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BGR 

Balancing Act

Assessing New Orleans' Progress Toward
a Sustainable City Budget

October 2026

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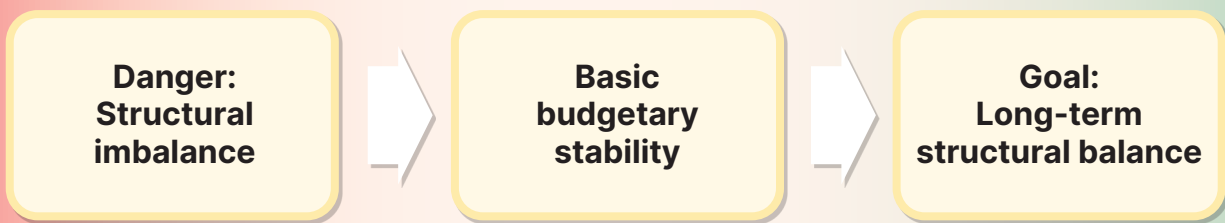
Table of Contents

4	Executive Summary
	Report Highlights
	Conclusion
9	Introduction
10	Background
12	Bringing the Budget Into Balance
	The Fiscal Crisis and the 2026 Adopted Budget
	Successes and Setbacks in Seeking Fiscal Stability in 2026
	Fiscal Challenges Beyond the 2026 Budget
24	Conclusion
25	Endnotes

Defining Progress Toward a Sustainable Budget: Key Terms to Know

This BGR report reviews how the current City administration and council have addressed the City's budget crisis, work that began before they took office in January 2026. It explains how they have addressed conditions of "structural imbalance," which indicate fiscal crisis, and reset basic budgetary stability. The administration and council are finalizing the 2027 budget to close the current gap between recurring revenues and expenditures. BGR recognizes their commitment to this difficult work. Looking forward, BGR urges City leaders to

plan for stronger long-term structural balance. Here, recurring revenues are aligned with the full costs of delivering adequate services and infrastructure without relying on reserves or one-time dollars. Getting there will take several years. To guide progress, BGR has recommended a rolling, five-year financial plan, with measurable milestones and public reporting.* The chart below illustrates the progression to structural balance, as advised by the Government Finance Officers Association and other public finance experts.



Structural Imbalance

Basic budgetary stability balances current revenues and expenditures. It avoids the danger zone of "structural imbalance," which bond rating agencies characterize as a mismatch of recurring revenues and expenditures that leads to persistent operating deficits, reserve usage, reliance on one-time funding or borrowings, or other signs of fiscal crisis.

Long-Term Structural Balance

A goal of public finance experts and BGR, long-term structural balance reflects a city's ability to pay for the full costs of government (meaning adequate services and infrastructure, including maintenance, obligations and other priorities) from recurring revenue, without using reserves or one-time funding.

* BGR has urged long-term financial planning in several reports: [Managing the Windfall: Tracking the City of New Orleans' Use of Federal Pandemic Relief Funds](#), December 2022; a [letter](#) to the New Orleans Mayor and City Council, May 22, 2023; [After the Windfall: Strengthening the City of New Orleans' Financial Management Practices](#), April 2025; [BGR NOW: New Orleans Needs a Sustainable Budget to Meet Residents' Demands](#), September 11, 2025; and [Playing Our Cards Right: Key Steps to Safeguard Casino Cash for the City's Fiscal Recovery](#), May 4, 2026.

Executive Summary

- **What led to New Orleans' General Fund budget crisis?**

Just a few years ago, the General Fund, which pays for core services of the City of New Orleans, was flush with cash from savings built up during the COVID-19 pandemic. In the years leading up to 2025, City spending grew faster than recurring revenues. The City used some reserves for equipment, vehicles, and other City and community projects. Some of this reserve spending created new recurring costs for which the City did not have new revenue to cover in future years. The City also failed to adequately budget for and control major expenses such as overtime.

All of this was done without a clear financial plan and guardrails for managing its reserves. As reserves were depleted, the City faced a cash crisis. It ultimately borrowed \$125 million in fall 2025 to meet payroll obligations. The repayment of that loan, plus the discovery of nearly \$50 million of unbudgeted costs, pushed the initial \$800 million budget for 2026 to a total cash obligation of \$975 million. In response to the City's low reserves and cashflow problems, all three major credit rating agencies downgraded the City's rating in late 2025 and early 2026.

- **Where does the budget stand in 2026?**

The City has navigated its cash crisis in 2026 with spending controls, improved revenue collections, and more than \$220 million in one-time revenues and other cash sources. BGR estimates as of September 24 that the City is on track to end 2026 with a modest cash surplus. The City has also rebuilt its emergency reserves to nearly \$140 million – about the minimum recommended level of two months of operating expenditures.

- **What is the budget picture for 2027?**

The City projects only \$748 million of recurring revenue in 2027 to meet \$847 million of costs requested by departments, agencies and other entities. The City by law must adopt a balanced budget, avoiding an operating

deficit. The mayor's proposed \$763 million balanced budget for 2027 reflects \$77 million in spending cuts from current levels, about \$7 million in costs covered by special-purpose funding, and \$15 million in one-time revenue. The proposed budget also accounts for the costs that were previously unbudgeted, which included employee health care costs, payouts for unused leave, and debt service.

The City is working to increase recurring revenues to support recurring expenses for priority services and avoid some of its proposed spending cuts. It is considering a range of options, such as fee increases and the administration's proposal to increase certain property taxes. Closing the budget gap with minimal one-time funding and no use of reserves or borrowings would be an important step toward restoring basic budgetary stability. However, longer-term issues must still be addressed to sustain the gains.

- **What are the longer-term budget challenges?**

Even after balancing the 2027 budget, the City will still face substantial unfunded obligations. These affect street maintenance, the firefighters' pensions, affordable housing, jail operations, and other priorities. Some of these are either not fully funded or paid with one-time revenues, such as bonds. Finding ways to sustainably fund them will be a key to achieving long-term structural balance. In the future, the City may need to restore any potential 2027 cuts to essential services. Long-term structural balance should also factor in a higher level of financial reserves, above the two-month minimum, as determined by expert study and risk assessment to be appropriate for a disaster-prone city.

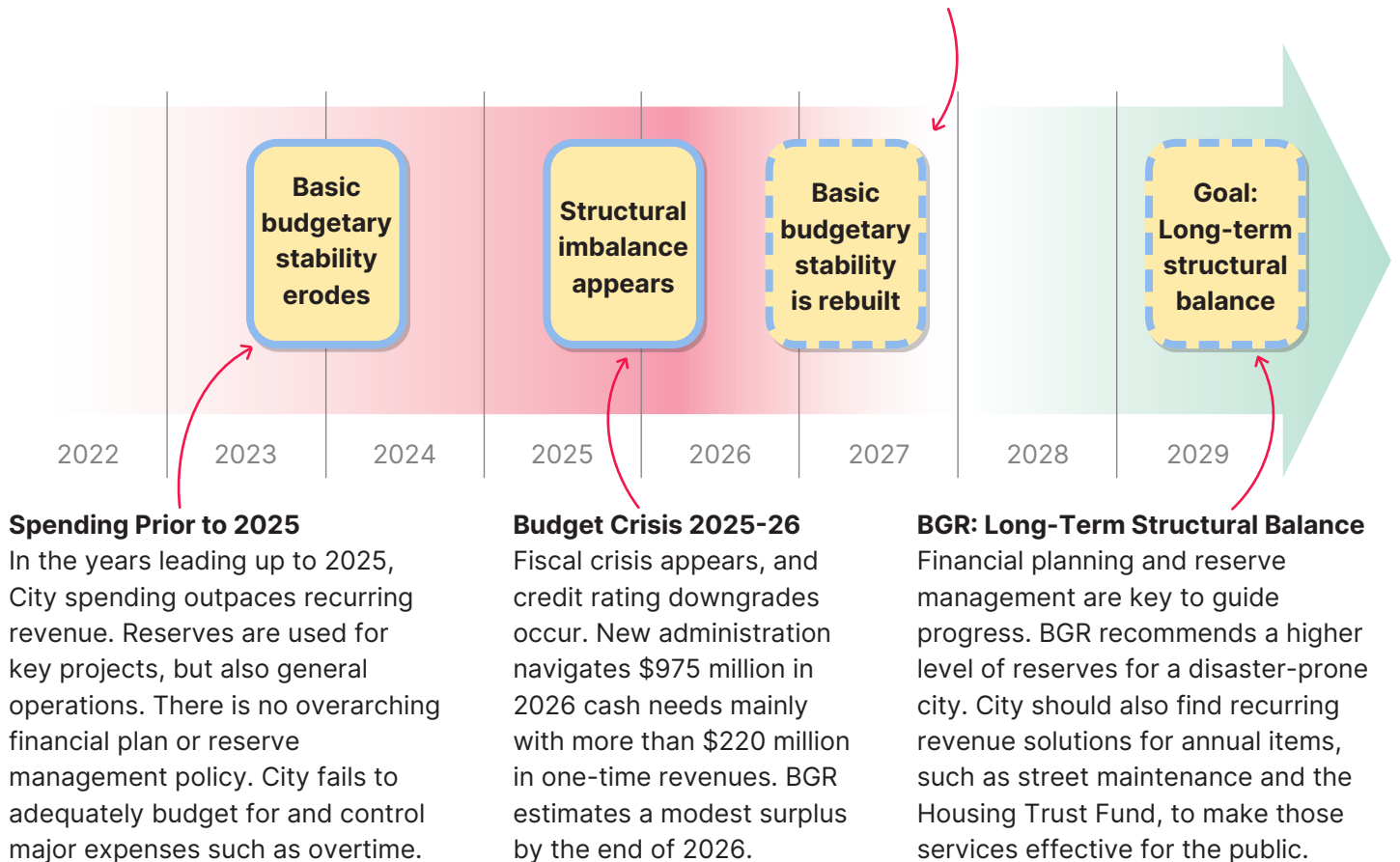
The chart on the next page pulls together a timeline of the City's budget crisis, the ongoing recovery and future challenges ahead, all of which are discussed more fully in this report.

Tracking the City's Progress Toward Long-Term Financial Stability

BGR Analysis as of September 24, 2026

Rebuilding Budget Stability, 2026-27

City rebuilds emergency reserves to the recommended minimum of two months of operating expenditures (nearly \$140 million). Proposed 2027 General Fund budget is balanced with limited one-time money and no use of reserves or borrowings to cover operating costs. Ultimate mix of spending cuts and tax increases to close the gap between recurring revenues and expenditures will be decided in November 2026.



- **What does BGR recommend?**

The City should continue seeking a long-term structurally balanced budget. To get there, BGR has recommended a rolling, five-year financial plan that sets clear spending priorities and identifies sustainable ways to fund them. The City also should follow through on a strong policy that protects and maintains an adequate overall level of financial reserves.

