

**MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
September 28, 2015**

PRESENT

Honorable Stacy Head, Councilmember-at-Large
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

AGENDA

1. Adopt Minutes from May 8, 2015 Revenue Estimating Conference
2. Brief Economic Outlook
3. 2015 Revenue Forecast Update
4. 2016 Preliminary Revenue Forecast
5. 5 Year Revenue Forecast
6. Adoption of 2015 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 8, 2015 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 second quarter of 2015 jumped to 3.9 percent from 0.6 percent growth during the first quarter. National labor market indicators suggest the economy continues to improve with the unemployment rate decreasing to 5.1% by the end of August.

Mr. Husserl moved to address a question presented by Mr. Ricchiuti during the May 8 revenue estimated conference. Mr. Ricchiuti inquired about the impact of the decline in oil prices over the local economy. Mr. Husserl noted that based on information from the Louisiana Workforce Commission between April of 2014 and March of 2015, Orleans Parish overall employment increased despite a reduction in employment within the mining sector (oil and gas). In the Lafayette and Houma regional labor market areas, the decline in employment within the mining sector caused an overall contraction in employment. In Orleans Parish, the mining sector (including oil and gas) represents approximately 1.4% of total employment compared to over 6% in Houma and Lafayette.

FY 2015 Revenue Overview

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

Mr. Husserl began presenting the adopted budget for 2015 and the proposed adjustments to the forecast presented during the May 8, REC. The May proposed revisions totaled \$12.3 million bringing the forecast from \$536.8 million to \$549.1 million. Mr. Kopplin noted that the 2015 proposed revised forecast for May only included a few months of information.

Mr. Husserl continued the presentation by introducing the September revisions to the forecast. These revisions included additional \$5.4 million in recurring revenue and additional \$37.3 million in non-recurring revenues. Based on the proposed revisions, the overall revenue forecast as of September stands at \$598.3 million, including \$545.2 million in recurring revenue and \$53.1 million in non-recurring revenue.

The main contributor to the \$5.4 million upward revision in recurring revenue was property tax. Property tax collections are coming higher than projected, likely as a result of the current adjudicated property auction strategy. The current strategy is persuading property owners with delinquent tax balances to settle outstanding amounts before their properties go up for auction.

The main contributor to the \$37.3 revision in non-recurring revenue is the result of a net settlement from British Petroleum by approximately \$36 million.

Mr. Foster moved to approve the revised General Fund revenue forecast for 2015. The revised 2015 forecast is as follows; Taxes of \$342,040,679, Licenses and Permits of \$58,155,135, Intergovernmental Revenue of \$12,456,639, Service Charges of \$80,315,934, Fines and Forfeits of \$32,380,000, Miscellaneous Revenue of \$54,915,187, and Other Financing Sources of \$17,988,858. The total revised 2015 forecast stands at \$598,252,432. The forecast includes 53,086,600 in non-recurring revenues.

Mr. Ricchiuti seconded the motion. The revised 2015 forecast was adopted by unanimous consent.

FY 2016 Preliminary Estimate

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

Mr. Husserl presented the 2016 preliminary forecast for general fund revenue at \$566.4 million, including \$559.5 million in recurring revenues and \$6.9 million in non-recurring revenues.

Recurring revenues are projected to increase by \$14.3 million in 2016 from the 2015 September forecast. Non-recurring revenues are projected to decline by \$46 million in 2016 when compared to the 2015 September forecast. Mr. Foster explained the decline was the result of one-time non-recurring moneys in 2015, including the British Petroleum settlement amount, that won't be received in 2016.

Mr. Husserl noted sales tax is projected to increase by about 4% 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. Council member Brossett inquired about the current mechanisms used to assure tax payer compliance. Mr. Foster and Mr. Husserl noted that the City performs audits and inspections to assure proper compliance.

2016 is a property reassessment year. The Louisiana Constitution mandates, during reassessment years, the adjustment (roll back) of property tax rates so that ad valorem collections remain revenue neutral from the preceding year. The taxing authority is authorized to increase the tax rate (roll forward) to the maximum amount in the prior year. The preliminary forecast assumes a roll back scenario. Under this scenario, property taxes are expected to grow marginally in 2016. Council Member Head explained the City's property reassessment approach.

Licenses and Permits revenue and Services and Charges revenue are expected to increase marginally from the 2015 September forecast. The projected marginal increase in Licenses and Permits revenue is the result of higher projected revenue from occupational and other license revenue. The projected marginal increase in Services and Charges revenue is the result of higher parking meter revenue and a marginal increase in sanitation revenue due to an expected marginal increase in economic activity.

Fines and forfeits revenue is projected to increase by \$2.9 million from the 2015 September forecast. The increase relates to a technical adjustment associated with the consolidation of Traffic Court's Judicial Expense Fund into the City's budget.

The preliminary 2016 forecast projects non-recurring revenue to approximate 2014 actual levels. The significant reduction from the 2015 September projection is the result of a significant number of one-time non-recurring revenues in 2015 that won't be available in 2016.

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 2020. 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 more modest levels than the experience during the last few years.

Overall, total general fund revenue is expected to grow from \$566.4 million in 2016 to \$614.9 million by 2020. Recurring revenue, which excludes unpredictable one time revenue items, is expected to grow from \$559.5 million in 2016 to \$608.7 million in 2020, or an annualized rate of 2.1%. Most of the growth across years is driven by taxes, which are expected to grow by about 3.0% per year.

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 moved to adjourn. The Revenue Estimating Conference adjourned at 12:15 PM.