

MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
September 26, 2022

PRESENT

Gilbert Montañó, Chief Administrative Officer
Norman White, Director of Finance/Chief Financial Officer
Honorable LaToya Cantrell, Mayor
Honorable Oliver Thomas, Councilmember District "E" (non-voting)

ABSENT

Honorable Joseph Giarrusso, Councilmember District "A"
Honorable Helena Moreno, Councilmember At Large (non-voting)
Mara Baumgarden Force, Professor, Tulane University

OPENING

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

1. Adoption of Minutes

Chief Administrative Officer Gilbert Montañó moved to adopt the minutes from the previous meeting, seconded by Chief Financial Officer Norman White. The minutes were adopted unanimously.

2. Economic Outlook

City Economist Matthew Cooper began by stating there would be an upgrade to the 2022 revenue forecast. He outlined various themes driving the City's fiscal position relative to previous expectations, promising to explain them in detail through the course of the presentation.

Mr. Cooper began by reviewing the public health situation, reporting statistics which indicated that the economic and fiscal risk to the City due to COVID-19 was extremely low and continues to diminish as vaccinations increase and the amount of infections and hospitalizations both decrease.

The macroeconomic situation was discussed next. He stated that real Gross Domestic Product (GDP) was up year-over-year, but that the two most recent quarters had shown quarter to quarter declines of -1.6 and -0.6 percent, respectively. Mr. Cooper explained that this is due to multiple factors stemming from inflationary market imbalances and the corresponding monetary policy actions taken by the Federal Reserve, all of which are signaling that a global recession is occurring.

Next, Mr. Cooper went into detail explaining the inflationary pressures driving the current macroeconomic conditions and their specific effects on the City's fiscal operations. He said that the several measures of inflation presented have shown historic increases since the beginning of 2021. He explained two ways in which inflation harms the City's fiscal situation: property taxes

are paid early in the year, after which the value of the funds collected diminishes; rising costs of operations throughout the year which must be factored-in to budgets created at the beginning of the year; and the exacerbation of hiring and retention challenges because City wages are not as flexible in the face of inflation as the private sector.

In order to combat inflationary headwinds on the economy, the Federal Reserve has raised interest rates and announced its intention for more increases before the end of 2022, which is intended to have a cooling effect on economic activity and correspondingly price levels. Mr. Cooper mentioned that the 'soft landing' which has been discussed by policymakers and analysts is the attempt by the Fed to slow economic activity sufficiently to reverse inflation without causing a recession, and that the GDP data from the first half of the year reflects that these hopes appear to have been too optimistic.

Mr. Cooper then presented data which indicated that there remained a gap between revenues and expenditures, and that the gap would persist until at least 2025 - however, the City is fortunate that federal ARPA grant dollars are filling in the gap. Despite the current solvency of the City, the fiscal situation is unsustainable moving forward, as the ARPA dollars are a one-time cash payment authorized by federal legislation, and local economic activity which generates local tax revenue has yet to recover to pre-pandemic levels. As a result, the fact that Sales Tax revenues appear to have grown in 2022 faster than expected, said Mr. Cooper, must be attributed primarily to inflation, which further highlights the unsustainability of the City's long-term spending trajectory since costs are also subject to inflation.

Chief Administrative Officer Gilbert Montañó stated, and Mr. Cooper agreed, that since the economy remains in recovery and much of the above-expectation revenue gains which have occurred during 2022 cannot be considered sustainable due to inflation, that spending by the City must be restrained in order to meet the actual revenue expectations generated by local economic activity in future budgets. Chief Financial Officer Norman White echoed these comments and indicated that, given the conservative fiscal policies in place and those being undertaken for the 2023 budget, the City is maintaining its currently solid financial footing. Mayor LaToya Cantrell agreed on the need to maintain a conservative spending stance moving forward.

The upgraded revenue forecast for the remainder of the 2022 budget year was then considered, with Mr. White moving and Mr. Montañó seconding a vote on the adoption of a \$61,952,307 upgrade to the General Fund Revenue Forecast for 2022, which then would total \$714,030,865. With no public comment offered, the forecast upgrade was then passed unanimously. Mr. Cooper then presented the preliminary 2023 General Fund Revenue Forecast, which followed the conservative approach outlined previously by members of the body. He noted that for 2022 overall, when the revenue forecast upgrade was considered, total revenues grew 14.7% over the previous year. The preliminary forecast for 2023 showed a more modest annual growth of 3.0%, totaling \$722,422,781, reflecting the expectation of sustained recovery in the visitor spending-related sectors for the City while external downward pressure from a likely global recession would restrain revenue growth potential.

3. Savings Fund Certification

According to adopted rules, the City must hold an emergency reserve fund that is equal to 5% of the average General Fund budget from the previous 5 years. Since the current 2022 balance of

the Savings Fund is \$31,021,010.96, an additional \$738,276.44 must be appropriated in order to meet the required balance of \$31,759,287.40. Mayor Cantrell called for a motion, Mr. Montaña moved to adopt, Mr. White seconded, and with no public debate on the matter the motion carried unanimously.

4. Adjournment

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