

MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
October 31, 2018

PRESENT

Honorable LaToya Cantrell, Mayor, Chair
Honorable Jared Brossett, Councilmember District "D"
Honorable Helena Moreno, Councilmember At Large (non-voting)
Peter Ricchiuti, Professor, Tulane University
Gilbert Montañó, Chief Administrative Officer
Norman White, Director of Finance/CFO

OPENING

The meeting of the Revenue Estimating Conference (REC) was called to order by Madame Mayor, LaToya Cantrell.

1. Economic Outlook

The City Economist presented the latest economic outlook underlying the forecast showing continued growth in payroll jobs though the recovery has been tepid. Economic projections for the New Orleans MSA were a little more optimistic but still not approaching pre-Katrina levels, with 20,000 jobs anticipated by 2020. Chairman Brossett asked about the types of jobs they would be. Weekly earnings also showed some growth implying possible full employment. Wages showed a slight uptick that may indicate a response to a tighter labor market but more data is needed. Numerous economic development investments in the area were mentioned as were certain risks that may distort the outlook, including oil price or recession/trade war potential.

2. Revised 2018 Forecast

As presented by the City Economist, the forecast growth of 2.7% in recurring revenue in 2018, growing from a 2017 base growth of 5.6%. This added \$11.4M in recurring revenue in 2018. This forecast adjusts the July forecast that was held flat to determine how the multiple ordinances would impact revenue. Outside of a base reaction to an improving economy, most of the increase was due to these ordinances having a smaller impact than expected, \$4M in camera revenue being considered recurring after the passage of the emergency ordinance with recurring spending of \$5.1M. In addition, interest and franchise fee income were increased due to new opportunities. Sanitation fees collected by the Sewerage and Water Board as well as Municipal/Traffic Court fines were both reduced.

3. First 2019 Forecast

The City Economist presented the initial forecast for 2019 which provided the revenue picture for the proposed budget. Recurring revenue was projected to increase by 2.5% over the 2018 proposed and subsequently adopted forecast, an addition of \$16.1M annually. Non-recurring revenue was reduced by \$20.5M, mainly due to the advanced lease payment of \$33M in 2018 from the World Trade Center, offset in 2019 by a \$10M transfer from New Orleans Building Corporation. Growth in the forecast was derived from economic growth (conservative at 1.5%), base adjustments, such as remote sellers decision, GOMESA offshore oil revenue and timing of

Casino Support Services payments, and new initiatives which were funded in the proposed budget, such as additional Parking Enforcement Offices, Revenue agents, franchise opportunities and collection of delinquencies owed to the City of New Orleans. Reductions included \$4M to allow for a traffic camera elimination plan, an actuarial adjustment in the UPL payment calculation (though this was planned for already on the expenditure side), and a reduction in building permits as the World Trade Center permits were issued in 2018 and counted as non-recurring revenue.

Use of fund balance in the initial budget totaled \$21.7M, though \$9.2M was planned from prior year to fund police pay raises. Mr. Ricciutti asked what would happen if additional revenue was identified during the year to which Mr. Montañó replied it would replenish fund balance. Mr. Montano made certain that the term fund balance referred strictly to available funds after consideration of the Savings Fund, which was left intact.

4. Fund Balance

Finally, the 5-year planning document tracking fund balance projections with strict assumptions of perfect forecasts and spending was presented. After consideration of the proposed budget, \$3.1M in unassigned fund balance remained available at the end of 2019 in addition to \$29M in the Savings Fund. The discussion of subsequent years acknowledged a structural issue that projects an annual deficit that results in a slightly negative unassigned fund balance in the out years. Mr. Montañó stressed the desire of the administration to spend certain components of the budget after the first quarter or two of revenue data is available in order to adjust to any unforeseen issues as well as embark upon an extensive zero based budgeting initiative in developing the 2020 budget, possibly beginning before January 1, 2019. It was stressed that the deficits were manageable in light of the sizable general fund budget and that the 5-year document was for planning purposes only, not indicative of a certain outcome.

5. Motion to Adjourn

After a motion to adjourn and the Revenue Estimating Conference adjourned.