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BGR MEDIA RELEASE

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BGR Analyzes Results of New Orleans Bonds Approved by Voters in 2019

As New Orleans voters prepare to decide a new round of City of New Orleans bonds for capital projects on November 15, the Bureau of Governmental Research (BGR) published a report today analyzing how the City deployed the last round of \$500 million in bonds that voters approved in 2019.

This debt, supported by a dedicated property tax, funded a wide range of capital improvements to City infrastructure, public facilities and equipment, and affordable housing, [as BGR explains in this new *Beyond the Ballot* report](#). Before voting on a new set of bonds for similar purposes, residents should understand the uses and impacts of the 2019 authorization. In the next few days, BGR will publish its analysis of the November 15 bond propositions.

BGR prepared this *Beyond the Ballot* report – the first in an occasional series on the results of past ballot propositions – to enhance public transparency and accountability.

“Local governments often ask voters to make important funding decisions, such as bonds and taxes. But it can be difficult for interested residents to follow the money through the government’s future budgeting decisions,” said Rebecca Mowbray, BGR’s president and CEO. “This BGR report tracks the actual uses of the 2019 bond authorization to help citizens understand the City’s uses of the bond funds and the results for the public.”

BGR’s analysis finds that:

- **Overall, the City used the bond proceeds from the 2019 voter authorization to fund a wide range of facilities, equipment, infrastructure and housing needs.** The City's broad spending flexibility under the bond proposition allowed it to meet unexpected, pandemic-related cost inflation and emerging capital priorities. Public facilities, such as the Orleans Parish jail's "Phase III" medical and mental health wing and the Sewerage and Water Board of New Orleans power complex, required greater City investments. But the City's spending revisions left other projects in search of resources. Beyond those, there are other unmet capital needs. Future bond propositions, like the ones on the November 15 ballot, will have to take up the slack.
- **The City secured an estimated \$88.5 million in interest cost savings over 30 years for taxpayers by meeting the qualifications to issue most of the bonds as tax-exempt, as BGR [recommended](#).** At BGR's urging, the City restored its ability to issue tax-exempt bonds before issuing the bonds authorized in 2019. Bondholders do not have to pay federal income taxes on interest earnings. This ultimately lowered the rates paid by the City and taxpayers. The City issued all but the \$32 million of affordable housing bonds as tax-exempt. This will yield an estimated \$88.5 million in interest cost savings for the City and taxpayers over 30 years. Maintaining tax-exempt status will help the City ensure more interest savings for taxpayers on any future bonds.
- **The City still sold the bonds at a premium. This brought net proceeds to \$589.6 million, a nearly 18% increase over the \$500 million face value.** The premium resulted from the 5% interest rate on these bonds exceeding prevailing market rates at the time. The City intends to refinance the debt at a lower interest rate when possible after the first 10 years. However, if rates are not more favorable than the bonds' current interest rate, the City would delay refinancing. This would cause taxpayers to carry the debt service cost of the current 5% rate for a longer time, eroding the benefit of raising more up-front capital.
- **Compared to its original spending plan pitched to voters before the 2019 election, the City spent \$74.4 million more on public facilities and equipment (33%), \$19 million less on infrastructure (-8%), and \$7 million more on affordable housing (28%).** Aside from the extra proceeds from the bond premium, these shifts were mainly driven by cost inflation and other pressures, such as the court-mandated medical and mental health services wing of the Orleans Parish jail, known as Phase III.
- **The City appropriated \$299.4 million to public facilities and equipment. This spending mainly funded facilities and equipment for public safety and justice system agencies (\$120.4 million) and much-needed capital renovations to public buildings (\$83.6 million).** Another key area of spending was parks and recreational facilities (\$43.8 million). The City is also using \$31.6 million from this set of bonds to relocate Gordon Plaza residents from the site of a former landfill and prepare the vacated land for redevelopment and \$20 million to the redevelopment of Charity Hospital.
- **The \$231 million for infrastructure primarily improved streets, roads and bridges (\$156.5 million). The City directed another \$20.2 million to stormwater management.**

Key projects also received bond proceeds. These were the Sewerage and Water Board's new electrical power complex (\$37.9 million) and the early stages of the redevelopment of Lincoln Beach in eastern New Orleans (\$16.4 million).

