private company for revenue ideas had worked well for Jefferson Parish. He said he knew little about what the company in Jefferson Parish had done to raise revenue. But he said he doesn't see a downside in seeking answers from the private sector.

"To be perfectly frank, we don't pretend to have all the answers," he said. "I think you want to 'incent' people to bring forth a great idea, and on top of that you want them to pursue that idea," he added, defending the city's plan to pay a contingency fee.

Rice said the contract should not be viewed as an attempt to pass new taxes.

"We're not doing this to have new ideas to tax the citizens," he said. "But there could be something we're missing which we have no idea about. And if someone brings that to our attention, that's a good thing."

The only firm other than Revenue Resources to respond to the city's call for proposals was SHA Consulting Services LLC, of New Orleans. City officials say they hope to pick a winner within two months.

\$11 million idea?

SHA Consulting, which was founded three years ago by Shawn Barney, Arthur McLin III and Corey Wilson, holds financial-advisory contracts with several local public agencies, including the Housing Authority of New Orleans, the New Orleans Building Corp. and Louis Armstrong International Airport.

None of the people associated with Revenue Resources or SHA Consulting had donated to the Nagin campaign by the end of 2004, campaign finance records show.

Barney, the son of former Urban League head Clarence Barney, recently filed to run for state Senate but was disqualified for not being a resident of the district.

In Jefferson Parish, Revenue Resources has contributed \$4,050 since 2000 to the campaigns of President Aaron Broussard, Council Chairman Tom Capella, and Councilmen John Young, and Louis Congemi, campaign finance records show.

The firm also works in partnership with former U.S. Rep. Jimmy Hayes, R-Lafayette, now a lobbyist. Hayes contributed \$5,000 to Broussard's 2003 campaign, records show.

The proposals the two firms turned in to New Orleans differ in one key respect. In keeping with language in the city's request for bids, SHA Consulting's proposes to keep 10 percent of any revenue it finds for the city.

Revenue Resources, meanwhile, proposes the same split it has with Jefferson Parish: 30 percent.

McLin of SHA Consulting said he felt it would be inappropriate to talk about his ideas while the city is still considering the bids. In general, he said, he thinks the city will benefit by having someone do "due diligence" on various ideas for free. There's no way for the city to lose, he said.

Biondolillo was likewise coy, but claims to have two ideas that would serve the city well. "I think they've got \$11 million sitting right in front of their noses that they don't know about," Biondolillo said.

Biondolillo said he'd be happy to see the citizen group come up with ideas as good or better than his own. But if they don't, he's ready.

"If the blue-ribbon committee comes up with these ideas, I'm happy for them, 'cause the city's going to benefit," Biondolillo said. "But if they don't . . . morally, should I just give it away?"

.....

Frank Donze contributed to this story.

Gordon Russell can be reached at grussell@timespicayune.com or at (504) 826-3347. Manuel Torres can be reached at mtorres@timespicayune.com or at (504) 883-7052.