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# REVENUE ESTIMATING CONFERENCE

# Quarterly Economic Review



**CITY OF NEW ORLEANS**

Mitchell J. Landrieu, Mayor

## **REVENUE ESTIMATING CONFERENCE MEMBERS**

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NORMAN S. J. FOSTER, DIRECTOR, DEPARTMENT OF FINANCE AND CFO

MR. PETER RICCHIUTI, TULANE UNIVERSITY

JEROME A. LOMBA, CHIEF ECONOMIST

PRESENTED MONDAY JUNE 25, 2012

Attendance: Koplin, Clarkson, Johnson, Ricchiuti, Forster

Minutes of the last meeting adopted

Lomba explains the tables of revenues which indicate the General Fund Revenue estimates from initial adoption, March revisions, amended budget, and current revisions.

Norman highlights the variance between the originally adopted budget and the subsequent \$800,000 amendment.

At the last Revenue Estimating Conference I presented a revised estimate for FY 2012 of \$482,209,161 which was \$14.5 million less than the adopted budget of \$496,678,704. This reduction in revenues was motivated by technical corrections to align budgeted 2012 revenues with unaudited FY 2011 collections. Sales taxes were reduced by \$3.8 million, recognition of changes in NOPSI franchises reduced anticipate revenues by \$5.1 million and its corresponding implication on utility tax induced an additional reduction of approximately \$ 1 million in that revenue item as well. Parish Transportation Fund was reduced by \$830,000, EMS reduced by over a million dollars and camera revenue was reduced by \$2.5 million.

Today, I am pleased to be the bearer of better news than last time. As was reported at the last Budget Committee hearing sales tax collections for the first five months of this year are exceeding the revised estimates and I am happy to report to you today that this trend has translated into positive outlooks for the year.

Retail Sales tax collections for the first four months are consistent with the revised forecast and have not been adjusted. Automobile sales tax for the first five months is running significantly above projections and has been revised upwards by \$125,000. Hotel-Motel tax is doing exceedingly well for the first four months and the estimate has been revised upwards from the last meeting by \$800,000 bringing it to a total approximately \$400,000 above the originally adopted budget.

Koplin observes that the revenue slide does not contain all of the details to which Norman responds that the itemized details was too large to fit conveniently in the presentation.

Beer and Wine tax is collected by the state and remitted to the city and is subject to some delay. At the time of the last REC, collections were underperforming the budget and the estimate was reduced. Collections now appear to be in line with the original budget and the reduction has been reversed, returning the \$240,000 that was taken out at the last REC back into the budget.

Cable franchise is outperforming the budget and has been adjusted upwards by \$320,000. Miscellaneous franchise is revenue with no predictable seasonality and was reduced at the last meeting but has recovered since to the tune of warranting an increase of \$130,000 from the last estimate.

Video poker at the last meeting was reduced by \$550,000 but subsequently picked up so we were able to put back \$220,000. Because the state fiscal year straddles our fiscal year, we were able to put back \$600,000 in PTF as a result of the appropriations of the last legislative session.

Parking meter and towing revenues have been strong through May and anticipated collections for this year have been raised by \$800,000. Sanitation service charge collections are doing very well and estimated collections for the year has been raised by \$1.0 million.

At the time of the last meeting, it was observed that EMS collections were not meeting expectations and it was determined that the reason was a delay in Medicaid reimbursements. No adjustments were made last time to allow some additional time for collections to catch up. As of May, collections have not yet caught up and anticipated revenues for FY 2012 have been reduced accordingly by \$1.4 million. We should know more about the delays by the August meeting.

Traffic fines, collected by Traffic court, have been reduced by \$1.6 million and camera revenues have been further reduced by an additional \$1.2 million. Parking ticket revenues, on the other hand, has been revised upward by \$1.2 million.

Interest income was reduced further and recognition of budget amendments increased miscellaneous revenues estimates by approximately \$700,000.

In summary, as indicated in the chart, General Fund revenues for FY 2012 are now anticipated to be \$484.5 million as opposed to the \$482.2 million reported at the last meeting, an increase of approximately \$2.3 million.

The revised estimate presented today is \$13.1 million less than the amended budget of \$497.5 million.

That concludes my presentation.

Koplin summarizes that at the big picture level the revenues presented at the March REC was reduced by \$14.5 million from the Adopted Budget based principally on collections for 2011, natural gas prices and the change in photo camera policy. After review of 4 to 5 months of actual collections, the budget picture has improved; however, estimates for the end of year are still \$13.1 million under the amended budget.

Lomba explains the difficulty in estimating camera revenue because of the five month lag in collections and that further adjustment in estimated revenues may be warranted as additional data become available.

Ricchiuti asks whether we will have a better handle on the data by the Fall to which Lomba replied in the affirmative.

Koplin interjects that the estimate is based on citations issued but without the benefit of direct observations of changes in driver behavior.

Johnson asks Koplin what he is doing to meet the revenue shortfall.

Koplin responds that the administration escrowed 2% of the non-personnel budget for all departments excluding public safety and will now increase that amount to 3.8%. Additionally, by refinancing some

debt, debt service payments will be reduced by \$7 million and together these actions will cover the \$13.1 million shortfall.

Johnson asks Lomba that since we halfway through the fiscal year could the shortfall double by the end of the year.

Lomba replies that property taxes are collected early in the year and sales taxes are front loaded because of the special events which occur in the first half of the year, slows down in the summer and then picks up in the Fall. Franchise and Utility tax are influenced by the weather and the estimates presented today take all of the known seasonality's into account and represents the best estimate based on latest information available. No global or national recession is anticipated and should one occur, it would negatively impact the budgetary outlook.

Clarkson expressed some disappointment that the good news was not even better and wondered whether the City's collection efforts could be improved.

Koplin responded that the city's sales and hotel-motel tax is doing much better than most cities and the state.

Forster interjected that Hotel-Motel tax for the first 5 months was 26% above last year for the same time period and that the latest revision represents a 15% increase on an annual basis over last year.

Koplin stated that the reason that revenues didn't increase even more so was not that we aren't collecting it, it's because we receive such a small percentage. The city receives only 1.5% out of a total of 13% levied. The reduced general sales tax is still 5% over last year. The revenue reductions are the result of policy changes in camera enforcement and natural gas prices.