

**MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
September 26, 2014**

PRESENT

Honorable Stacy Head, Councilmember-at-Large
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

AGENDA

1. Adopt Minutes from May 21, 2014 Revenue Estimating Conference
2. Brief Economic Outlook
3. 2014 Revenue Forecast Update
4. 2015 Preliminary Revenue Forecast
5. 5 Year Revenue Forecast
6. Adoption of Revenue Forecast

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 May 21, 2014 Revenue Estimating Conference minutes. Minutes adopted by unanimous consent.

DISCUSSION

Brief Economic Outlook

Mr. Huserl began his presentation covering the latest national GDP figures. Economic growth during the second quarter of 2014 jumped to 4.6 percent, from a 2.1 percent contraction during the first quarter. National labor market indicators suggest the economy continues to improve at a slow pace. At the local level, the latest labor market figures show a reduction of approximately 1% in the unemployment rate (not seasonally adjusted) compared to the same period in 2013.

Ms. Huserl moved to present a short report of the types of industries making up the largest percentage of the labor force in Orleans Parish before and after Katrina (December 2004 vs December 2013). This report was directed at answering a question raised by Mr. Ricchiuti during the May 21, 2014 REC. While the total labor force remains smaller than what it was before the storm, the percentages of jobs in the accommodation/ food and the professional services industries are higher now than before the storm. The healthcare and social assistance industry, on the other hand, has shown a small reduction as a percentage of the overall labor force. Mr. Ricchiuti pointed out that the reduction in the healthcare industry was a little surprising given all the recent activity in this area. Mr. Huserl suggested that the completion of the Bio district and the two new hospitals could potentially offset the reduction.

In terms of the growth experienced by the different industries after the storm (December 2005 to December 2013), the accommodation/food services and the retail trade industries have experienced the highest annualized growth rate in terms of jobs in Orleans Parish.

FY 2014 Revenue Overview

Mr. Kopplin requested the conference to move to the next item on the agenda

Mr. Husserl began presenting the amended budget for 2014 and the proposed adjustments to the forecast presented during the May 21, REC. The May proposed revisions totaled \$6.2 million bringing the forecast from \$505.4 million to \$511.6 million. Mr. Kopplin noted that the 2014 proposed revised forecast for May only included a few months of information and that the conference was interested in waiting for the next meeting, once more information became available, do determine any potential adjustments to the forecast. Mr. Husserl continued the presentation by introducing additional revisions to the forecast by \$8.4 million, bringing the September forecast to \$520.0 million, from the May forecast of \$511.6 million. The overall change between the amended budget number of \$505.4 million and the proposed forecast as of September of \$520.0 million is \$14.6 million.

The main contributors to the new revisions were tax revenues, with sales tax retail adjusted upwards by and additional \$3.6 million. Mr. Husserl explained that growth in sales taxes continues to outpace the original expectation. Mr. Kopplin asked for a moment to recognize the Mayor's Advisor for Economic Development, Aimee Quirk, for her extraordinary contribution to the current strategy to expand the City's retail footprint. Mr Kopplin also complemented the Department of Revenue and the Collector of Revenue, Romy Samuels, for their efforts ensuring high levels of compliance by tax payers. Vehicles sales tax revenue was revised upwards by \$1.4 million due to car sales activity being stronger than expected.

In the area of licenses and permits, Entergy franchise revenues was revised upwards by \$2 million, while building permit revenue was revised downward by \$800 thousand.

In services and charges, public safety revenue, which includes EMS transport charges, was revised upwards by \$3.5 million. The revision was due to a significant increase in collections, resulting from the administration's decision to switch the vendor performing EMS collections services. Mr. Kopplin explained that the previous vendor was not performing as expected, which lead to the change. He commended the EMS staff and Ann Holladay, from the Service and Innovation Team, for their hard work during the transition period.

In the area of fines and forfeits, traffic fines and violations revenues were revised downward by an additional \$600 thousand. Mr. Husserl noted that the revision was the result of lower ticket issuance rates. Council Member Head explained that there are several challenges in this area directly affecting citizen's quality of life. Council member Head stated that she would like to request a report on how to improved enforcement and traffic safety from NOPD.