This report breaks down how the City has managed its finances in 2026. It highlights steps that the City has taken to ensure long-term stability and the hurdles it faces moving forward. One of these hurdles is the persistent gap between sanitation fee revenues and rising trash collection and disposal costs. Earlier this month, BGR released a [report](#) analyzing the City's recent move to close that gap with a cost-based fee.

Report Highlights

Overall, BGR's report finds that:

1. The 2025 fiscal crisis highlighted a structural imbalance in the City's General Fund budget.

In the years leading up to 2025, City spending grew faster than recurring revenues. The City used some reserves for equipment, vehicles, and other City and community projects. Some of this reserve spending created new recurring costs for which the City did not have new revenue to cover in future years. The City also failed to adequately budget for and control major expenses such as overtime. Communication breakdowns between the previous mayor and council also contributed to the budget problems. Unchecked growth in expenditures without sufficient recurring revenue led the City to deplete its financial reserves in 2025. It also forced the City to borrow a \$125 million short-term bank loan to meet payroll obligations. New City leadership, which took office in 2026, sought to avoid steep budget cuts and tax increases by relying on one-time revenues and strategic cost savings.

2. The City has managed to keep the 2026 budget in line with projections.

Recurring revenues and expenditures were trending favorably through June 30. The City administration has improved revenue collections, which were about 9% above budget through June. And the administration has kept General Fund spending about 12% under budget. A key factor in the savings is that overtime spending, one of the major causes of the fiscal crisis, is nearly half what it was in September of last year. The administration considers the first-half 2026 results favorable and "on budget."

3. More than \$220 million in one-time revenues have managed to keep the 2026 budget afloat, with a modest surplus projected by the end of the year.

The one-time funding includes, among other things, the City administration's intense but successful mid-year effort to cover \$110 million in unexpected new cash needs. This occurred after State officials refused this summer to let the City obtain an additional loan from the private sector. The

City pulled together reimbursements from infrastructure work. It also redirected bond and federal funds to cover the remaining deficit. The money moves avoided service breakdowns, State financial takeover or further decreases in its credit ratings. BGR estimates as of September 24 that the City will end the year with a modest surplus of \$6.8 million. BGR cautions that the exact numbers change daily. Many of the revenue sources the City used to meet 2026 budget needs, however, will not be there in future years.

4. The City administration and council have taken steps to improve fiscal stability and transparency.

The sale of rental income from the Caesars New Orleans Casino lease for the next nine years added more than \$100 million to the City's emergency reserves in mid-2026. The City Council also established safeguards to limit the use of those reserves to emergencies. Combined with \$37 million in its charter-mandated Savings Fund, the City now has nearly \$140 million in reserve. This approximates the generally recommended minimum of two months of operating expenditures. The City has placed both reserves in interest-bearing accounts to help them grow. The reserves will aid in disaster preparedness and should help improve the City's bond ratings. In addition, City leaders have:

- Begun gathering advice from consultants on developing a formal reserve management policy and a long-term financial plan. BGR encourages continued progress on both, including a reserve target above the current minimum level, given New Orleans' vulnerability to tropical storms, and parameters for using and replenishing reserves.
- Approved an immediate increase in sanitation fees in October 2026 and a cost-based model for sanitation fees to begin in 2028 that will effectively eliminate historical gaps between fixed fee revenues and rising trash collection costs. The sanitation deficit represented about 20% of the overall 2025 deficit in the General Fund.
- Increased budget transparency with online dashboards that monitor real-time bud-

get-to-actual expenditures and overtime spending. The new administration is also giving more detailed updates to the City Council on how it is dealing with the budget crisis. BGR encourages the administration to enhance the reports with explanations of budget variances and projections of full-year spending. This can help the council and public better understand where the budget is headed and what is needed to address any looming fiscal problems.

- Put a charter amendment before voters on November 3 to increase the council's ability to review and approve budget amendments. BGR has not taken a position on the charter change.

5. The proposed 2027 budget would close most of the gap between recurring revenues and costs, a key step toward budget stability. In preparing the 2027 budget, the City projected \$748 million in recurring revenue to meet \$847 million in departmental budget requests. By law, it must adopt a balanced budget, avoiding an operating deficit. The mayor's proposed \$763 million budget reflects \$77 million in spending cuts, about \$7 million in costs covered by special-purpose funding, and \$15 million in one-time revenue. The City is working to avoid some of its proposed spending cuts by raising new recurring revenue. It is considering options such as fee increases and up to \$42 million in property tax increases. It is negotiating the size of the revenue increases and spending cuts with the City Council. The proposed budget makes essential progress toward budget stability by minimizing one-time funding and avoiding the use of reserves or borrowing for operating costs.

6. Beyond balancing the 2027 budget, the City must plan to address other unfunded costs and obligations that stand in the way of a long-term structurally balanced budget. In recent years, BGR has called for stable long-term funding solutions to close gaps in street maintenance (\$36 million), firefighter pension contributions (\$20 million) and the Housing Trust Fund dedication (\$16 million), to name a few. In particular, BGR urges the City to find new recurring revenue to replace the use of

one-time bond money to fulfill the annual trust fund dedication and pay for new street maintenance employees, which are recurring costs. Bond proceeds can plug short-term funding gaps, but government finance practices warn against relying on debt to cover recurring expenses. It consumes money authorized by voters that is meant for capital projects, while taxpayers carry the interest costs on top of the bond-funded expenses. A long-term financial plan would help set a strategy for raising appropriate recurring revenue streams.

Conclusion

Through September, spending controls, improved collections, and extraordinary one-time revenues have helped the City manage cash needs and stay on track for a modest projected surplus for 2026. The City Council is currently considering the mayor's slimmer 2027 budget that is balanced with a mix of spending cuts, revenue increases and a limited amount of one-time funding.

The City has also taken steps this year to strengthen its financial position, most notably rebuilding its emergency reserves, advancing a formal reserve policy and long-term financial plan, and increasing sanitation fees. As they look to the future, City leaders must make further progress toward long-term structural balance. This will take continued financial discipline, planning and accountability. They will need durable funding solutions to address unmet costs and obligations, restore potential 2027 spending cuts needed for effective public services, and build up General Fund reserves to a higher level appropriate for a disaster-prone city.

The fiscal crisis that unfolded last year did not occur overnight. It was caused by mismanagement of recurring costs and reserves, stagnant recurring revenues, and communication breakdowns between the previous mayor and council. To get to long-term structural balance, BGR has recommended a rolling, five-year financial plan, with measurable milestones and public reporting, that sets clear spending priorities and identifies sustainable ways to fund them. The City also should follow through on a strong policy that seeks a higher overall level of financial reserves, sets guardrails for use and replenishment, and then follow the policy.

Introduction

In 2026, New Orleans' new mayor, administrators and City Council have worked intensely to resolve a major budget crisis in City government. City leaders have kept the budget afloat through one-time revenues and spending controls. They have also rebuilt a depleted emergency reserve, providing greater fiscal stability. Nonetheless, the City remains squeezed for non-emergency cash to manage its daily operations. This summer, State of Louisiana (State) officials refused to allow the City to borrow \$110 million from the private sector to pay operating costs through the remainder of 2026. In response, City administrators have begun plugging the gap by redirecting money from capital projects, capturing more reimbursements owed to the City, and securing other one-time revenues.¹

For 2027, the administration proposes balancing the budget with \$77 million in spending cuts and almost \$22 million in one-time revenue and spending offsets.² City leaders may increase fees, property taxes or other revenue sources to prevent some of the spending cuts.

Closing the gap for 2027 would be a key step toward financial stability in the City budget because it would limit the use of one-time money, protect reserve funds, and avoid borrowing for operations.

Beyond adopting the 2027 budget, the City will need to meet several unmet costs and obligations – like street maintenance, pensions and affordable housing, among others – to reach long-term structural balance. According to public finance experts, long-term structural balance is achieved when annually recurring revenues equal or exceed the recurring expenditures needed to adequately maintain services and infrastructure, without using reserves or one-time funding.³ This balance ensures the budget meets the full costs of running City government and is sustainable year after year. For residents and businesses, maintaining adequate funding for services and infrastructure supports their quality of life and economic opportunity.

This BGR report updates the City's progress on restoring budget stability and discusses additional fiscal challenges the City will face moving forward. It highlights steps the City has taken so far to balance the budget. And it considers what's still needed for 2027 and beyond to achieve long-term structural balance.

Earlier this month, BGR released a [report](#) analyzing how the new sanitation fee model is a key step toward structural balance, while emphasizing the need to control the cost of trash collection. In the coming months, BGR will continue exploring paths to a sustainable budget, such as maximizing revenue from existing property and sales tax collections.

A Long-Term Structurally Balanced Budget

Recurring revenues that can be reasonably be expected to continue from year to year



Recurring expenditures to adequately maintain necessary services and infrastructure, without using reserves or one-time funding



Background

This BGR report focuses on the City’s General Fund budget, which is at the center of the current budget crisis.

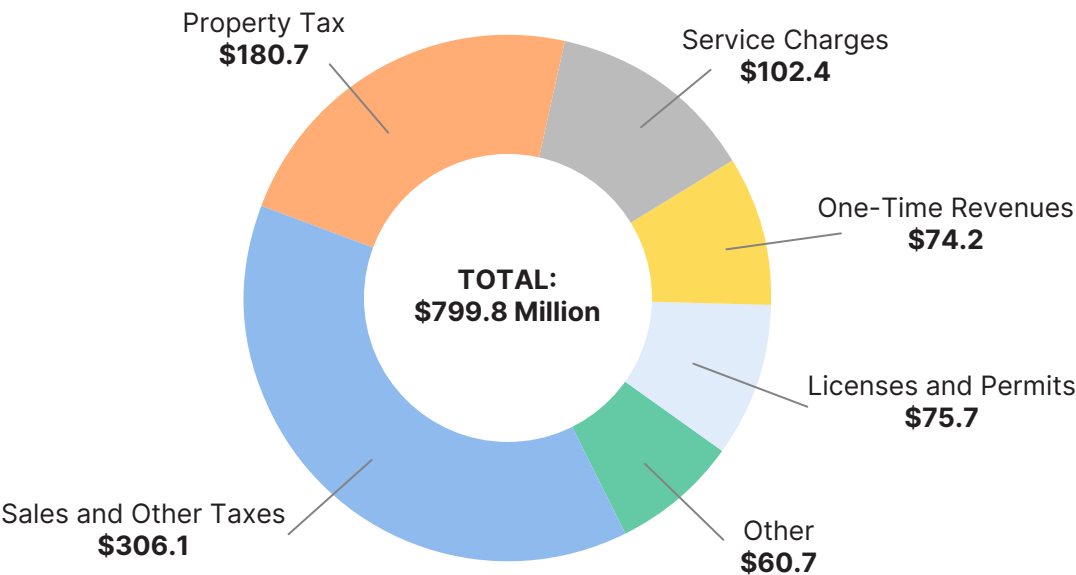
The General Fund is the primary operating fund of City government. Its approximately \$800 million adopted budget for 2026 accounts for about half of the total \$1.6 billion City budget. Much of the rest of the budget consists of State and federal grants for specific purposes and other dedicated funds. In contrast, the General Fund receives the most flexible sources of revenue, including the City’s primary local taxes and fees.

