

**MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
September 23, 2013**

PRESENT

Honorable Jacquelyn Clarkson, Councilmember-at-Large
Peter Ricchiuti, Professor, Director of Research, Tulane University
Andrew Kopplin, First Deputy Mayor & Chief Administrative Officer
Norman S.J. Foster, Director of Finance/CFO

ABSENT

Honorable Mitchell J. Landrieu, Mayor, City of New Orleans

AGENDA

1. Adopt Minutes from July 12, 2013 Revenue Estimating Conference
2. FY 2013 Revised Estimate
3. FY 2014 Preliminary Estimate
4. Five Year Revenue Overview
5. Other Matters

OPENING

The meeting of the Revenue Estimating Conference (REC) is called to order by First Deputy Mayor and Chief Administrative Officer, Andrew Kopplin.

1. Mr. Kopplin moved the approval of the July 23, 2013 Revenue Estimating Conference minutes. Minutes adopted by unanimous consent.

National and regional economic update

The health of the US economy continued to show signs of modest growth. Second quarter growth stood at 2.5%, which is an improvement from the 1.1% growth rate during the first quarter. However, the pace of growth remains below original projections and historical trends.

The national unemployment rate declined to 7.3% in August, with approximately 169,000 jobs added during the month.

The unemployment rate for the New Orleans Metro area increased to 6.7% in July. This increase is likely the result of a higher increase in the labor force than compared to the number of jobs and numerous layoffs of government employees at the State level.

There has been an uptick in interest rates in the last few months as a result of comments by the Federal Reserve about the possibility of discontinuing the current quantitative easing stimulus policy before the end of the year.

2. FY 2013 Revised Estimate

Overall, City General Fund revenue for 2013 is projected at \$494.3 million. This represents only a marginal revision of \$2.4 million (less than 0.5% of the overall revenue budget) from the amended budget of \$496.7 million.

While taxes, licenses and permits, fines and forfeits, and miscellaneous revenue remained unchanged from the July 12, 2013 estimate, there were a number of changes within the intergovernmental revenue, service charges and other financing sources categories.

Intergovernmental Revenue: The previous forecast estimated at \$13.6 million was revised downwards as State related revenue for approximately \$900 thousand is not likely to be received during 2013.

Service Charges: The amended budget revenue number was revised downward during the July 12, 2013 revenue estimating conference by \$1.3 million and was revised downward during the current revenue estimated conference by an additional \$300 thousand. The revision during the current session is the result of lower green fees revenue than originally projected.

Other Financing Sources: The previous forecast estimated at \$17.4 million was revised downward by approximately \$1.1 million due to lower than expected receipts in different revenue line items including Sheriff Sales.

3. FY 2014 Preliminary Estimate

The 2014 preliminary forecast estimates general fund revenue at \$501.9 million. This represents a \$7.6 million or 1.5% increase from the September 23, 2013 revenue forecast of \$494.3 million. Most of the increase is projected to come from higher tax revenue in property and sales tax. All other revenue streams are expected to decline modestly, remain constant or increase marginally in 2014.

Taxes: Property taxes are expected to grow by 3% in 2014. The smaller rate of growth in property tax revenue compared to 2013 is the result of a smaller increase in assessment values for 2014 than compared to 2013. Sales tax is projected to increase by about 3% in 2014, on par with the projected growth in the general economy. The projected increase in tax revenue for 2014 is \$7.3 million.

Licenses and Permits: Revenue in this category is expected to decline by about \$1.1 million in 2014. Most of the decline is the result of projected lower volume of applications for building permits, which experienced unforeseen demand in 2013. The higher demand in 2013 was the result of applicants rushing to submit building applications to take advantage of the State's elevation program, expected to expire in early 2014, and to build under the current building code, which is expected to change in early 2014.

Fines and Forfeits: The projected increase in revenue by \$600 thousand in this category is the result of expected technical improvements to the Photo Safety / Red light Camera program. During 2013 the program was affected by a number of technical challenges, which prevented a portion of speeding events from becoming citations.

4. Five Year Revenue Overview

The general consensus among municipalities is that the high growth rates in revenue experienced in prior years is likely over. This is mostly the result of the current economic conditions, which include moderate economic growth, low rates of inflation, and a housing market still trying to recover. In addition, some of the most prominent cost pressures affecting municipalities including pension obligations, healthcare benefits, workers compensation costs and regulatory mandates, are likely to stay for the years to come.

The City's five year general fund revenue forecast takes in consideration the general trend experienced by municipalities across the country as well as opportunities and risk at the local level. Overall, total general fund revenue is expected to grow from \$494.4 million in 2013 to \$538.3 million in 2018. Recurring revenue, which excludes unpredictable one time revenue items, is expected to grow from \$496.1 million in 2014 to \$538.3 million in 2018, or an annualized rate of 2.1%. Most of the growth across years is driven by taxes, which are expected to grow by about 3% per year.

Discussion

Revenue Estimating Conference members discussed the economic trends underlying the revenue report.

First Deputy Mayor and Chief Administrative Officer, Andrew Kopplin, moved to adjourn and Mr. Ricchiuti seconded. The Revenue Estimating Conference adjourned at 11:15AM