

NOW

BGR's Spotlight on Local Government Issues

INBRIEF

Playing Our Cards Right: Key Steps to Safeguard Casino Cash for the City's Fiscal Recovery

WHAT IS THE PROPOSED DEAL?

- The City of New Orleans plans to raise \$102.6 million in emergency cash by selling rights to future Caesars casino lease payments to a private investor.
- To get \$102.6 million up front, the City would give up a total of \$148.8 million over 9+ years.
- The City would forgo \$46.2 million, but says interest earned on the upfront payment may recoup much of the loss.
- The City would sell \$16.3 million of its \$23.6 million yearly lease payments, keeping \$7.3 million.

WHY DOES THE CITY NEED THIS MONEY NOW?

New Orleans is facing a fiscal crisis. A key part of that is the City's emergency reserves (its "rainy day" fund) have shrunk from \$344 million at the end of 2022 to just \$35 million today. This deal would boost the reserves back to a safer level before hurricane season and reassure rating agencies ahead of upcoming bond sales.

IS THIS A GOOD IDEA?

BGR says the deal makes sense for building emergency reserves. However, given the City's rapid depletion of its reserves in recent years, BGR recommends safeguards to ensure these funds are preserved and not used for routine expenses. **Without these protections, the City risks repeating the same financial mistakes that led to the crisis in the first place.**

WHAT'S NEXT

Votes are happening this week:

Tuesday, May 5: New Orleans Building Corp., a City entity that is the landlord for the casino site, votes on the deal.

Thursday, May 7: The City Council votes on an ordinance authorizing the deal.

BGR'S BOTTOM LINE

Before the City Council votes, it must:

- **Add financial guardrails.** The Council should amend the ordinance to direct the \$102.6 million only to emergency reserves, not regular spending. After BGR raised this issue with the City in a draft of this report, the administration said it is preparing such an amendment.
- **Commit to transparency.** The Council should also amend the ordinance to require the City administration to report regularly to the council and public on its reserves and show how the City is using the deal proceeds.

Before the mayor proposes the 2027 budget, the City Council should also adopt a reserve management policy as BGR has recommended for several years. The City administration told BGR it has begun developing a formal policy on reserve size, use, and replenishment. This is a much-needed step, and the City Council should adopt it once complete.

[Click here for BGR's full recommendations.](#)

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INDEPTH

INTRODUCTION

The financially strapped City of New Orleans is seeking to raise \$102.6 million by selling the rights to collect certain future rent payments from the Caesars New Orleans Casino lease to a private investor. City administrators view the deal as a creative way to generate substantial revenue to address the City's fiscal crisis without taking on more debt or raising taxes. Administrators said they would use the money to bolster the City's emergency reserves, or "rainy day" fund, as hurricane season approaches.¹

BGR analyzed the deal on behalf of the public and found that it could make a meaningful difference in giving the City more liquidity and satisfying concerns expressed in recent credit rating downgrades. However, the proposal needs stronger safeguards and greater transparency to avoid the same mistakes that contributed to the current crisis. The proposed ordinance authorizing the deal places no restrictions on how the City can use the money. The ordinance also lacks a requirement for the City to report regularly on its emergency reserves and show how the City is using the deal proceeds.

In addition, the City still lacks a policy on how to manage its emergency reserves. Such a policy is essential to establish the appropriate size of the reserves, the conditions under which an appropriation is permitted, and requirements to replenish the fund after an appropriation. With inadequate controls on its reserves, the City depleted most of its financial cushion, which dropped by more than \$300 million during the past three years. It is imperative that the City learn from those mistakes and take action to safeguard these new revenues.

In this report, BGR calls upon the administration and council to take steps immediately to amend the proposed ordinance authorizing the deal to add safeguards and transparency. Swift action is needed as key votes on the deal are scheduled for this week. Beyond the deal itself,

BGR urges the City to complete a reserve management policy. The City administration told BGR it has retained a financial consultant to carry out that work.

