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May 22, 2023

The Honorable LaToya Cantrell  
Mayor  
City of New Orleans  
1300 Perdido Street, 2<sup>nd</sup> Floor East  
New Orleans, LA 70112

The Honorable Helena N. Moreno  
The Honorable Jean Paul “JP” Morrell  
The Honorable Joseph I. Giarrusso, III  
The Honorable Lesli Harris  
The Honorable Freddie King, III  
The Honorable Eugene J. Green  
The Honorable Oliver Thomas  
Members of the New Orleans City Council  
City of New Orleans  
1300 Perdido Street, 2<sup>nd</sup> Floor West  
New Orleans, LA 70112

Re: City Council Ordinance Cal. Nos. 34,156, 34,157, 34,185 and 34,186

Dear Mayor Cantrell and Councilmembers:

The Bureau of Governmental Research (BGR) is writing to comment on proposed Ordinance Cal. Nos. [34,156](#), [34,157](#), [34,185](#) and [34,186](#), which would appropriate more than \$73 million from the City of New Orleans’ General Fund balance. The City Council’s Budget, Audit and Board of Review Committee plans to discuss these ordinances at its May 23 meeting, while also receiving a presentation from the City administration on the General Fund balance, the City’s primary financial reserve.

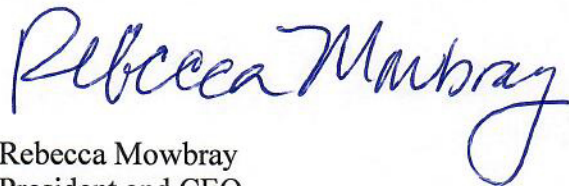
BGR’s December 2022 report, [Managing the Windfall: Tracking the City of New Orleans’ Use of Federal Pandemic Relief Funds](#), showed how the City’s use of the first half of its \$388 million federal American Rescue Plan Act (ARPA) allocation allowed it to save substantial revenues from its existing discretionary funding streams to build its General Fund balance. Considering the crucial role ARPA played in building this reserve, the report called for the City to apply BGR’s same recommendations for ensuring transparency and accountability of ARPA funds to these one-time dollars. But six months since releasing *Managing the Windfall*, BGR has concerns that appropriations from General Fund balance are continuing without adequate public information, planning and accountability. Before the City Council approves additional fund balance appropriations, BGR recommends that:

1. **The City administration should disclose and explain its estimate of the unaudited General Fund balance as of December 31, 2022.** While the 2022 financial audit is not finished, it is unclear why the administration has not publicly estimated the City's year-end General Fund reserves. It has also not clarified why portions of the fund balance may not be available for new expenditures. As discussed below, this lack of information also impedes the development of a realistic plan for managing this crucial financial resource.
  
2. **The City administration and the City Council should commit to developing a comprehensive plan for General Fund balance use and preservation through 2025.** BGR's [initial report](#) on the federal ARPA funds highlighted the risk of piecemeal decision making for the use of these one-time funds, noting that policymakers could spend the funds without publicly establishing priorities or exploring the trade-offs inherent in their funding decisions. Last fall, the City administration presented an outline of a three-year (2023-2025) fund balance plan, based on an estimate of reserves that would be available. The City Council included some of those initiatives in the City's 2023 budget, but the administration has not publicly revisited the plan, and the budget amendments so far this year – including the ordinances under consideration – have not always followed the outline. For example, the current proposal to spend \$50 million on vehicles and equipment is twice the planned amount. While BGR is not taking a position on specific expenditures, the public needs a realistic plan for General Fund balance use and preservation. Without this information, citizens cannot fully assess the City's priorities and engage effectively with policymakers on how the dollars should be allocated. Key components of that plan should include:
  - The baseline fund balance as of January 1, 2023, a breakdown of its categories and the purposes of each, and year-end targets for unassigned and emergency reserves.
  - A clear policy for fund balance preservation, including a sufficient minimum level of fund balance consistent with guidelines recommended by the [Government Finance Officers Association](#). While those guidelines generally suggest a minimum of 17% (or two months) of General Fund expenditures, some cities may require higher balances if they are prone to natural disasters or other risks.
  - An explanation of how \$100 million appropriated to the City's finance department in the 2023 budget will be reserved in the fund balance for future emergencies.
  - A full, up-to-date picture of uses of fund balance in the 2023 budget, including appropriations for specific initiatives or to close projected budget gaps, and proposed uses for additional initiatives and budget stabilization in 2023 and future years.
  - Explanation of each proposed use and its importance in delivering effective City operations and services, or in supporting efforts outside of City government to address community needs.
  - Explanation of any recurring costs that may be created and how they will be funded.
  - Financial assumptions underlying the plan's estimates.
  - A timeline for periodic updates to the plan.

- 3. The City administration and the City Council should commit to developing a regularly updated public dashboard of General Fund balance activity.** While the City has taken a significant step to improve public ARPA reporting by launching a [dashboard for tracking ARPA expenditures](#), little public information exists about the General Fund balance. New Orleans residents should have access to complete balance and expenditure information in a similar online dashboard. Both the ARPA and fund balance dashboards should include links to other documents that provide details on initiatives' objectives, key expenditures, implementation milestones and outcomes.

Taken together, these recommendations can significantly increase public accountability for the City's emergency financial cushion and protect the City's fiscal health. They can also help to ensure that uses of these one-time dollars are well-planned, publicly vetted, and aligned with high-priority City and community needs. Thank you for your consideration, and we are available to answer any questions you may have.

Sincerely,



Rebecca Mowbray  
President and CEO

*Samuel Zemurray Chair in Research Leadership*  
Bureau of Governmental Research