

**MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
AUGUST 6, 2019**

PRESENT

Honorable Jared Brossett, Councilmember District "D"
Gilbert Montaña, Chief Administrative Officer
Norman White, Director of Finance/CFO
Mara Baumgarden Force, Professor, Tulane University

ABSENT

Honorable LaToya Cantrell, Mayor
Honorable Helena Moreno, Councilmember At Large (non-voting)

OPENING

The meeting of the Revenue Estimating Conference (REC) was called to order by Chief Administrative Officer, Gilbert Montaña.

1. Councilmember Brossett moved and Mr. White seconded the motion to adopt the minutes from the November 19, 2018 meeting.
2. Economic Outlook
Deborah Vivien, Assistant to the CAO, presented the latest economic outlook underlying the forecast after Mrs. Force's introduction. Steady but mild economic growth is expected for the rest of 2019, with the labor force and employment increasing, as well as a slight increase in wages. The outlook for 2020 is not as clear, as the country is currently in a record expansion and a contraction will inevitably occur at some point in the future. There are possible disruptions in the global market that may eventually affect New Orleans both through tourism and through the general economic situation. A decrease in oil prices may also affect New Orleans.
3. Unaudited Actuals from 2018
Ms. Vivien also presented the unaudited final numbers from the 2018 fiscal year. The overall 2018 forecast was about \$3.8M short of actual growth, a difference of 0.5%. Actual recurring revenue was about \$6.5M higher than the forecast, a difference of 0.9%. Some of the Medicaid UPL payment, \$4.8M, was delayed and will count towards 2019 revenue. Recurring revenues grew 3.8% over 2017. Greater revenue collection was mainly due to increased sales and associated taxes, in part because of greater remittance by remote sellers. General sales taxes were up by \$18.6M, and hotel taxes were up by \$1.9M. Fund balance use was \$7.1M lower than in 2017. Mr. Montaña said that this was in line with the administration's goal of relying less on fund balance. One-time revenues grew, due in large part to the \$33M World Trade Center Lease Advance.
4. 2019 Revised Forecast
Ms. Vivien then presented the revised 2019 forecast, which incorporates growth in the economy overall and in sales tax collections, projecting 3.7% growth in recurring revenues. Mr. Montaña stated that growth in expenditures was 2.2%, less than revenue growth, which is a positive sign for the city's fiscal health. Sanitation fees have increased up to the expected level after the Sewerage and Water Board's 2016 financial system change resulted in lower than expected

revenue through 2018. The forecast for this source is accordingly adjusted upward by \$6M. The delayed Medical UPL payment (\$4.8M) from 2018 is now counted in 2019. Revenues from the Quality of Life Fund and the GOMESA Fund also increased from 2018. The one-time revenue estimate from the amnesty program is spread across the Fines & Forfeits and Other Taxes categories, and several payments are included in Miscellaneous Revenue, with the most significant being payments from Harrah's of \$10M net of Casino Support funds. The revision to lower revenue in Other Financing Sources is due to budgeted Fund Balance use of \$22.2M being unnecessary. Overall, the forecast is revised upward by \$13.3M.

Ms. Vivien provided further details on sanitation fees. In 2017 and 2018 there were declining fee collections relative to 2016. Mr. White commented that this is due in part to better collections by S&WB.

Ms. Vivien elaborated on the replacement of budgeted Fund Balance use with other revenues. The budgeted \$13M for 2019 plus the reserve of \$9.2M from 2018 were offset by an increase of \$5M in the Medicaid UPL payment, an increase of \$5.8M from the Casino Support Payment plus the Harrah's deal, \$2.8M from the Short Term Rental State Dedication, an estimated \$5M from the amnesty program, and \$4M in legal settlement funds.

Mr. Montañó stressed the importance of the next part of the presentation, potential uncertainty regarding 2020 revenue. Ms. Vivien explained that changes to the city's Short Term Rental policies could have a wide range of impacts which are difficult to predict and plan for. Mr. White asked if the subjects of this part of the presentation could counteract the plan to reduce reliance on Fund Balance and one-time revenues, which Ms. Vivien affirmed. Ms. Vivien continued by explaining that the Roll Back and possible Roll Forward of the Quadrennial Assessment, plus the phase-in of some higher rates, could also impact the city's fiscal situation. Further, the amnesty program could accelerate some payments into 2019, lowering revenues in these categories afterward. In all, there is a \$27.9M reduction in one-time funding in 2020 without an identified replacement.

Ms. Vivien provided further details on the range of outcomes for Short Term Rental revenues depending on policy changes contemplated by the City Council. Rental units for which the city is currently receiving taxes may be illegal under new policy. While precise current numbers of operating units are not known, some hypothetical impacts were discussed.

5. Quadrennial Reassessment

Ms. Vivien discussed the impacts of the Quadrennial Reassessment. The Revenue Estimating Conference has authority over millages currently valued at 41.19 mills. Councilmember Brossett noted that all of the other entities receiving ad valorem revenues will also be affected by the roll back and potential roll forward of their millages. Ms. Vivien continued, showing the Assessor's initial estimate for an 18.4% increase in total taxable assessment, which will likely be revised by the Assessor and the Board of Review; some revisions have already occurred. She then provided a sample calculation for explanatory purposes, and an explanation of the phase-in by which reassessment increases greater than 50% are implemented by 25% per year over four years. The revenue impact will be uncertain until more detailed figures are released by the Assessor.

6. Fund Balance

Last, Ms. Vivien discussed the five-year Fund Balance planning projection. Though 2018 ended with a surplus and 2019 is projected to as well, from 2020 onward a deficit is expected unless other revenues materialize. Mr. Montañó highlighted the importance of the issues represented by the deficits in 2020 and forward. Mr. White asked for clarification of whether Short Term Rental revenues resulting from a possible policy change was included in the projection. Ms. Vivien responded that it was not. Prof. Force asked if the phase-in was included. Ms. Vivien responded that it was not. Prof. Force said that the worst case scenario for lost revenue from STR policy changes and phase-in was \$17M. Mr. Montañó emphasized the fiscal challenge of this aggregate decrease in revenue. Ms. Vivien continued that if these projected deficits occur, the Unassigned Fund Balance will be negative in 2020 and increase in magnitude in the following years.

7. Conclusion of Forecast

Ms. Vivien concluded the discussion of the 2019 forecast, projecting a 1.3% increase in total General Fund revenue and a 3.7% increase in recurring General Fund revenue, revising the total 2019 revenue projection to \$715,714,617. She then read the forecast into the record. Mr. White moved and Prof. Force seconded the motion to adopt the revised forecast. The motion carried.

8. Savings Fund Certification

The difference between 5% of the five-year average and the existing balance of the Savings Fund was \$1,922,562. Councilmember Brossett moved and Mr. White seconded the motion to certify this amount. The motion carried.

9. Motion to Adjourn

Councilmember Brossett moved and Mr. White seconded the motion to adjourn. The motion carried and the meeting was adjourned.