



MANAGING THE WINDFALL

*Tracking the City of New Orleans' Use of
Federal Pandemic Relief Funds*

www.bgr.org

Why This Report Matters



The City's expenditures of the first half (\$194 million) of its ARPA funds allowed it to save revenue and build its financial reserves with the surplus.

Building reserves while spending relief dollars is not prohibited under ARPA rules.

BUT...federally required reporting and the City's own reporting focus only on direct ARPA expenditures. They do not capture the important broader financial effects.

BGR's report provides a more comprehensive picture of ARPA's impacts on the City's finances and budget priorities.



Background



ARPA allocated **\$388 million** to the **City of New Orleans (City)**

- Equivalent to nearly \$1,000 per resident
- Received half in 2021 and half in 2022
- Must obligate funds by 2024 and spend by 2026

ARPA gives governments considerable flexibility to decide how to spend the money

Local governments can use the funds to

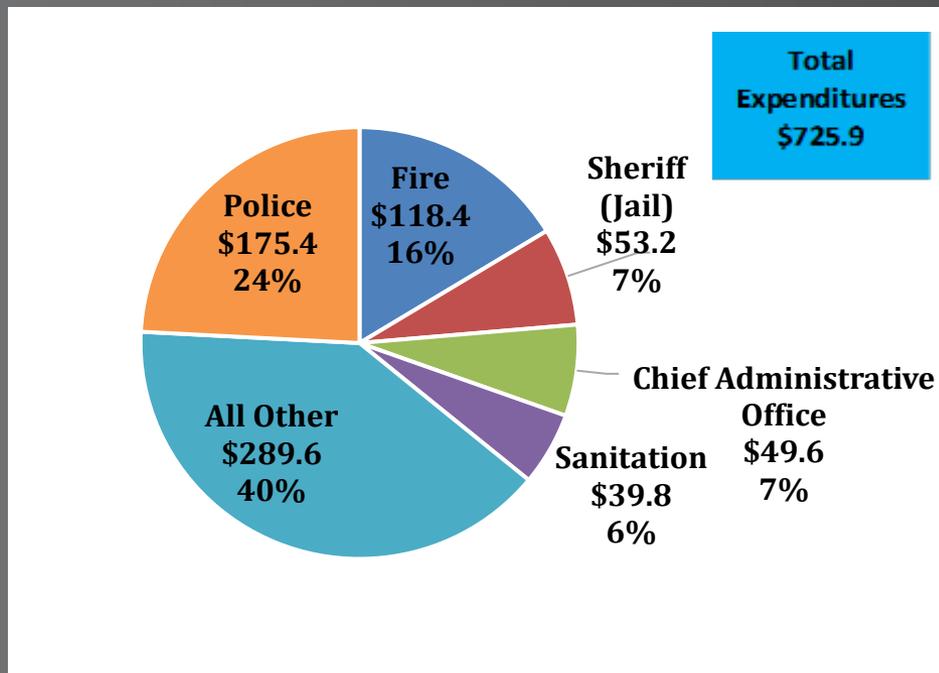
- ✓ **Respond to the COVID-19 public health emergency or its negative economic impacts, including through**
 - assistance to households, small businesses and nonprofits
 - aid to impacted industries
- ✓ **Provide supplemental pay for workers who performed essential work during the pandemic**
- ✓ **Invest in water, sewer, stormwater management and broadband infrastructure**
- ✓ **Replace revenue to provide government services to the extent that the pandemic reduced their revenue**

City Budget and Finance 101



GENERAL FUND

Provides operating revenue for most City departments and services, as well as some agencies outside of City control. Contains all City revenues, except those restricted to specific uses.



ADOPTED 2020 CITY GENERAL FUND BUDGET EXPENDITURES
(\$ in millions)

KEY POINTS IN THE CITY'S BUDGET PROCESS



GENERAL FUND RESERVES

- Any revenues not spent, or not encumbered to be spent by a purchase order, contract or other commitment, roll into a centralized reserve fund, also called the **GENERAL FUND BALANCE**.
- Address budget uncertainty and emergencies.
- Gives financial markets an indicator of the soundness of the City's financial practices. This affects the City's credit rating and, in turn, borrowing costs for taxpayers.

Key Findings

The City used more than 95% of the first half of its ARPA funds to fill projected General Fund gaps in 2021 and 2022.

Simplified administration by appropriating the money to the fire and police departments' budgets.

Then took General Fund revenue that otherwise would have gone to those departments and redirected it to other departments and agencies.



The City spent the ARPA dollars it appropriated to the police and fire departments.