The General Fund supports core City services, from police and fire protection to mosquito con-

trol. It also supports the operations of the Orleans Parish justice system, including the sheriff, district attorney and courts.⁴ And the budget pays for contracts with private companies and organizations that perform certain functions, such as garbage collection. To make sure all these services get the resources they need to work effectively year to year for the public, it is essential to achieve and maintain structural balance in the General Fund.

Chart A breaks down the recurring and one-time revenues in the adopted 2026 General Fund budget. Chart B shows the top departments and agencies receiving appropriations from the General Fund, and their share of the total.

Chart A. City of New Orleans General Fund Revenues in the 2026 Adopted Budget
(\$ figures in millions)

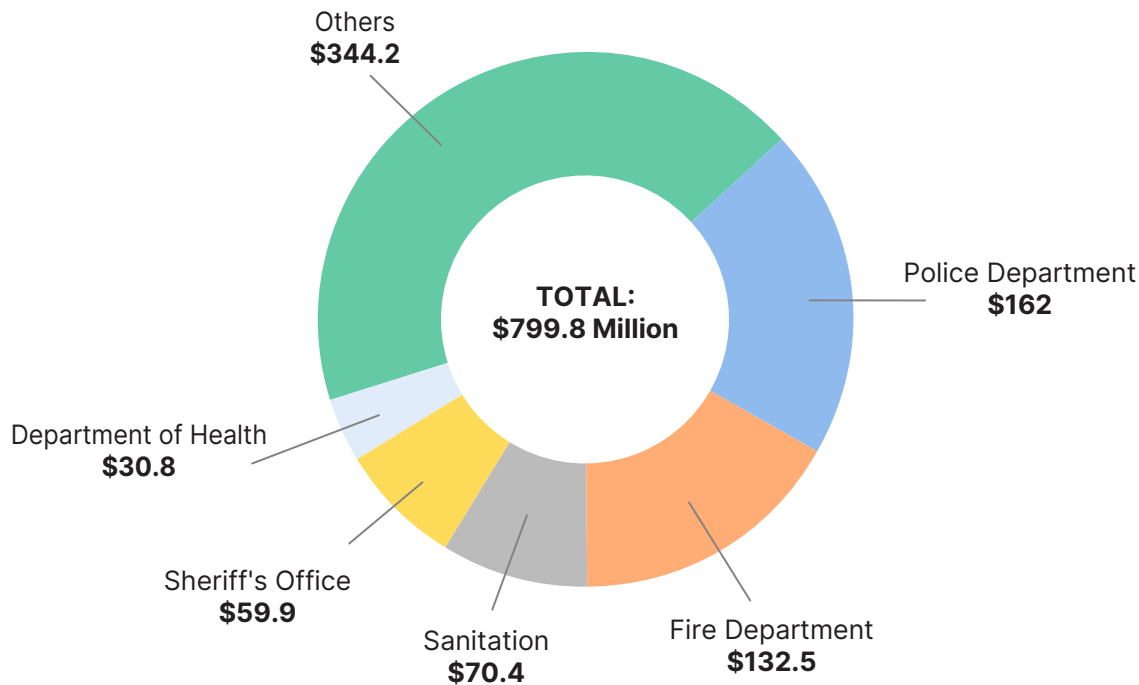


“Service charges” are revenues from services that the City provides directly to residents, businesses or other entities. These include the City’s sanitation fees and the fees tax-recipient bodies pay for the City’s property and sales tax collections.

“Other” includes revenues from intergovernmental transfers (\$24.5 million), miscellaneous revenues from interest and other entities (\$24.3 million), and fines and forfeits (\$11.8 million).

Source: City of New Orleans, 2026 Adopted Budget: Statement of Revenues - General Fund. Numbers may not add up due to rounding.

**Chart B. City of New Orleans General Fund Expenditures
in the 2026 Adopted Budget**
(\$ figures in millions)



The "Others" category includes the \$108.8 million appropriated to the Chief Administrative Office in 2026 because much of its appropriation is split between different departments, including \$38.9 million set aside for overtime costs.

The "Sheriff's Office" appropriation includes \$32.8 million for jail operations and court security, \$18.8 million for medical care, and \$8.2 million for utilities, vehicle fuel, and other operating costs that the City pays directly on behalf of the Sheriff's Office. The City does not include these on-behalf costs in its adopted budget allocation for the Sheriff's Office. To find out more about funding for the Orleans Parish Sheriff's Office, read BGR's [On the Ballot: Orleans Parish Sheriff's Office Tax Renewal, May 3, 2025](#).

BGR analysis of the New Orleans 2026 Adopted Budget: Total Departmental Expenditures – General Fund and information provided by the Orleans Parish Sheriff's Office, September 9, 2026. Numbers may not add up due to rounding.

The administration held town halls in September to receive public input on budget priorities.⁵ Under the City charter, the mayor, assisted by the chief administrative officer, proposes next year's budget to the City Council by October 1.⁶ The City Council then reviews the budget over the next two months. This work includes public budget hearings with each department and agency. The council

must adopt the budget by December 1.⁷ This year, the mayor submitted the proposed budget for 2027 on September 22. The council held budget hearings between September 28 and October 29 with final budget adoption planned for November 19. Residents can learn more about these council meetings through the City Council's [website](#). By law, the City must adopt a balanced budget.⁸

BGR's Work on City Finances

As the City received federal pandemic relief funds, BGR tracked how the City used these dollars in a series of reports. In 2022's [Managing the Windfall](#), BGR showed how the City began deploying the pandemic relief funds from the American Rescue Plan Act to weather budget uncertainty and improve its finances. The report found that the \$388 million infusion helped the City save substantial revenue from its recurring revenue streams and build up its reserves. However, the report found limited public reporting on the City's use of federal pandemic funds. BGR followed up on this report's findings with a [2023 letter](#) to the mayor and City Council, urging greater planning and public reporting for the City's use of its reserves.

In April 2025, BGR's [After the Windfall](#) analyzed how the City spent down its financial reserves and identified gaps in the City's financial management practices, including the absence of a coherent financial plan and a policy for the use and replenishment of reserves.

BGR also flagged almost zero budgeting for overtime costs – one of the factors that caused the current fiscal crisis. The report reiterated the need for a long-term financial plan, formal reserve policy and improved budget and reserve transparency. A [September 2025 report](#) reemphasized these issues ahead of budget season with a look at what gaps remain in the path to a long-term structurally balanced budget.

In the same vein, this report analyzes how the City has navigated the current fiscal crisis and made progress toward structural balance. The City also plays an important role in supporting other Orleans Parish government bodies through its tax collections. In New Orleans, property and sales taxes make up the largest share of local funding for the City and other governmental entities. The City is the local tax collector for Orleans Parish, so its success in that role directly affects the ability of other governmental bodies to achieve their missions. Future BGR reports will delve into ways that these revenue streams can be maximized to improve vital funding for all.

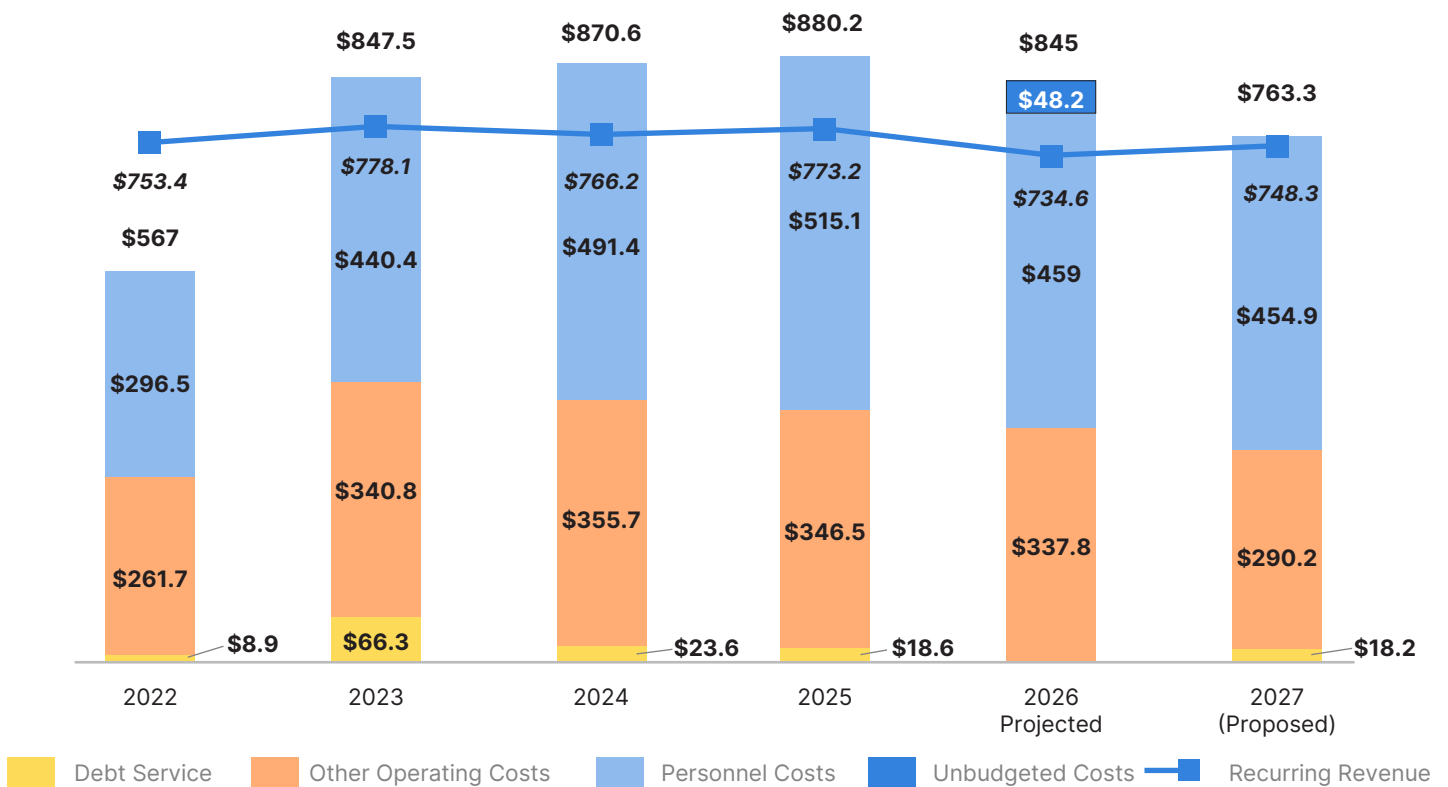
Bringing the Budget Into Balance

During the past five years, there were mounting indications that the General Fund budget was heading toward a crisis. Recurring expenditures exceeded recurring revenues, as federal relief money came to an end, personnel costs rose, and the City drew down its substantial reserves saved during the pandemic years. From 2023 to 2025, the City carried out a three-year reserve spending plan.⁹ The City purchased equipment, vehicles and other replacement needs, and it funded a wide range of community projects. Some of this reserve spending created new recurring costs for which the City did not have new revenue to cover in future years. The increase in spending primarily started with a last-minute amendment to the proposed 2023 budget ordinance. Without public notice, the Council approved the amendment, which included potentially \$110 million in recurring costs covered by one-time reserve and federal pandemic relief funds.¹⁰ Throughout the course of the

year, the City added more than \$73 million of similar recurring General Fund costs covered by one-time reserve dollars.¹¹ BGR flagged these money moves.¹² Meanwhile, recurring revenues remained relatively flat, setting the stage for the current fiscal crisis.