OVERVIEW OF THE DEAL

The City would sell \$148.8 million in future casino lease payments for \$102.6 million up front, forgoing \$46.2 million over the deal's term of nine years and two months.² The forgone revenue reflects the 8.75% annual rate of return the investor expects to receive on the upfront payment. As Chart A indicates, the deal would reduce the City's current \$23.6 million in annual revenue from the Caesars lease to \$7.3 million.³

The City told BGR it could offset much of the forgone revenue with interest earned on the upfront payment. Because the money would remain in the reserves, the City can invest it and earn income.

City officials announced the fast-track deal at a news conference on April 28. The board of the New Orleans Building Corp. (NOBC), a City-owned public benefit corporation that leases the casino site, is scheduled to vote on the proposal on Tuesday, May 5. The New Orleans City Council will consider an ordinance authorizing the deal on Thursday, May 7. All seven council members are listed as sponsors of the ordinance. The City plans to close the transaction shortly after council approval.

ADDRESSING THE FINANCIAL CRISIS

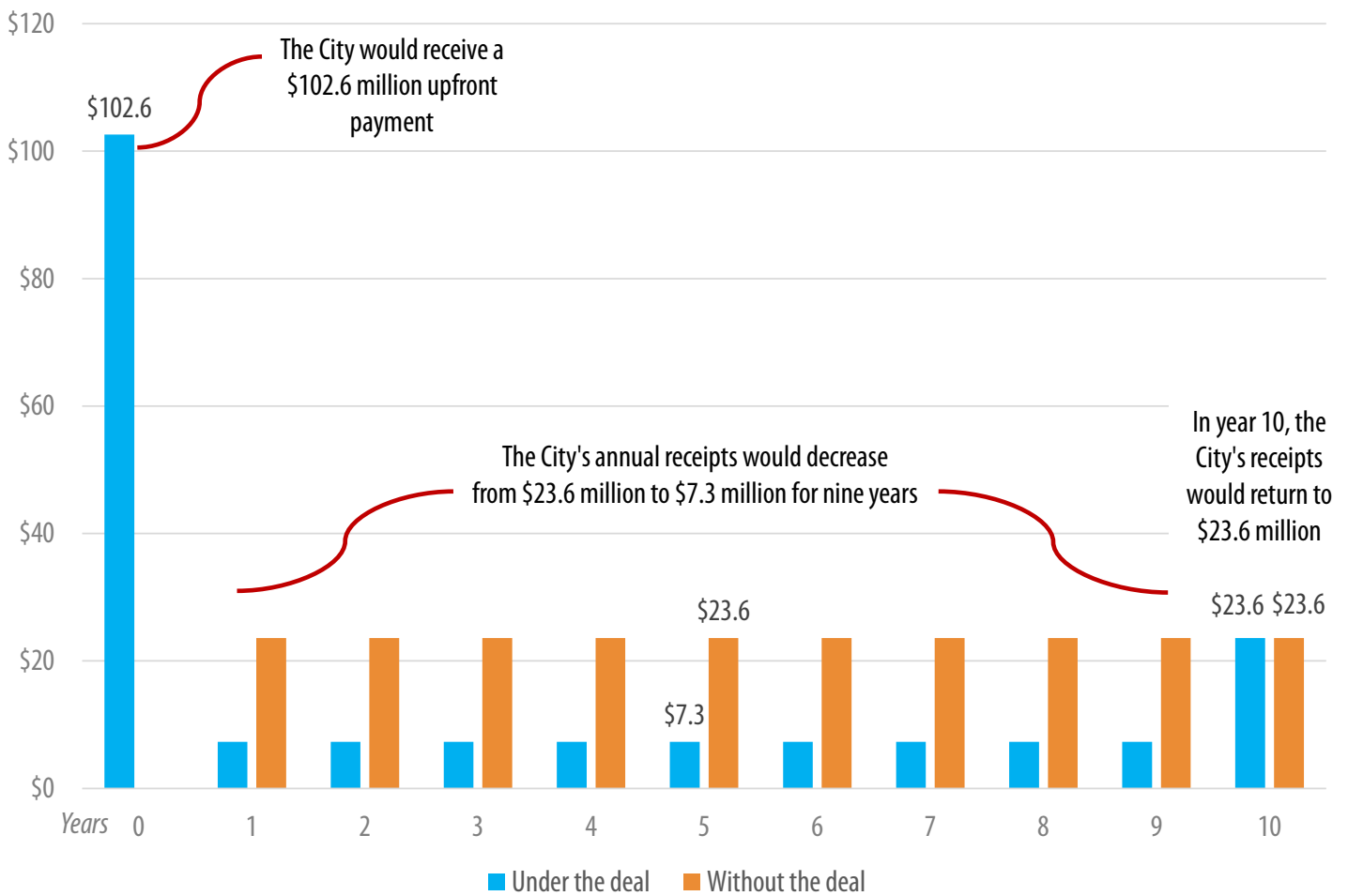
The City's financial position has whipsawed in recent years, going from huge surpluses fueled by federal pandemic relief funds in 2022 and 2023 to a projected \$160 million deficit entering the 2026 budget cycle. The City's reserves plunged from \$344 million at the end of 2022 to about \$35 million today. All three major credit rating agencies have downgraded their assessments of the

