

**MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
May 8, 2015**

PRESENT

Honorable Jared C. Brossett, Council Member District D (non-voting representative)
Peter Ricchiuti, Professor, 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
Honorable Stacy Head, Councilmember-at-Large

AGENDA

1. Adopt Minutes for the November 18, 2014 Revenue Estimating Conference
2. Brief Economic Outlook
3. FY 2014 Revenue Overview
4. FY 2015 Revenue Overview

OPENING

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

Mr. Foster moved the approval of the November 18, 2014 Revenue Estimating Conference minutes. Minutes adopted by unanimous consent.

DISCUSSION

Brief Economic Outlook

Mr. Husserl began his presentation covering the latest national GDP figures. Economic growth during the first quarter of 2015 was weaker than expected, mostly due to a strong dollar and lower investment. Mr. Husserl noted that despite slower growth the unemployment rate continues to improve. In terms of local unemployment figures, the City has seen unemployment decrease from an average of 8.7% in 2010 to an average of 6.9% in 2015. At the same time, the City's labor force has been growing at an annualized rate of almost 2% since 2010. Despite currently having an unemployment rate higher than the nation, growth in employment suggests the local economy is generating sufficient jobs to absorb new residents.

Mr. Ricchiuti inquired about the effect of the drop in energy prices sector. Mr. Husserl noted that some reports suggest approximately 8.1% of the metropolitan area GDP is exposed to mining, which in Louisiana is mostly associated with the oil and gas sector. Mr. Husserl also explained that a reduction in energy prices has opposing effects on the City's finances. On the one hand, utility taxes and franchises are lower given the reduction in prices. On the other hand, gas and utility costs paid by the City are lower.

FY 2014 Revised Overview

Mr. Kopplin asked to conference to move to the third item on the agenda, the unaudited revenue results for 2014.

Mr. Husserl presented the 2014 results, which showed total general fund revenues coming at \$535.8 million or \$14.3 million higher than the last forecast. The biggest contributor to the increase was taxes, but other areas like licenses and permits and services and charges also contributed to the increase.

In terms of taxes, property tax came \$2.7 million above forecast. Mr. Husserl explained part of the increase was a shift in payment receipts across years. By holding the annual tax sale early in 2015, an estimated \$2 million in delinquent payments were received in late 2014. The biggest contributor to higher revenues was sales tax, which grew by over 9%. The sales tax results demonstrate that the robust retail strategy being pursued by the City is showing significant signs of success. Mr. Kopplin commended the City's Department of Revenue for their increasing efforts encouraging compliance by tax payers and the Council and the Mayor for the strategy to increase the retail footprint. Mr. Ricchiuti also noted that given the robust permanent growth expected from the retail strategy that onetime events are less likely to cause volatility in the City's largest revenue stream. Mr. Foster explained part of the robust growth was likely the result of new store openings and that growth in future years was likely to moderate.

Building permits also contributed to the higher 2014 total revenue balance with over \$1.4 million in revenues over the last forecast. Despite lower collections early in the year, there was a significant uptick in revenues starting during the third quarter of the year, with the fourth quarter experiencing significant higher collections than the average of the last three years.

In services and charges, public safety revenue, which includes EMS transport charges, continued to outpace projections. Transport collections between 2013 and 2014 grew by approximately 94%. The final results for the year show public safety revenue coming \$2.8 million higher than the latest forecast. Mr. Husserl highlighted that through the City's performance management program "BottomLineStat", the City identified an opportunity to optimize revenue collections for this program. Mr. Kopplin commended the City's EMS team and Innovation Team for their outstanding work turning EMS collections around.

Mr. Brossett inquired about the level of collaboration between the Council's staff and the City Economist performing the projections for franchise and utility tax revenue. Mr. Husserl noted that there is collaboration, but that weather and energy price fluctuations hinder the accuracy of these projections.

FY 2015 Revenue Overview

Mr. Kopplin requested the conference to move to the fourth and final item on the agenda.

Mr. Husserl began by presenting the final results for 2014 and continued by showing the amended 2015 budget and the May proposed revised forecast for 2015. The May proposed forecast for 2015 shows revenue coming at \$549.1 million or \$12.1 million higher than the amended budget. The \$12.1 million includes an increase in the forecast of recurring revenues by \$8 million and an increase in the forecast for non-recurring revenues of \$4.1 million.

The main contributor to the change in the forecast was taxes, with sales tax retail adjusted upwards by \$3.6 million. Mr. Husserl explained the increase was a result of the strong results in 2014, which triggered a technical adjustment in the sales tax base used to project revenues in

2015. The hotel sales tax revenue forecast was also adjusted upwards by \$1.2 million, while the property tax revenue forecast was adjusted upwards by \$0.8 million.

Licenses and permits revenue was revised upward by \$1.4 million to reflect higher than projected revenues in alcoholic beverage permits, occupational licenses, and building permits. The revision to the building permits forecast was driven by the positive collection trend experienced during the fourth quarter of 2014 and during the first quarter of 2015.

Services and charges revenue was adjusted upwards by \$1 million as a result of higher than projected collections for EMS transports during the first quarter of the year.

Miscellaneous revenues and transfers from other funds estimates were revised upwards to reflect one time revenues resulting from a financial institution settlement (approximately 2.7 million) and additional payment commitment from the French Market Corporation by \$1.4 million. Mr. Brossett commended the board of the French Market Corporation for their initiative and accomplishments.

Mr. Foster moved to read the May 2015 revised revenue forecast for the general fund. The 2015 revised General Fund revenue is as follows; Taxes of \$337,096,761, Licenses and Permits of \$58,915,135, Intergovernmental Revenue of \$10,156,639, Service Charges of \$79,394,934, Fines and Forfeits of \$32,030,000, Miscellaneous Revenue of \$13,925,089, and Other Financing Sources of \$17,565,333. The total 2015 General Fund revised forecast stands at \$549,083,891, including \$5,035,725 in Non-recurring revenues.

CLOSING

Mr. Kopplin mentioned that he was really pleased with the positive results in 2014 and that the first few months of 2015 appear to be showing a similar trend. He also stressed that despite the good results that management will not get complacent and that there are still significant risks that need to be addressed, including judicial mandates on the expenditure side. Mr. Foster noted expenditure results will be available soon as the auditors are still in the process of finalizing the annual financial audit.

Mr. Kopplin moved to adjourn and Mr. Ricchiuti seconded. The Revenue Estimating Conference adjourned at 4:26PM.