Chart C illustrates the stagnant revenue and increased spending since 2022. The City could have avoided the fiscal downturn with consistent, data-driven financial planning. Such a plan, as BGR has recommended, would have highlighted budget priorities and emerging risks. It would have identified revenue streams or spending controls to address them. The City's use of one-time reserve funds to cover these unchecked rising costs also occurred without a long-term financial plan or a policy for managing reserve levels. More effective management could have preserved the City's emergency financial cushion and avoided a fiscal crisis. The chart shows how the current budget narrows the gap for 2027, a key step to budget stability as discussed later in this report.

**Chart C. How Costs Have Exceeded Recurring Revenues
in the City of New Orleans General Fund Since 2023**
(\$ figures in millions)



Revenue figures do not include one-time revenue, such as the \$15 million in federal grant reimbursements proposed to balance the 2027 budget. Cost figures do not include any General Fund costs in 2027 covered by bond or grant funds, or any other obligations that must be met to achieve structural budget balance, as discussed later in this report. Numbers may not add up due to rounding.

Notes: The personnel costs for 2026 include \$5 million in additional overtime savings. Information from the City of New Orleans, September 1, 2026. The \$24 million in debt service payments the City made in 2026 are included in the \$48.2 million in unbudgeted costs since these payments were not part of the General Fund. The City budgeted these payments under CNO Debt Service Fund (6900). However, according to City officials, this fund had no dollars in it, so the City had to cover the debt service with General Fund dollars. In previous years, the City budgeted these debt payments in the General Fund (1000).

This analysis does not include the 2026 repayment of the \$125 million short-term loan taken out in 2025 since this is a use of cash assets, not an operating expenditure.

The City covered some 2022 expenditures, not shown in the chart, with federal American Rescue Plan Act (ARPA) funding. The resulting budget savings helped to increase the City's General Fund reserves.

BGR analysis of General Fund (1000) data in the City of [New Orleans Real-Time Budget to Actuals Dashboard](#) as of September 10, 2026, budget reports, the City administration's presentation at the September 10 meeting of the New Orleans Revenue Estimating Conference, and information provided by the City through September 24.

The Fiscal Crisis and the 2026 Adopted Budget

Many factors contributed to the budget crisis that blew up in 2025 and ultimately resulted in an audited General Fund deficit that year of approximately \$130 million.¹³ Notable drivers include:

- **Lower tax revenues in 2024 and 2025** forced the City to rely on its financial reserves to balance its budgets.¹⁴ Meanwhile, the City continued to spend down its post-pandemic reserves with little oversight and awareness of how deep the spending went. BGR has reported on the City's reserves and the City's dependence on fund balance dollars through

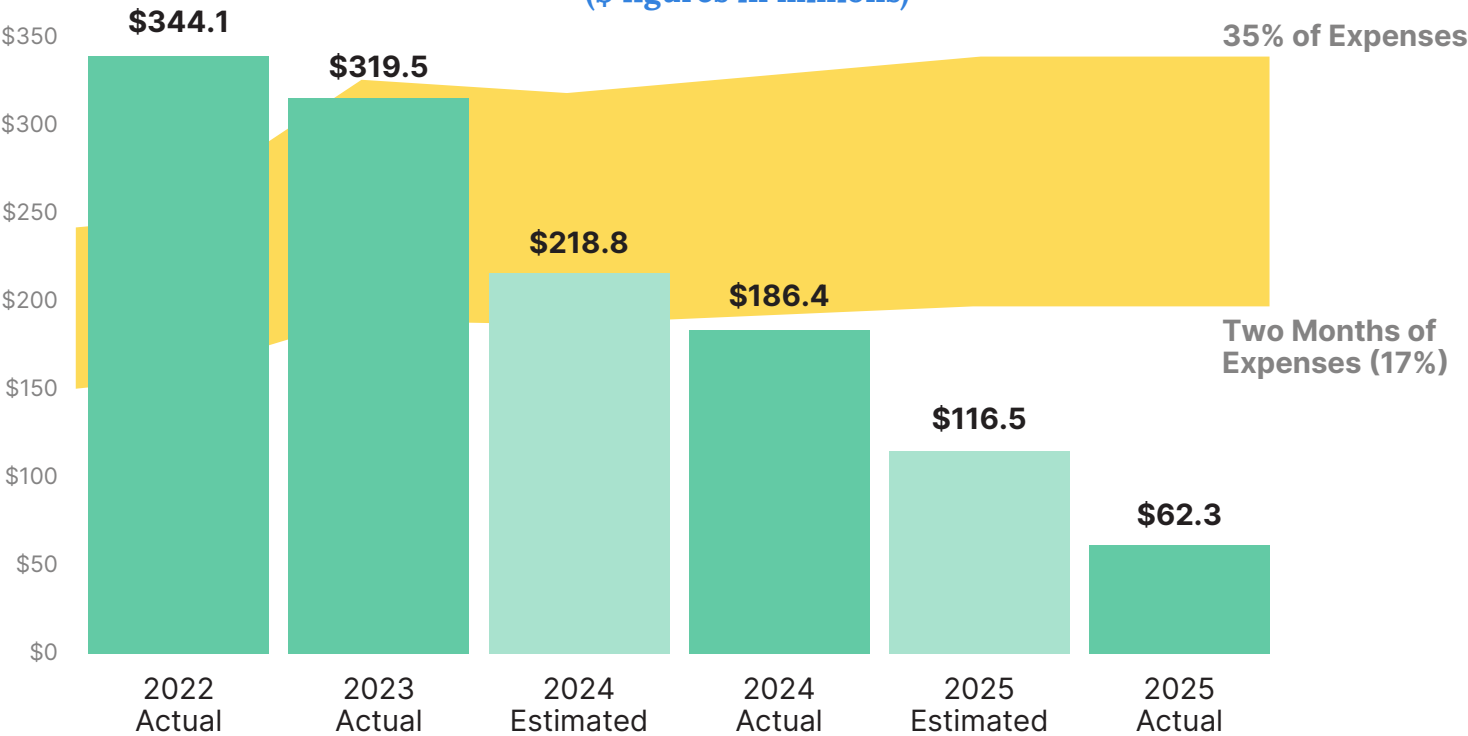
several publications dating back to 2022.¹⁵

- **The City did not properly budget for or manage 2025 overtime costs for its departments**, most notably the New Orleans Police Department (NOPD).¹⁶ The Louisiana Legislative Auditor found that the City budgeted just \$57,500 for overtime for all its departments at the start of 2025; it ended up spending \$50.1 million.¹⁷ Between 2022 and 2025, the City increased overtime spending by about 80% compared to a 24% growth in regular payroll and a 29% growth in total payroll costs.¹⁸ Events such as the January 1, 2025, terrorist attack and the winter snowstorm increased overtime costs for the City’s public safety agencies. BGR raised concerns about police overtime spending in early April 2025, but spending continued.¹⁹

Making matters worse, the level and quality of communication between the City administration and council deteriorated in 2025. The public witnessed numerous disagreements between the two branches of City government. Their strained relationship hampered efforts to identify and respond to the crisis. For instance, the administration’s monthly budget reports to the council dating back to 2024 showed evidence of departmental deficits.²⁰ However, City officials did not respond to these growing deficits in a timely manner.

Chart D shows how the structural imbalance drained the City’s reserves well below the minimum recommended level of two months (17%) of operating expenditures. Audited financial results show that the final impact was even worse than projected in BGR’s 2025 reporting on the City budget.

Chart D. City of New Orleans’ General Fund Financial Reserves, 2022 to 2025
(\$ figures in millions)



Notes: The bars show the City of New Orleans’ year-end reserves available for emergencies. The dark green bars are actual audited financial results; the light green bars were BGR’s April 2025 estimates for year-end 2024 and 2025. These reserves include the total of unassigned reserves, the Savings Fund, and any other reserves designated for emergencies. The yellow band shows a range of reserve targets from the minimum of two months of expenses, or 17%, recommended by the Government Finance Officers Association to the 35% level associated with the highest municipal credit rating by Moody’s. In BGR’s view, 35% is not necessarily a suitable target for New Orleans, but it is presented to show the upper end of the general range for municipal financial reserves. For 2025, the range was \$159.1 million (17%) to \$334.1 million (35%).

BGR analysis of City of New Orleans Annual Comprehensive Financial Reports for the years ended December 31, 2022 to 2025, and preliminary estimates discussed in BGR, [After the Windfall: Strengthening the City of New Orleans’ Financial Management Practices](#), April 2025.

For 2026, the previous City administration proposed a \$725.6 million General Fund budget on October 1, 2025. The budget was based on the forecast that the City would receive \$725.6 million in recurring revenue for the year. Overall, the proposal cut 17% from the \$878.4 million adopted budget for 2025.²¹

To get there, the 2026 budget would have:

- Maintained the City's crisis-induced hiring freeze (subject to exemptions), while limiting personnel cuts.
- Cut non-personnel operating costs across departments by at least 30%, except for a 20% cut for NOPD.²²

The proposal did not include new revenue sources. Instead, the previous administration suggested \$73.4 million of possible local tax and fee increases to the council, with the City's 2026 budget capacity to be amended as those measures were adopted.²³ The majority of those increases would have come from a combination of rolling forward property taxes (\$30 million) and increasing the sanitation fee (\$19 million).