City's ability to pay its bills, citing cashflow problems and inadequate reserves. The current mayor and City administrators, who took office in January, are working to rebuild the reserves and re-establish fiscal stability for City government.

To increase the City's reserves, the new administration began exploring ways to generate more income from City-controlled leases. Their attention quickly focused on the Caesars casino lease, which is the City's largest.

NOBC, a City-controlled corporation with the mayor as the sole shareholder, is the landlord for the downtown casino.⁴ NOBC officials said the deal to sell some of the future rental revenue from the Caesars casino lease arose from a competitive selection process facilitated by its attorneys and a gaming consulting and investment banking firm. The gaming adviser solicited bids from about 30 financial institutions with experience in the gaming industry. Nine firms submitted bids. A second round of bidding

CHART A. CITY OF NEW ORLEANS PROJECTED REVENUES FROM CAESARS NEW ORLEANS CASINO, WITH AND WITHOUT THE PROPOSED DEAL (\$ IN MILLIONS)



The Takeaway: To get \$102.6 million up front, the City would give up a total of \$148.8 million over 9 years and two months. The City would forgo \$46.2 million, but says interest earned on the upfront payment may recoup much of the loss.

BGR analysis of projections of City of New Orleans future annual lease payments prepared by the New Orleans Building Corp. and City's financial advisers, as of April 30, 2026.

to refine the proposals narrowed the field to four finalists. During negotiations, three of the finalists improved their offers, resulting in the selection of TPG Angelo Gordon, a private equity firm based in New York City. The deal, structured as a sale of a “rental income strip,” would be in effect from June 1, 2026, through July 31, 2035.

As shown in Table 1, the City and the Orleans Parish School Board receive various types of rent and other payments from the Caesars casino lease for use of the casino site.⁵ The School Board’s \$3.8 million annual share would not change under the deal. The City currently receives \$23.6 million a year from the Caesars lease. It would sell the rights to \$16.3 million of this amount and retain the remaining \$7.3 million. The lion’s share of the retained revenue (\$6.1 million) helps the City cover increased costs for public services and infrastructure due to the casino.

City administrators said that because the deal involves the sale of future revenues, it is not a debt and should not negatively impact the City’s credit rating. In fact, they anticipate that the boost to the City’s reserves could help improve its credit rating over time. As shown on the next page, the three major credit rating agencies raised concerns about the City’s low reserves and cashflow problems in recent actions to downgrade the City’s rating.

If the casino tenant were to default on its rent payments, the City would not be obligated to step in and make the payments. However, the City could have to forgo some of its retained revenues from the Caesars casino lease until the purchaser is made whole. NOBC’s gaming finance adviser views a default as highly unlikely given the large capital investment that has been made in the casino.

BUILDING AND MANAGING THE EMERGENCY RESERVES

The primary advantage of the deal is that it would enable the City to quickly increase its reserves without having to raise revenue from fees and taxes or to further cut spending. Having adequate reserves is a key component of a stable and sustainable budget. The mayor and City administrators have stressed the need to re-establish a financial reserve heading into the 2026 hurricane season. It is also essential to shore up the City’s credit rating and win the confidence of potential investors in the \$185 million capital bonds the City hopes to sell later this year.⁶

The tradeoff is that the City will lose \$16.3 million in recurring revenue for nearly a decade and must replace it with other revenues. As noted earlier, the City could earn several million dollars a year by investing the upfront payment. To help close the rest of the gap, the City plans to step up parking enforcement, seek federal reimbursements