- **\$77.3 million in 2021**
- **\$110 million in 2022**

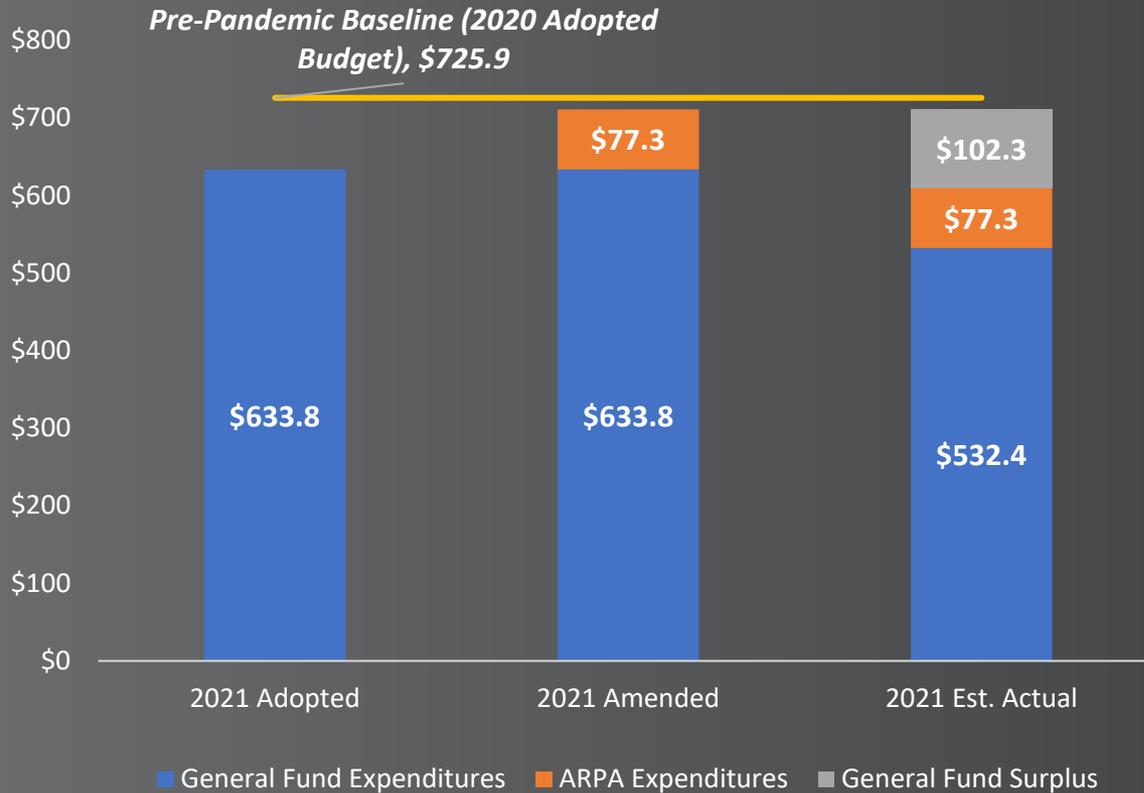
BUT...the projected General Fund gaps didn't materialize - primarily due to below-budget expenditures in 2021 and better-than-expected revenues in 2022.

Therefore, the City ultimately did not need to spend the General Fund dollars it had redirected to other departments and agencies.



GENERAL FUND AND ARPA BUDGETED EXPENDITURES FOR 2021, COMPARED TO PRE-PANDEMIC BASELINE

\$ in millions



Don't know if 2022 expenditures will be similarly under budget.

City increased its projection for 2022 sales tax revenue by \$62 million in September.

If the City spent every dollar it budgeted, it would still be able to put \$62 million toward increasing the General Fund balance.

Or could have reduced its ARPA expenditures from \$110 million to \$48 million.



Surpluses have boosted the fund balance

City administration estimate above \$200 million – about four times the pre-pandemic level.

Places the City in a stronger position to face emergencies, while also allowing it to direct reserve growth to high-priority needs.

2023 General Fund budget does not use ARPA to fill projected gaps but does use \$14 million from fund balance.

City allocated \$124.2 million in ARPA funds and \$51.1 million from reserves to specific initiatives in 2023.

Also designated \$100 million from reserves for emergencies - putting total emergency financial cushion in line with best practices.

BUT...



The City has sometimes fallen short of providing sufficient information on its use of ARPA funds, limiting public accountability.

Recommendations



With both ARPA and General Fund balance appropriations, the City should:

- **Provide sufficient details on the components and objectives of spending plans**
- **Provide regular updates on actual spending and outcomes**
- **Clearly identify any impacts of these one-time funds on the General Fund budget, such as creating recurring expenses or future reserve growth**
- **Compile this information in easily accessible reports**

These recommendations follow BGR's 2021 guidance for ensuring transparency and accountability for local governments' use of their pandemic relief funds.

BGR **90**
YEARS

We report to you.

Questions?