The City Council, including one of its members who was elected mayor in October, objected to the deep cuts to City services and potential tax increases and began developing an alternative. It targeted only a 9% reduction from the 2025 adopted budget. To get there, the mayor-elect and the council passed a 2026 General Fund budget that:²⁴

- Prioritized several departments for full funding, including police, fire, sanitation, recreation, public works, and code enforcement.
- Incorporated \$27.7 million in personnel cost savings from initiatives like the reduction of some unclassified and probationary employees and furloughs of one day per pay period for employees, excluding public safety and essential workers as well as employees earning less than \$39,733 per year.²⁵
- Planned for \$38.9 million in overtime costs, rather than \$24 million in the previous mayor's proposed 2026 budget. The larger amount reflected a more conservative expectation of

how far the City could reduce overtime costs from the \$50.1 million spent in 2025.²⁶

- Tailored additional cuts to other departments, with some winding up with smaller reductions than proposed by the previous administration and others being cut more than proposed.
- Expected certain justice system agencies to use a combined \$4.6 million from their reserves in 2026, reducing their need for City funding by the same amount.

On the revenue side, the alternative budget avoided tax and fee increases by initially relying on \$74.2 million in one-time revenues to close the budget gap. As shown in Table 1, these funds would come primarily from reimbursements from the Sewerage and Water Board of New Orleans, the Wisner Fund settlement, reclassified American Rescue Plan Act (ARPA) dollars and increased parking and ticket collection enforcement.²⁷ The City Council passed this budget by December 1 and then overrode the outgoing mayor's veto.²⁸ Overall, while the budget averted tax increases or cuts to services, it did not fully address the gap between recurring revenues and costs.

As the budget discussions occurred, however, the fiscal crisis reached a new height as the City did not have enough cash on hand to cover operating expenses for the remainder of the year. In November 2025, the City won approval from the Louisiana State Bond Commission to borrow \$125 million from the private sector to pay for these costs. In its application to the commission, the City reported a negative cash position of \$14.7 million at the beginning of October, with the expectation of further declining to a \$126.6 million deficit by the end of 2025.²⁹

➤ **Key Takeaway:** The City's 2025 fiscal crisis exposed a structural imbalance in which recurring spending outpaced recurring revenues, fueled by reserve drawdowns, flat revenue growth, poorly managed overtime costs, and strained communication between the council and mayor. To avoid deep service cuts and tax increases, the 2026 adopted budget relied on \$74.2 million in one-time revenues and significant spending controls. This balanced the budget on paper but did not permanently resolve the gap between recurring revenues and costs.

State officials still questioned the City's ability to continue to manage its finances. To stave off the threat of a State fiscal takeover, the City Council agreed to place the loan proceeds in a special fund and give the Louisiana Legislative Auditor authority to approve expenditures of the loan proceeds.³⁰ The council ordinance also set reporting requirements for these dollars.³¹ The City received the loan proceeds on November 21. BGR estimates the City spent \$93.1 million of the loan on 2025 personnel costs, and the remainder in early 2026.³²

Successes and Setbacks in Seeking Fiscal Stability in 2026

Thus, the City entered 2026 with a budget heavily dependent on one-time revenue, little cash in reserve, and a looming May 2026 repayment of the \$125 million short-term loan. In response to the City's low reserves and cashflow problems, all three major credit rating agencies downgraded the City's rating in late 2025 and early 2026. While it has so far maintained favorable budget trends, it has substantially increased its reliance on one-time revenue to make the numbers work and has closely managed spending throughout the year. Table 1 summarizes the budget and cash needs for the General Fund in 2026 and how the City has met them, including:

- **Recurring revenues and expenditures are trending favorably through June 30.** The City administration has improved revenue collections, which were about 9% above budget through June.³³ And the administration has kept General Fund spending about 12% under budget this year.³⁴ A key factor in the savings is that overtime spending, one of the major causes of the fiscal crisis, is down nearly 50% through September compared to the same period in 2025.³⁵ The administration considers the first-half results favorable and "on budget."³⁶ As of September 24, 2026, the City has amended its projection of recurring revenue from \$725.6 million to \$734.6 million.³⁷ It slightly decreased its expenditure budget from \$799.8 million to \$796.8 million. BGR's analysis does not include further adjustments to the 2026 budget that may be introduced after September 24.

- **However, nearly \$50 million of previously unbudgeted operating costs have reduced cash on hand.** City officials claim that the previous administration did not properly budget for certain personnel costs like terminal leave, health insurance and other fringe benefits.³⁸ Furthermore, the City used General Fund dollars to make \$24 million in debt service payments that were inappropriately budgeted.³⁹ The City also has to pay for several delayed invoices for contracted services. All in all, BGR estimates that these unbudgeted costs will take \$48.2 million from 2026 budgeted revenues.
- **The City's creative solution to rebuild its reserves will reduce revenue and cash flow.** In June 2026, the City sold \$102.6 million in future rental income from the Caesars New Orleans Casino lease to replenish its depleted emergency reserves.⁴⁰ While this helps the City's fiscal stability, the General Fund will forgo about \$7.1 million of the \$13.5 million in the adopted 2026 budget.⁴¹
- **The City unsuccessfully sought new authority to borrow for its operations.** With this persistent funding gap and 2026 cash needs in mind, the City sought State approval for a new \$110 million loan in July. Instead of short-term financing, the loan would have been repaid over 16 years from the City's General Fund property tax revenue.⁴² The mayor argued that the long-term financing would have allowed the City to continue reducing expenses while minimizing the immediate impact on public services.⁴³ However, the governor and other State leaders objected to the interest costs and the increased burden on existing revenues, and the mayor withdrew the loan application.⁴⁴
- **The City has captured additional one-time revenues for 2026 expenses. While this does not resolve the underlying budget imbalances, it has prevented a more immediate and acute cash crunch.** Facing unexpected costs and a cash crunch, the City has tripled the amount of one-time revenue for the 2026 budget. The adopted budget amount of \$74.2 million grew to \$222.8 million as of September 24. One-time revenue

reached 23% of all revenues, compared to the 9% projected at the start of 2026. Additional one-time revenues include reimbursements of overdue federal grant dollars and further reallocations of ARPA dollars. External government bodies have also agreed to provide funds from their reserves. These include the Orleans Parish Assessor's Office, New Orleans Building Corporation, and the Municipal and Traffic Court.⁴⁵ The City also expects additional reimbursements from the Sewerage & Water Board for infrastructure work.

The council also approved the shift of \$35 million of bond proceeds to eligible General Fund expenses.⁴⁶ These proceeds primarily come from remaining bond dollars from bonds approved in 2019 and from the recent \$185 million bond issuance – the first part of the \$510 million in bonds that voters approved in November 2025.⁴⁷ The City plans on reactivating the deferred projects with proceeds from its next bond issuance in 2028.⁴⁸

- ***Repayment of the 2025 short-term loan used cash from current year revenues and worsened the City's current cash needs.*** The City had to repay last year's \$125 million short-term bank loan, plus interest, in spring 2026.⁴⁹ The adopted 2026 budget does not account for the loan repayment amount, which came from the City's available cash. With limited reserves entering 2026, BGR estimates the repayment consumed a net \$95.3 million from new cash flow from 2026 revenue collections.

As of September 24, the money moves put the City on track for a projected cash surplus of \$6.8 million by the end of the year. BGR cautions that the exact numbers change daily. The City administration continues to closely manage its cash position to avoid negative impacts on residents, employees and vendors. In the City's recent credit rating downgrades, the credit rating agencies identified cash flow management as a key factor for any future rating adjustments.⁵⁰



Table 1. Balancing the City of New Orleans' General Fund in 2026

(\$ figures in millions, compiled by BGR as of September 24, 2026)

City of New Orleans General Fund	Expected for 2026, as of January 1	Projected for 2026, as of September 24
2026 GENERAL FUND BUDGET		
Recurring revenue, adopted budget (1)	\$725.6	\$734.6
Plus: Sanitation fee increase		\$2.0
Less: Caesars casino rent sale (2)		(\$7.1)
Less: Improperly budgeted state transit revenue		(\$1.2)
Less: Reduction in anticipated bond interest		(\$4.0)
Budgeted expenditures, factoring in spending controls (3)	(\$799.8)	(\$796.8)
Deficit	(\$74.2)	(\$72.5)
Previously unbudgeted costs discovered in 2026 (4)		(\$48.2)
Revised deficit, before one-time revenue	(\$74.2)	(\$120.7)
OFF BUDGET: SHORT-TERM LOAN FOR PAYROLL COSTS		
Use of Remaining 2025 Loan Proceeds to Pay Budgeted Personnel Costs (5)	\$31.3	\$31.3
Repayment of Short-Term Loan with Interest, Due Feb-May 2026	(\$126.6)	(\$126.6)
Net cash from 2026 revenue collections used to pay off loan	(\$95.3)	(\$95.3)
TOTAL 2026 CASH REQUIREMENTS	(\$169.5)	(\$216.0)
ONE-TIME REVENUES AND AVAILABLE CASH FLOWS		
Sewerage & Water Board reimbursements	\$29.5	\$49.5
Wisner Fund settlement (6)	\$16.4	\$14.1
American Rescue Plan Act funding reclassified for general use	\$14.8	\$60.1
Increased parking ticket enforcement and collections (6)	\$13.5	\$1.5
Collection of overdue federal grant reimbursements		\$53.0
Contribution from Orleans Parish Assessor's Office		\$16.0
Contribution from New Orleans Building Corporation		\$15.0
Contribution from Municipal and Traffic Court Reserves		\$5.0
State short-term rental appropriation		\$8.6
Total one-time revenue and available cash flows	\$74.2	\$222.8
CASH SURPLUS (GAP TO CLOSE)	(\$95.3)	\$6.8

➤ **Key Takeaway:** The City adopted a balanced budget for 2026, but only on paper. It required \$74.2 million of one-time revenue, or 9% of all revenues. The adopted budget did not include the cash needed to repay the \$125 million short-term loan, as well as nearly \$50 million in additional unbudgeted costs. Thus far in 2026, the City has assembled more than \$220 million of one-time revenue and other cash flows, or 23% of all revenues, to meet these obligations. BGR projects a modest year-end cash surplus. However, BGR notes that the City's financial condition changes daily, and administrators are managing cash closely.

Notes:

(1) "Recurring revenue" refers to funding sources the City regularly budgets for its General Fund. The adopted budget for 2026 included \$74.2 million in one-time revenue categorized as "Transfers from Other Funds."

(2) The June 2026 budget reports show year-to-date casino rent payments to the City of \$6.38 million, unchanged from the May 2026 reports. This indicates that the casino rent payments began going to the private firm that bought the rental income. The City budgeted \$13.5 million of total 2026 rent payments from the casino lease, meaning the investor's share is expected to total \$7.12 million.

