

MEETING MINUTES
REVENUE ESTIMATING CONFERENCE
July 23, 2021

PRESENT

Honorable LaToya Cantrell, Mayor
Honorable Jared Brossett, Councilmember District "D"
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

ALSO PRESENT

Honorable Kristin Gisleson Palmer, Councilmember District "C"

OPENING

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

1. Chief Administrative Officer Montaña moved to adopt the minutes from the previous meeting. The motion was seconded and the minutes were adopted. Councilmember Kristin Gisleson Palmer then joined the meeting.
2. Public Health
Dr. Jennifer Avegno, the director of the Health Department, presented an update on the city's public health situation. She discussed how there has been a large rise in the number of Covid-19 cases locally and statewide, which has led to a large increase in the number of hospitalizations, with the majority of severe cases being among the unvaccinated. High rates of vaccination in New Orleans are offset by low rates in other parts of the state. Dr. Avegno stated that the Mayor's recent mask advisory in New Orleans is a good step but that the situation is still uncertain given the lower rates of vaccination in the rest of the state and country. Councilmember Moreno asked about the Delta variant's impact on children. Dr. Avegno responded that as children are not eligible for vaccination, the recent surge began among them; there has also been an unseasonal increase in other respiratory viruses. She then discussed the city's initiatives on getting younger people vaccinated. Councilmember Brossett asked about the 12-17 age group, who were on the latter end of vaccine priority. Dr. Avegno cited the American Academy of Pediatrics' guidance on masking in schools as a valuable measure against the pandemic. Mr. Montaña explained that public health, specifically the coronavirus pandemic, is an important component of the revenue forecast. Councilmember Brossett relayed Councilmember Palmer's question about when vaccinations will be approved for children under 12, to which Dr. Avegno responded that the estimate is for approval in September for 5-to-11-year-olds.
3. Economic Outlook
City Economist Randall McElroy discussed 2020 unaudited actual General Fund revenues. Revenue in 2020 was initially forecasted to grow in accordance with recent trends, but due to the pandemic it did not. One-time revenues covered most of the losses, but recurring revenue

declined 15.5 percent from 2019 and 17.4 percent from the initial 2020 forecast. The majority of the decline was in sales taxes. He then showed how payroll employment, which declined sharply during the early part of the pandemic, began to increase in April. Next, Mr. McElroy discussed how unemployment spiked from approximately 5 percent pre-pandemic to 20 percent, and slowly declined to slightly above 10 percent, which decline he expects to continue slowly. He then presented daily traffic figures from the New Orleans airport, which show a positive trend towards pre-pandemic travel patterns.

Next, Mr. McElroy emphasized the importance of the information in Dr. Avegno's update to the forecast. He then explained that macroeconomic and local conditions are slowly becoming more favorable, but that this progress is uncertain in the future. Federal policy is another important factor, he said, but also uncertain. Councilmember Brossett asked what other local trends are important, to which Mr. McElroy listed some factors. Chief Financial Officer White asked about lags in recovery in some key local revenue sources. Mr. McElroy answered that the potential for recovery depends on public health conditions, and that recovery is expected to be slow. He then discussed how the number of new business licenses issued is increasing, especially for home-based businesses.

4. 2021 Proposed Revised Forecast

Mr. McElroy then presented the proposed revision to the 2021 forecast. Property taxes, expected to be stable, did not change in the forecast. Sales taxes were expected to increase by 13.1 percent due to faster than expected vaccine uptake. Revenue from licenses and permits was expected to decline by 8.2 from the forecast. Intergovernmental Revenue was raised due to the \$193.8 million ARP payment. Services charges were expected to decrease by 10.1 percent. Fines and forfeits revenue was mostly unchanged. The Miscellaneous category was revised down by \$2.7 million, and Other Finances Sources remained the same as in the initial forecast. Thus, total General Fund revenue was increased by 31.9 percent, with recurring revenue increased 2.2 percent.

5. General Fund Balance Planning Projections

Mr. McElroy next presented the five-year fund balance planning projection. Fiscal year 2020 was expected to result in a \$5.6 million surplus, and 2021 with a \$134 million surplus. However, substantial deficits could occur in years 2022-2025 unless revenues increased significantly or expenditures decreased significantly. He emphasized that these figures were for planning purposes only, and did not reflect official forecasts. Mr. Montaño emphasized the importance of strategic planning such that the city's fiscal health can be maintained. Councilmember Brossett asked about the planned use of the city's fund balance in line with the city's financial strategy. Mr. White answered that existing obligations as well as the multiyear expected recovery necessitate the use of fund balance to maintain the city's financial position during the next few years until the recovery is complete. Councilmember Moreno pointed out that the existing fund balance at the end of 2021 could in theory be entirely consumed by 2025, to which Mr. White responded that the year-by-year plan shows the need for fiscal planning.

Mr. McElroy then discussed the cumulative effects of these potential balances, and emphasized that they help inform planning to avoid financial problems. Councilmember Palmer asked about interest accrued on held money. Mr. White responded that the amount of interest earned with current rates is very low. Councilmember Palmer then asked about anticipated percentages of growth, to which Mr. McElroy, Mr. Montaño, and Mr. White variously responded that because

of pandemic conditions, no specific percentage of growth was assumed in each case. Councilmember Brossett asked about the administration's policies on fund balance use. Mr. White responded that needs are generally addressed through City Council ordinances based on the Mayor's spending priorities. Professor Force added that downward turns in the economy can be very sudden, while recovery is slow, so that fiscal caution is important.

6. Adoption of 2021 Forecast Revision

Mr. McElroy then read the 2021 General Fund forecast revision into the record. Mr. Montañó moved and Mr. White seconded the motion to adopt the revision. The revision was adopted unanimously.

7. Motion to Adjourn

As there were no other matters, Mr. Montañó moved to adjourn. The motion was seconded and passed.