- **\$32 million went toward expanding affordable housing in the city.** Of this, \$14.8 million helped fill financing gaps for five housing developments. These projects will produce 193 affordable housing units in the coming years. The City indicated it deposited the remaining available funds (\$17.2 million) into its Housing Trust Fund. The trust fund's governing ordinance guides how these funds will be deployed. [Effective administration and accountability](#) are essential for the Housing Trust Fund to help address the city's acute housing affordability problems.
- **The City still lacks sufficient funding to maintain key infrastructure and facility assets.** This creates a serious risk of diminishing how long the assets remain useful. Properly maintaining capital assets is especially important for projects financed with bonds. Government finance experts recommend that the bond payment period should not exceed the useful life of the capital purchase or investment. Adequate maintenance funding is also essential to get the full benefit of the City's new system for managing infrastructure and facility assets.
- **While the City kept a comprehensive record of bond uses, the lack of public-facing information blurs accountability for public dollars.** It could have done more to share that information with residents who otherwise face the challenge of tracking the myriad City Council ordinances appropriating and re-appropriating the bond funds. [Click here](#) for a list of bond-funded projects on BGR's website.

Based on the report's analysis, BGR recommends the next mayor and council should:

- **Develop a funding strategy to ensure proper preventive maintenance and repair for current and future capital investments.** The City is taking a critical step to address this with its new asset management system. However, this will only be effective if the City pairs this with a stable and adequate source of funding to maintain infrastructure and facility projects. Preserving these capital assets is key to ensuring they perform effectively. This would also help decrease the backlog of deferred maintenance while lowering long-term capital costs for taxpayers. The City should develop such a strategy prior to any new bond issues. Deploying limited taxpayer dollars wisely is essential to meet the City's vast capital needs.
- **Optimize bond management by spending down bond proceeds in a timely manner and carefully considering opportunities to refinance the bonds.** Currently, the City's bond spending is on track to meet the requirements to maintain tax-exempt status. It should continue this trend as it issues bonds to reap more interest cost savings. The City also needs to carefully consider future opportunities to refinance the current premium bonds and curtail their long-term interest costs for taxpayers. Before issuing new bonds with a

significant premium, the City should weigh the benefits against the extra interest payments if future market conditions are not favorable for refinancing.

- **Improve the transparency of current and future bonds with a public-facing dashboard before the next bond issuance.** To get a full picture of the use of 2019 bonds, BGR collected related ordinances and requested detailed information from City officials. Gathering this information is cumbersome for interested residents. A public-facing dashboard would resolve this issue. Among other things, this dashboard should include up-to-date information on bond appropriations, expenditures, and reallocations for current and future bond issues. The new administration and council should launch this dashboard on the City's website prior to any new issues of bonds.

[Click here](#) to access the InBrief summary and download the full report.

About BGR's *Beyond the Ballot* Series

This report marks the first in **BGR's *Beyond the Ballot* series**, which provides voters with independent, nonpartisan analysis of the results of past ballot propositions. *Beyond the Ballot* reports examine government decision-making after the vote, identify key public outcomes, and recommend ways to improve those outcomes. These reports help enhance public transparency and accountability, building on the original *On the Ballot* report that BGR prepared before the election.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policymaking and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, www.bgr.org.

BGR is a proud member of the [Governmental Research Association](#), the national organization for governmental research professionals. The GRA began in 1914, with the realization that effective policymaking requires good information, not just good intention. The GRA is home to independent organizations providing this information — trusted, objective, non-partisan, and practical research and data to local and state leaders.