(3) Spending controls, adopted by the new administration in January, include employee furloughs, a hiring freeze on 75% of the City's vacant positions, cuts to unclassified and probationary employees, and other personnel and program savings. The City told BGR that it has saved \$12 million in overtime spending, roughly \$5 million more than the projected \$7 to \$10 million in savings from the adopted 2026 budget.

(4) This figure includes retention pay for public safety personnel, unbudgeted costs for terminal leave, health and other fringe benefits, and debt service payments due this year.

5) The City spent the net proceeds from the \$125 million loan from November 2025 to February 2026. BGR estimates the City spent \$93.1 million on 2025 personnel costs through the January 3 payroll. The remaining \$31.3 million represented available cash that the City used for 2026 payroll costs until February 2026. The City spent a net of \$590,000 on issuance costs related to the loan. BGR estimates that the loan cost the City \$1.6 million in interest. To repay \$126.6 million from February to May 2026, the City used current year revenue collections. BGR estimates that the net impact on 2026 cash flow was \$95.3 million because it also applied the remaining \$31.3 million of available loan proceeds to 2026 payroll and personnel costs.

(6) An undetermined portion of new revenue from the increased parking enforcement will be sustained in future years. The settlement of the Wisner Fund litigation is estimated to generate \$2 million annually.

BGR analysis of City of New Orleans 2026 Adopted budget, May and June 2026 budget reports to the City Council, the administration's August 5 budget update, and the January 27, April 22, and September 10 meetings of the Revenue Estimating Conference, and information provided by the City through September 24. Numbers may not add up due to rounding.

Fiscal Challenges Beyond the 2026 Budget

As the City gets through 2026, it expects a daunting task to balance the General Fund budget for 2027 and beyond. The City expects \$748.3 million in recurring revenues for 2027, a slight increase over 2026.⁵¹ However, the administration received \$847 million in departmental budget requests. At that level, it had to close a gap of \$98.7 million.⁵²

The mayor's proposed budget for 2027 addresses this gap by decreasing General Fund spending from \$847 million to \$763.3 million.⁵³ It achieves this through nearly \$77 million in direct spending cuts and by offsetting \$6.6 million of General Fund costs with federal grant funds and leftover dollars in a housing fund outside of the General Fund.⁵⁴ This still leaves a \$15 million gap in funding which, as shown in Table 2, the City plans to cover with one-time federal grant reimbursements.

Table 2. Projected 2027 General Fund Budget
(Figures in \$ millions, compiled by BGR as of September 24, 2026)

City of New Orleans General Fund	Projected for 2026, as of September 24	Projected 2027 Budget Gap based on department requests	2027 Budget proposed by mayor to City Council
Recurring Revenues	\$724.3	\$748.3	\$748.3
Recurring Expenses*	(\$845.0)	(\$847.0)	(\$763.3)
Excess (Deficit)	(\$120.7)	(\$98.7)	(\$15.0)
Repayment of Short-Term Loan (Cash)	(\$95.3)	\$-	\$-
One-time Revenues	\$222.8	\$15.0	\$15.0
Cash Surplus (Gap to Close)	\$6.8	(\$83.7)	\$-

* The proposed 2027 budget does not include tax increases. The administration has proposed raising property taxes to restore up to \$42.3 million of spending cuts to the \$763 million budget.

BGR analysis of City administration presentation at the September 10 meeting of the New Orleans Revenue Estimating Conference, the mayor's September 22 budget presentation and information provided by the City on September 24.

➤ **Key Takeaway:** The proposed 2027 budget closes a substantial gap between recurring revenues and costs of operating City government. But for long-term structural balance, BGR urges the City to develop stable revenue solutions for more than \$82 million of unfunded costs and obligations discussed later in this report, like fully funding annual street maintenance and fulfilling the charter-mandated annual dedication for the Housing Trust Fund.

To avoid some of these cuts, the administration has also proposed options for rolling forward property taxes levied by the City.⁵⁵ These taxes include those for general purposes, as well as those for specific programs or departments, like police, fire and maintenance of public parks. Depending on which taxes are rolled forward, the City could generate up to \$42.3 million in new recurring revenue every year.⁵⁶ Residents can see how these increases will impact their total property tax payments [here on the City's website](#). This move would require council approval prior to the adoption of the 2027 budget. The council plans to hold a public hearing about this decision on November 5.⁵⁷

In addition, the administration is considering a proposal to increase fees charged for stays in short-term rentals, which will generate between \$3 million and \$5 million.⁵⁸ The City Council has passed an ordinance to restructure and increase certain permit fees.⁵⁹ The City estimates this will generate an additional \$1.8 million per year. The City plans to adopt a formal revenue estimate for 2027 on November 19 – the same day the council plans to approve the budget.⁶⁰

The City is also covering some Public Works salaries with proceeds from recent bond issues. In 2026, the City used bond money to hire 60 new employees. Administration officials stated that they plan on paying for eligible Public Works functions with bond funding for the next decade.⁶¹

However, as BGR highlighted in an April 2026 [letter](#) to City officials, government finance experts warn against using one-time funding, like bond dollars, to cover recurring expenses, such as street maintenance. Plugging operating needs with bond funds also consumes money authorized by voters for capital projects, while taxpayers carry the interest costs on top of the bond-funded expenses. The City needs a more efficient, sustainable funding source for its enhanced street maintenance work.

Even as they juggle the near-term and 2027 budget pictures, the current administration and council are taking steps to ensure the longer-term financial health of the City. These include:

- **The \$102.6 million from the Caesars rental income sale has increased the City's overall reserves.** Combined with \$37 million in its charter-mandated Savings Fund, the City now has nearly \$140 million in reserve. This approximates the recommended minimum of two months of operating expenditures. The City has placed both reserves in interest-bearing accounts to help them grow. In line with BGR's recommendations, the City Council passed an ordinance that places safeguards on spending the proceeds from the casino rent sale and provides for transparency of its uses.⁶² Higher reserves are essential to restoring the City's credit rating, which was cut multiple times during the fiscal crisis. This effort is crucial to taxpayers as the City continues to issue and spend new long-term bonds approved by voters last fall for infrastructure, drainage, and affordable housing projects.
- **The City has begun developing a formal reserve policy and long-term financial plan for General Fund dollars.** BGR encourages the City and its advisers to continue efforts to develop both of these supports for effective financial management. A formal reserve policy that provides for the protection and management of the City's financial cushion is key to avoiding the large depletion of reserves that happened in the years after the pandemic. Healthy reserves help government entities weather fiscal crises or the fallout from natural disasters and are central to improving the City's bond ratings, as outlined by major credit ratings agencies.⁶³ Along the same lines, a rolling five-year financial plan with strong revenue and spending projections can help the City identify budget priorities and how to fund them. This plan also could help the City prevent fiscal crises like the one it is facing currently. See the sidebar for BGR's recommendations on the reserve policy and financial plan.
- **The City adopted an ordinance to increase its sanitation fees that help pay for curbside trash collection and disposal costs.**⁶⁴ From October 1 through the end of 2027, the ordinance increases sanitation fees by 34%. Starting January 1, 2028, the ordinance will replace the fixed fee rates with annually adjusted rates

based on the total cost of trash collection and disposal, including recycling services if they are part of general sanitation services. This new model would help resolve a structural gap – currently \$22.4 million for 2026 – between stagnant fee revenues and rising trash collection costs. In a report earlier this month, BGR analyzed these changes and how the City can strengthen the new fee structure to ensure an effective and transparent solution to the sanitation deficit.

- On the expense side, the City won legislative approval in spring 2026 that **eliminates potential payments owed to the statewide municipal police pension system in which New Orleans police participate**.⁶⁵ This change is estimated to avoid about \$5.5 million in unbudgeted costs in 2026, and \$2.5 million a year going forward.⁶⁶ Over the next 15 years, the estimated savings is approximately \$41 million.

Strengthening Financial Management Practices for the Future

Since the pandemic, BGR has urged the City to adopt two key financial management practices that can help it reach a long-term structurally balanced budget*

The City administration should develop a five-year financial plan that it annually reviews with the City Council during the public budget hearing process. The plan should identify funding strategies to meet looming costs and obligations and high-priority needs. As discussed in [BGR's 2019 report on City budget trends](#), the plan should include a comprehensive review of the budget to identify areas where the City can cut unnecessary costs or slow their growth. Starting with the areas of highest growth, the City administration and council should evaluate the cost drivers and determine whether the current expenditure levels are appropriate. They should supplement this review with a long-term expenditure forecast to help identify potential efficiencies and guide future spending priorities. As part of the expanded focus on financial planning, the City administration and City Council should explore ways they can collaborate in preparing the budget to avoid instances in which the council makes last-minute changes with little public notice. These and other aspects of the planning process can support cohesive management of City finances across administrations. Finally, the plan should

come with measurable milestones and annual public reporting on progress. These features would provide greater assurance to the public and the council that the City is on track to address fiscal challenges and opportunities.

The City administration should complete a comprehensive policy for the use and preservation of the City's reserves. The policy should set a level for reserves sufficient to meet financial emergencies. The specific amount should be informed by a study conducted by experts in government finance and risk assessment. Given New Orleans' vulnerability to disasters, City officials and consultants should strongly consider a reserve level higher than the minimum 17% of General Fund expenditures recommended by the Government Finance Officers Association. The policy should specify the permitted uses for the reserves and establish transparent procedure for making appropriations. The policy also should discourage the use of reserves for recurring expenses. Establishing a policy on reserves is important to support continuity in managing fiscal issues across current and future election cycles. It will help protect the City's fiscal health as the new leadership strives to meet new costs and address high-priority City and community needs.

* BGR reports include: [Managing the Windfall: Tracking the City of New Orleans' Use of Federal Pandemic Relief Funds](#), December 2022; a [letter](#) to the New Orleans Mayor and City Council, May 22, 2023; [After the Windfall: Strengthening the City of New Orleans' Financial Management Practices](#), April 2025; [BGR NOW: New Orleans Needs a Sustainable Budget to Meet Residents' Demands](#), September 11, 2025; and [Playing Our Cards Right: Key Steps to Safeguard Casino Cash for the City's Fiscal Recovery](#), May 4, 2026.

In 2026, the City has paired these strategic moves toward fiscal stability with increased transparency into City finances. The administration has rolled out online dashboards detailing real-time

information on available cash flows, budget expenditures and overtime spending.⁶⁷ The administration also regularly updates the City Council and public on trends in budgeted revenues and

expenses and how it is dealing with the current budget crisis.⁶⁸ This allows the public to track the City's stewardship of public dollars and response to the fiscal crisis. However, previous budget reports included explanations of budget variances and projections of full-year departmental spending. The administration should consider enhancing its budget reports with these indicators to help the council and public better understand where the budget is headed and what is needed to address any looming fiscal problems.

