

MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
June 8, 2022

PRESENT

Honorable Joseph Giarrusso, Councilmember District "A"
Honorable Helena Moreno, Councilmember At Large (non-voting)
Gilbert Montaña, Chief Administrative Officer
Norman White, Director of Finance/Chief Financial Officer
Mara Baumgarden Force, Professor, Tulane University

ABSENT

Honorable LaToya Cantrell, Mayor

OPENING

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

1. Adoption of Minutes

Chief Financial Officer Norman White moved to adopt the minutes from the previous meeting, seconded by Professor Mara Baumgarden Force. The minutes were adopted unanimously.

2. Economic Outlook

City Economist Randall McElroy began by stating there would be no change to the 2021 revenue forecast, and discussed various themes underlying the City's fiscal position. In terms of public health, he said that the City is doing well given its high vaccination rate and the low mortality rate of the current dominant variant of COVID-19.

Mr. McElroy next discussed the macroeconomic situation. He stated that real gross domestic product was up year-over-year, but that the most recent quarter had seen a drop of 1.5 percent in gross domestic product from the previous quarter. This could be due to known supply chain issues, and he did not consider it to be significant at present. Mr. McElroy explained that pandemic-related economic issues in China could affect the United States economy, but that they appear to be easing, and that the war in Ukraine could have an indirect effect as well. He further explained that real personal income has been rising in recent months, so there are mixed economic signals.

Next, Mr. McElroy discussed several points about inflation. He said that the Consumer Price Index shows large increases in recent months, but that these are a mix of real and nominal factors, not all strictly inflation. He explained two ways in which inflation harms the City: property taxes are paid early in the year, after which the value of the funds diminishes, and inflation also exacerbates issues with hiring and retention for the City because government entities cannot adjust salaries upward in the face of inflation as quickly as private firms can. Mr. McElroy then discussed how recent increases in energy prices are not necessarily the result of inflation, but are nevertheless significant problems for the City until production increases.

In order to combat inflation, the Federal Reserve has already announced its intention to raise interest rates in the near future, which according to Mr. McElroy may have a cooling effect but not necessarily at levels that would be concerning. Chief Financial Officer Norman White asked if tourism would be affected by any of the factors already discussed, which Mr. McElroy said was possible. Mr. White commented that the upward pressure on salaries would continue, and operating expenses and pension costs would also increase. Professor Force agreed that tourism could be affected, but that this would be somewhat mitigated in the short term by pent-up demand for tourism through the pandemic period. Next, Mr. McElroy emphasized that the drop in revenue due to the pandemic will leave the City below its anticipated levels of expenditure until at least 2025. The current plan is to cover the difference with funds disbursed under the American Rescue Plan Act, but this could be insufficient if the economy does not recover during this period.

Finally, Mr. McElroy discussed local economic factors. Prior year monthly growth in payroll employment continues at positive levels in line with expectations. Labor force participation data were inconclusive, and unemployment rate data showed an expected decrease over time. The leisure and hospitality sector, an especially important part of the local economy, also continues its slow recovery to pre-pandemic levels as indicated by number of employees. Passenger traffic through the New Orleans airport also shows a steady increase towards, but not yet at, pre-pandemic levels. Mr. McElroy concluded by emphasizing the high degree of uncertainty in the economy, while repeating that there would be no change to the forecast at the present meeting.

3. Adjournment

There being no public comment or other matters, Mr. Montañó called for a motion to adjourn. Mr. White made the motion, seconded by Professor Force. The motion passed unanimously and the meeting adjourned.