FY 2015 Preliminary Estimate

Mr. Kopplin requested the conference to move to the next item on the agenda

Mr. Husserl presented the 2015 preliminary forecast for general fund revenue at \$536.9 million. This represents a \$16.9 million or 3.3% increase from the September 26, 2014 revenue forecast of \$520.0 million. Most of the change is projected to come from higher tax revenue in property and sales tax, which accounts for \$11.3M of the increase. Other contributors to the increase are services and charges, by \$800 thousand, and fines and forfeits, by \$5.4 million. Licenses and

permits, miscellaneous revenues and other financing sources are all expected to decline marginally in 2015. Intergovernmental revenue is expected to remain unchanged.

Property taxes are expected to grow by 3% in 2015. While assessments are anticipated to increase at approximately the same rates experienced during the last two years, the appeals process is expected to partially offset the growth in assessments. Mr Ricchuit noted that property assessments are done on a rotation basis every four years, rather than all properties being assessed every four years simultaneously. Council Member Head pointed out that the State's tax commission and the City have some differences of opinion regarding the assessment process. Council Member Head also mentioned that she would like to take a closer look at the provisions in the law exempting some non-for profit organizations from paying ad valorem taxes given that some of these entities behave like businesses.

Sales tax is projected to increase by about 5% in 2015, on par with the projected growth in the general economy and inflation. The current strategy to increase the City's retail footprint, will also contribute to the growth in 2015, but its' effect is expected to be less noticeable.

Licenses and permits revenue is expected to decline marginally by around \$300 thousand. The decline is the results of weaker Entergy franchise revenue and no AT&T franchise revenue, offset by a projected increase in occupational and other license revenue. Mr. Kopplin pointed out that the franchise agreement with AT&T used to provide a substantial and consistent stream of revenue to the City. However, due to a number of legal challenges, AT&T will not be paying franchise fees in the near future.

Fines and forfeits revenue is projected to increase by \$5.4 million from the September forecast to \$32 million. Most of the increase, \$4.5 million, relates to a technical adjustment associated with the method used to account for red light camera revenue. This does not represent additional revenues. At the recommendation from the external auditor, the City will now record all revenues from the red light camera program before contract expenditures are deducted.

Five Year Revenue Overview

Mr. Husserl presented some of the general assumptions used to project the City's general fund revenue forecast between 2016 and 2019. These assumptions include modest levels of economic growth, low levels of inflation, strong results from the retail industry with diminishing effects as we move into future years, modest increase in property assessments offset by the tax appeals process, and population growth expected to continue at the same level as the last two years.

Overall, total general fund revenue is expected to grow from \$536.9 million in 2015 to \$587.8 million by 2019. Recurring revenue, which excludes unpredictable one time revenue items, is expected to grow from \$531.7 million in 2015 to \$586.3 million in 2019, or an annualized rate of 2.5%. Most of the growth across years is driven by taxes, which are expected to grow by about 3.4% per year.

Adoption Revenue Forecasts

Mr. Foster moved to approve the revised General Fund revenue forecast for 2014. The revised 2014 forecast is as follows; Taxes of \$320,163,332, Licenses and Permits of \$57,835,744, Intergovernmental Revenue of \$10,156,638, Service Charges of \$77,469,235, Fines and Forfeits of \$26,550,000, Miscellaneous Revenue of \$11,561,249, and Other Financing Sources of \$16,300,562. The total revised 2014 Official forecast for 2014 stands at \$520,036,759.

Mr. Ricchiuti seconded the motion. The revised 2014 forecast was adopted by unanimous consent

CLOSING

Both Mr. Kopplin and Mr. Foster pointed out that despite the good news in terms of revenues, the City is currently facing a number of pending obligations including two federal consent decrees and a civil district court decision for the fire pension. Mr. Kopplin explained that the administration already set aside a portion of the additional revenues projected for 2014 to meet the outstanding judicial obligations.

Mr. Ricchiuti inquired about the timing for the next REC. Mr. Foster explained that a conference is expected to take place on October 15th. Mr. Kopplin noted that during the October 15th REC the official 2015 forecast will be presented.

Mr. Kopplin moved to adjourn. The Revenue Estimating Conference adjourned at 2:02 PM.