Lastly, the council has put a charter amendment on the November ballot that would increase its scrutiny and approval of changes to the adopted budget.⁶⁹ BGR has not reviewed or taken a position on the proposed charter change.

Beyond the 2027 budget, the City must continue working toward long-term structural balance for the General Fund budget. In recent years, BGR has identified certain annual costs and obligations without a recurring funding source, such as:⁷⁰

- **\$36 million more** for adequate street maintenance, plus an undetermined amount to maintain public facilities. Properly funding these capital needs is key to ensuring the longevity of the \$510 million in City infrastructure investments from bonds that voters approved last year, as BGR [highlights](#).
- A plan to close the gap in annual contributions to replenish the New Orleans Firefighters' Pension and Relief Fund. In 2025, the gap was at least **\$20 million**, as signaled by the fund's actuary and the City's auditors. BGR flagged the persistent fiscal challenges associated with the pension fund in a [2024 report](#). This underfunding also poses risks to the City's bond ratings.⁷¹ This fall, the administration has proposed a multi-year plan to begin paying off shorter-term obligations to the pension fund in 2027. As these are paid off, the strategy will free up budget capacity in the coming years to fully meet the actuarially required contributions.⁷²
- **Approximately \$16 million** (2% of General Fund revenues) to meet the City's Housing Trust Fund dedication that is mandated

by the City charter.⁷³ The trust fund provides annual dollars for preserving and expanding affordable housing for low- to moderate-income New Orleans residents. As outlined by BGR in [an April 2026 letter](#), the City's current approach of using bond funds for this dedication is a short-term, costly and limited solution to this dedication and the city's acute housing affordability issues.

- About **\$10 million** proposed by the Sheriff's Office, above the mayor's proposed City appropriation, primarily for the staffing and operation of Phase III, the Orleans Parish jail's new medical and mental health wing.⁷⁴ Under State law, the City is responsible for covering most of the jail's operating costs. The City and the Sheriff's Office may discuss the cost difference further in their negotiations for the 2027 budget. BGR discusses Phase III further in its [analysis of the sheriff's 2025 property tax renewal for the jail](#).⁷⁵

➤ **Key Takeaway:** The City has taken important steps to strengthen its financial position, including rebuilding reserves, committing to develop a long-term financial plan and a reserve management policy, and addressing the longstanding sanitation fee deficit. But the City still has important financial planning to do for long-term structural balance. This includes addressing significant unmet costs for street maintenance, pensions, affordable housing, and jail operations, among other things. Achieving lasting fiscal stability will require identifying sustainable funding sources for these ongoing costs while maintaining the financial management reforms now underway.

Conclusion

Through September, spending controls, improved collections, and extraordinary one-time revenues have helped the City manage cash needs and stay on track for a modest projected surplus for 2026. The City Council is currently considering the mayor's slimmer 2027 budget that is balanced with a mix of spending cuts, revenue increases and a limited amount of one-time funding.

The City has also taken steps this year to strengthen its financial position, most notably rebuilding its emergency reserves, advancing a formal reserve policy and long-term financial plan, and increasing sanitation fees. As they look to the future, City leaders must make further progress toward long-term structural balance. This will take continued financial discipline, planning and accountability. They will need durable funding solutions to address unmet costs and obligations,

restore potential 2027 spending cuts needed for effective public services, and build up General Fund reserves to a higher level appropriate for a disaster-prone city.

The fiscal crisis that unfolded last year did not occur overnight. It was caused by mismanagement of recurring costs and reserves, stagnant recurring revenues, and communication breakdowns between the previous mayor and council. To get to long-term structural balance, BGR has recommended a rolling, five-year financial plan, with measurable milestones and public reporting, that sets clear spending priorities and identifies sustainable ways to fund them. The City also should follow through on a strong policy that seeks a higher overall level of financial reserves, sets guardrails for use and replenishment, and then follow the policy.



Endnotes

- 1 BGR's analysis of the City's 2026 budget initiatives is current through the September 10 meeting of the Revenue Estimating Conference and information provided by the City on September 24.
- 2 Information provided by the City of New Orleans, September 24, 2026.
- 3 Government Finance Officers Association, [Structural Budget Balance](#), 2005.
- 4 The City of New Orleans is the general government for the consolidated city-parish. However, Louisiana law has maintained several separate Orleans Parish offices and functions and requires the City to provide funding to them.
- 5 ["New Orleans faces budget shortfall, city to host town halls,"](#) Fox 8, August 16, 2026.
- 6 City of New Orleans Home Rule Charter (City Charter), Sec. 6-102.
- 7 Ibid.
- 8 City of New Orleans Home Rule Charter, Sec. 3-116(2).
- 9 BGR, [After the Windfall: Strengthening the City of New Orleans' Financial Management Practices](#), April 2025, p. 6.
- 10 BGR, [Managing the Windfall: Tracking the City of New Orleans' Use of Federal Pandemic Relief Fund](#), December 2022, p. 25. The ordinance included \$151.1 million in fund balance spending and \$124.2 million in spending covered by American Rescue Plan Act (ARPA) dollars. The \$110 million in recurring costs includes ARPA and reserve dollars used for programmatic or personnel costs. It excludes \$100 million set aside for emergencies and \$65.2 million for capital costs. Numbers may not add up due to rounding.
- 11 BGR [letter](#) to the New Orleans Mayor and City Council, May 2023. The \$73 million excludes \$54.1 million of one-time funds redirected to operational costs in the City's Federal Treasury Department Fund and \$8 million of ARPA funding that went to the Affordable and Workforce Housing Fund.
- 12 See BGR's *Managing the Windfall* report and follow-up [letter](#) to the New Orleans Mayor and City Council, May 22, 2023.
- 13 City of New Orleans, Annual Comprehensive Financial Report (ACFR) for the year ended December 31, 2025, p. 21. See also BGR, *After the Windfall*.
- 14 Mayor LaToya Cantrell, Presentation of the proposed 2026 budget to the New Orleans City Council, October 1, 2025.
- 15 BGR reports include: [Managing the Windfall: Tracking the City of New Orleans' Use of Federal Pandemic Relief Funds](#), December 2022; a [letter](#) to the New Orleans Mayor and City Council, May 22, 2023; [After the Windfall: Strengthening the City of New Orleans' Financial Management Practices](#), April 2025; [BGR NOW: New Orleans Needs a Sustainable Budget to Meet Residents' Demands](#), September 11, 2025; and [Playing Our Cards Right: Key Steps to Safeguard Casino Cash for the City's Fiscal Recovery](#), May 4, 2026.
- 16 BGR, *After the Windfall*, pp. 6-7 and 17-18.
- 17 Paterson, Blake, ["New Orleans getting better on overtime spending, but leave pay merits closer look, auditor says,"](#) *The Times-Picayune | NOLA.com*, April 30, 2026. Louisiana Legislative Auditor, "City of New Orleans Payroll Earnings Analysis (2022-2025)," April 23, 2026.
- 18 Louisiana Legislative Auditor, p. 6.
- 19 BGR, *After the Windfall*.
- 20 December monthly budget report for budget period ending October 31, 2024, submitted to the New Orleans City Council on December 5, 2024. These deficits are found in the projected full-year personnel spending for certain departments and the City as a whole. In this report, the citywide personnel deficit was \$6.3 million. In the budget report submitted in June 2025, the projected citywide personnel deficit had ballooned to \$20.1 million. June monthly budget report for budget period ending April 26, 2025, submitted to the New Orleans City Council on June 12, 2025. Monthly budget reports thereafter showed larger personnel budget deficits as the budget crisis began to unfold.
- 21 City of New Orleans, 2026 Proposed Operating Budget, October 1, 2025, p. 118.
- 22 Mayor LaToya Cantrell, presentation of the proposed 2026 budget to the New Orleans City Council, October 1, 2025, p. 14.
- 23 Ibid.
- 24 Mayor-Elect Helena Moreno, "Amended 2026 Budget Proposal," November 25, 2025. Chief Administrative Officer Joseph Giarrusso III, presentation to the City of New Orleans Revenue Estimating Conference, [January 27, 2026](#).
- 25 City of New Orleans, ["Mayor Helena Moreno Limits Necessary Furloughs Among Frontline Employees,"](#)

[Shifting Burden Away from Most Vulnerable Workers](#),” media release, January 17, 2026. The exemptions are calculated based on yearly furlough days with employees who are not exempt having to take 22 furlough days in 2026. There are partial exemptions with fewer furlough days for employees earning between \$39,733 and \$44,435. A proportional pay reduction (as a percent of their yearly pay) is applied to unclassified salaried employees whose yearly pay falls within this range. Chief Administrative Officer Joseph Giarrusso III, “Circular Memorandum No. 26-01,” January 16, 2026.

- 26 The \$38.9 million overtime allotment was placed in the Chief Administrative Office’s budget for stricter control of overtime spending. The Chief Administrative Officer approves departmental overtime budgets and disburses the funds needed from this allocation to each department. These allocations are based on rolling 90-day overtime projections that each department must submit before receiving overtime funding. As departments receive overtime funding, their total budgets are adjusted accordingly to align with actual spending and appropriations. See City of New Orleans’ [Real-Time Budget-to-Actuals Dashboard](#) for more information.
- 27 Discussion of 2026 General Fund revenue forecast at the December 1, 2025 [meeting](#) of the Revenue Estimating Conference.
- 28 New Orleans City Council, “Council Unanimously Adopts Revised Budget Stabilized by New Revenue and Targeted Reductions,” news release, December 1, 2025. The outgoing mayor vetoed the budget on December 12, criticizing the uncertainty of the proposed new revenue sources and the proposed employee furloughs. The council overrode the veto unanimously on December 18.
- 29 City of New Orleans, Application to the Louisiana State Bond Commission for \$125,000,000 Budgetary Loan, No. L25-302, approved November 12, 2025.
- 30 New Orleans City Council Ord. No. 30522 M.C.S., adopted November 6, 2025.
- 31 New Orleans Code of Ordinances, Sec. 70-415.344 et seq. Money from The City of New Orleans Employee Emergency Payroll Fund can be used only for eligible personnel costs, such as salaries, benefits and overtime. The Louisiana Legislative Auditor must approve any proposed uses from the fund. Any use of money from the fund must also be approved through a council resolution. The administration must keep detailed accounting of expenses, income and balance of the fund. The administration, in coordination with the legislative auditor, must submit monthly reports to the council detailing the state of the fund and the City’s finances.
- 32 Louisiana Legislative Auditor, Presentation of the approval of proposed spending from the Emergency Payroll Fund at the February 11, 2026 special [meeting](#) of the New Orleans City Council. The report shows that the proceeds of the \$125 million loan went to 2025 payroll and personnel costs through the pay period ending January 3, 2026 (-\$93.1 million), payroll and personnel costs in early 2026 (-\$31.3 million), and issuance costs (-\$728,000), offset with some credits applied to the balance (+\$138,000). The City repaid the debt, plus interest, from available cash in 2026, a total of \$126.6 million. BGR estimates that the City experienced a net impact on 2026 cash flow of \$95.3 million because it could apply the \$31.3 million of available loan proceeds strictly to 2026 payroll and personnel costs.
- 33 Through June 30, total revenue collections (\$458 million) are outpacing 2026 projections year to date (\$419 million). Property tax collections (\$171 million) are slightly above 2026 projections (\$167 million). Sales tax revenues (\$137 million) are 5% above 2026 forecasts (\$130 million). City of New Orleans, June 2026 Budget Reports and Executive Summary, submitted to the New Orleans City Council, August 1, 2026, p. 2.
- 34 Through June 30, total operating expenses (\$354.4 million) were 12% lower than the year-to-date projection of \$400.6 million General Fund budget. City of New Orleans, June 2026 Budget Reports, submitted to the New Orleans City Council, August 1, 2026, p. 2. The year-to-date projection is based on the \$801.8 million adjusted budget figure in the City’s [Real-Time Budget to Actuals Dashboard](#) as of September 10.
- 35 Overtime spending through September 2026, is \$19 million currently compared with \$37.5 million at this same time last year. City of New Orleans, [Overtime Monitoring Dashboard – Year to Date General Fund Overtime Costs Comparison](#), accessed September 25, 2026.
- 36 City administration’s presentation at the August 5 [meeting](#) of the New Orleans City Council Budget Committee (August 5 Budget Update), p. 7.
- 37 City administration’s presentation at the September 10 [meeting](#) of the New Orleans Revenue Estimating Conference (September 10 REC presentation), p. 35. City officials told BGR that the increase was projected based on trends in the first two quarters of the year and does not include any revenue adjustments from policy changes. Information provided by the City of New Orleans, September 24, 2026.

- 38 City Administration's August 5 Budget Update.
- 39 The adopted 2026 budget has these debt service payments covered with funds from the CNO Debt Service Fund. However, City administration says that this fund is depleted and, as a result, must use General Fund dollars to make these payments.
- 40 For BGR's analysis of the proposed deal, see [Playing Our Cards Right: Key Steps to Safeguard Casino Cash for the City's Fiscal Recovery](#), May 4, 2026.
- 41 In its May budget report, the administration reported having received \$6.38 million of the budgeted \$13.5 million. In the June budget report, this amount remained the same. This indicates that the casino rent payments began going to the private firm that bought the rental income. The investor's share is expected to total \$7.12 million for the remainder of 2026. Click [here](#) to see the May and June 2026 budget reports.
- 42 Lowrey, Erin, "[New Orleans mayor pulls request for loan approval from state citing 'imminent denial' warnings](#)," WDSU, July 9, 2026.
- 43 Mayor Helena Moreno [letter](#) to Governor Jeff Landry, July 9, 2026.
- 44 City of New Orleans, "[City Charts Path Forward After Withdrawing Bond Commission Request, Addresses Concerns of Potential Actions Against New Orleans](#)," media release, July 9, 2026.
- 45 The City keeps most of the budgeted and new one-time revenues in the Cash Management Fund. This separate fund is used to cover General Fund expenses as they arise. The money in this fund supplements recurring revenues the City collects. Dollars from increased parking and ticket collection enforcement are accounted for outside of the Cash Management Fund.
- 46 New Orleans City Council, Resolution R-26-314 and Ord. 30,725 M.C.S., adopted August 6, 2026. Resolution R-26-314 edits the list of bond-funded projects to free up these funds for eligible General Fund expenses. Ord. 30,725 M.C.S reappropriates these funds into the General Fund budget for eligible expenses.
- 47 Myers, Ben, "[Mayor Helena Moreno's administration warns of 'definite' cuts coming next year](#)," *The Times-Picayune* / *NOLA.com*, August 5, 2026. The City redirected \$24 million of bond proceeds from the \$510 million of bonds voters authorized in November 2025. To find out more about these bonds, read BGR's [On the Ballot: \\$510 Million New Orleans Capital Bonds, November 15, 2025](#). Another \$11.1 million came from completed or delayed projects funded with proceeds from \$500 million in bonds that voters approved in 2019. To find out more about these bonds and how the City has deployed them, read BGR's [Beyond the Ballot: Analyzing Spending and Impacts of the 2019 New Orleans Bond Authorization](#). The City will direct \$50,000 from bonds approved prior to 2019.
- 48 Kasakove, Sophie, "[New Orleans could run out of money soon. Here's Mayor Helena Moreno's plan to fix that](#)," *The Times-Picayune* / *NOLA.com*, August 4, 2026.
- 49 City of New Orleans, 2025 ACFR, p. 52.
- 50 S&P Global, "[New Orleans GO Rating Lowered One Notch to 'BBB+' On Structurally Imbalanced Operations; Outlook Negative](#)," April 7, 2026. Moody's Ratings, "[Moody's Ratings downgrades New Orleans, LA to Baa2 from A3; outlook revised to negative](#)," February 3, 2026.
- 51 September 10 REC Presentation. The administration revised down the original estimate by \$8 million to avoid double counting short-term rental revenue due from the State.
- 52 City administration's presentation of the 2027 Proposed Operating Budget at the special [meeting](#) of the New Orleans City Council (September 22 Presentation of the 2027 Proposed Budget), September 22, 2026, pp. 1-2.
- 53 *Ibid.*, p. 20.
- 54 Information provided by the City of New Orleans, September 24, 2026. The mayor proposes covering the \$6.6 million in costs with funding from the federal Community Development Block Grant and leftover money in the City's Neighborhood Housing Improvement Fund. This fund still receives revenues from fees on short-term rentals and used to receive annual revenues from a special property tax dedicated to housing, economic development and blight remediation. However, voters rejected a renewal of the property tax in 2021. To learn more about this fund, read BGR's [On the Ballot: New Orleans Library and Housing Taxes, December 11, 2021](#).
- 55 Orleans Parish went through a property reassessment in 2023 for the 2024 tax year. If property tax values increase in a reassessment, state law requires that taxing bodies – like the City – adjust their property tax rates to remain revenue neutral (called a "roll back"). Alternatively, taxing entities can maintain or increase, "roll forward," tax rates to the allowed maximum rate if they wish to increase revenues. To roll forward rates, the City must

hold a public hearing and approve the move with a two-thirds vote of the City Council. If the City does not roll forward before the next mandatory reassessment period – which will occur next year in Orleans Parish – the current property tax rates become the new maximum. To find out more about property taxes in Louisiana, visit www.bgr.org/about-your-property-taxes/.

56 September 22 Presentation of the 2027 Proposed Budget, pp. 36-37.

57 See the hearing notice [here](#) on the City's website.

58 New Orleans City Council Ord. Cal. No. [35,574](#), adopted October 15, 2026. See also, Hess, Joni, "[New Orleans council raises nightly short-term rental fees in bid to close budget shortfall](#)," *The Times-Picayune* / *Nola.com*, October 15, 2026.

59 New Orleans City Council Ord. Cal. No. 35,566, introduced September 3, 2026. The proposed ordinance increases fees for permits related to (1) selling alcoholic beverages, (2) constructing, renovating or demolishing buildings, (3) obtaining or renewing professional licenses and (4) conducting private work on streets or other rights of way. The proposed ordinance also restructures the current permit process by charging new permit application fees before the review process begins – as opposed to charging the permit fee once the process ended. City Charter Sec. 3-112 (3).

60 September 10 REC Presentation.

61 Myers, Ben, "[New Orleans' public works department is using bond cash to add positions](#)," *The Times-Picayune* / *NOLA.com*, October 6, 2026.

62 BGR, *Playing Our Cards Right*.

63 Ibid., p. 5.

64 New Orleans City Council, Ord. Cal. No. 35,384, adopted September 3, 2026.

65 Office of the New Orleans Mayor, *Building a Stronger New Orleans: The First Six Months of the Moreno Administration*, July 2026, p. 12. La. Acts 2026, Reg. Sess., No. 609 and 922 amended the statewide Municipal Police Employees' Retirement System. Act 609 eliminated the previous classification of retention bonuses as pensionable earnings. In January 2026, the City paid out \$9.5 million in retention bonuses from one-time grant revenues and money owed to the City by the Sewerage & Water Board. Myers, Ben, "[New Orleans pays promised police retention bonuses from S&WB cash](#)," *The Times-Picayune* / *NOLA.com*, January 28, 2026. This law is estimated to generate \$3

million in one-time savings for the City. Act 922 changed the threshold for pension-related liabilities associated with the partial dissolution of local police forces. Previously, State law considered a police force partially dissolved if the employee count was 50 less than the prior year. New Orleans' police force lost more than 50 employees in 2021 and 2022, resulting in annual unfunded pension liabilities totaling \$38 million over 15 years. Hammer, David, "[Police officers leaving NOPD in droves could cost N.O. millions in fines](#)," WWL, July 18, 2023. The new legislation amends that threshold and eliminates the obligation.

66 Ibid.

67 To find out more about the City's available cash reserves and real-time budget expenditures, click [here](#). To find out more about the City's overtime spending this year, click [here](#).

68 These updates from the City administration occur in meetings of the New Orleans City Council's Budget Committee. These meetings are usually held at least once per month. To see a calendar of past and future meetings, click [here](#).

69 New Orleans City Council, [Ord. 30553 MCS](#), adopted January 27, 2026.

70 BGR, *New Orleans Needs a Sustainable Budget to Meet Residents' Demands*, September 2025, p. 3.

71 FitchRatings, "[Fitch Downgrades New Orleans, LA's IDR to 'A-'; Places on Rating Watch Negative](#)," December 17, 2025.

72 New Orleans Firefighters' Pension and Relief Fund budget [presentation](#) to the New Orleans City Council, September 30, 2026.

73 City Charter, Sec. 6-201(d). To find out more about the Housing Trust Fund, read BGR's [On the Ballot: New Orleans Housing Trust Fund, November 5, 2024](#).

74 The Sheriff's Office's 2027 budget template requests funding for jail operations of \$43.8 million, compared to the mayor's \$33.4 million proposal. The figures exclude the \$25 million jail medical contract and another \$10 million in "on behalf" costs (such as utilities and fuel) paid by the City.

75 BGR, [On the Ballot: Orleans Parish Sheriff's Office Tax Renewal, May 3, 2025](#). See also the financial discussion in Orleans Parish Sheriff's Office, [The First 100 Days: Orleans Parish Sheriff's Office](#), August 11, 2026.