TABLE 1. ANNUAL LEASE PAYMENTS FROM CAESARS NEW ORLEANS CASINO TO BE RETAINED OR SOLD

Casino Lease Payments		
Recipient	Retained	Sold
City of New Orleans		
Baseline rent	-	\$15.5 million
Casino support payments*	\$6.1 million	-
Marketing programs	\$1.0 million	-
Second-floor rent (non-gaming)	-	\$0.6 million
Community grants	\$0.2 million	-
Additional considerations	-	\$0.2 million
Subtotal: City of New Orleans	\$7.3 million	\$16.3 million
Orleans Parish School Board		
Education support payment	\$3.8 million	-
Totals	\$11.1 million	\$16.3 million



The Takeaway: The City currently receives \$23.6 million a year. It would sell the rights to \$16.3 million of this amount and retain the remaining \$7.3 million. The School Board’s \$3.8 million annual share would not change under the deal.

* Casino support payments help cover the City’s increased costs for demands the casino places on public services and infrastructure.

BGR analysis

that it is owed, and raise the sanitation fee. It is also pursuing revenue-raising options from the Louisiana State Legislature. The Louisiana Legislative Auditor has further suggested that the City consider other revenue-raising measures, such as rolling forward property tax millages. Still, administrators emphasized that the Caesars casino lease deal is not intended to eliminate the need for loans or other borrowings to meet cashflow needs.

In announcing the deal in late April 2026, City officials said they would not use the one-time revenue from the Caesars rent deal for recurring operating expenses. Government finance experts recommend avoiding this because funding might not be available in subsequent years, creating budget shortfalls. However, the proposed

WHAT CREDIT RATING AGENCIES HAVE SAID ABOUT THE CITY'S WEAK FINANCIAL RESERVES

Moody's Investors Service February 3, 2026

"The downgrade of the issuer and GO ratings is driven by the city's very limited financial position, supplemented by cash flow borrowing, with additional declines in reserves projected in fiscal 2025. While the city continues to implement expenditure reductions and expects additional revenues in fiscal 2026, reserves will remain well below peers in the next two years."

S&P Global Ratings April 7, 2026

"The downgrade and negative outlook reflect the city's structurally imbalanced operations, declining reserves and liquidity, and need to rely on multiple one-time measures to meet short-term cash needs, including additional borrowing for operating liquidity."

Fitch Ratings December 17, 2025

"The downgrade . . . follows a precipitous decline in New Orleans' financial resilience necessitating the issuance of short-term debt to fund payroll costs, an uncertain path to resolving a large structural imbalance, and management instability."

Sources: Moody's Ratings, "Moody's Ratings downgrades New Orleans, LA to Baa2 from A3; outlook revised to negative," February 3, 2026; S&P Global Ratings, "New Orleans GO Rating Lowered One Notch To 'BBB+' On Structurally Imbalanced Operations; Outlook Negative," April 7, 2026; and Fitch Ratings, "Fitch Downgrades New Orleans, LA's IDR to 'A-'; Places on RatingWatch Negative," December 17, 2025..

ordinance as originally drafted does not place restrictions on the use of the proceeds. It is important that the council amend the ordinance to direct the \$102.6 million only to emergency reserves, not regular spending. After BGR raised this issue with the City in a draft of this report, the administration said it is preparing such an amendment.

Establishing guardrails is critical to ensure the City uses the money as it says it will. After the pandemic, the City established a \$100 million emergency fund in 2023. But it placed no formal restrictions on the use of these funds. City spending in 2025 on non-emergency purposes appears to have depleted most of that money.

The City administration said it aligned the size of the new upfront payment with expert recommendations that municipalities maintain reserves equal to at least two months of expenses, or about 17% of the annual budget.⁷ This level currently amounts to reserves of \$136 million based on the City's \$800 million General Fund budget. After subtracting closing costs, the upfront payment would net about \$100 million to \$101 million. Combined with the current charter-mandated Savings Fund of \$35 million, this would put the City right at the minimum recommended level for reserves.⁸ This would be a vast improvement. However, government finance experts recommend that cities such as New Orleans that are prone to disasters should consider higher levels of reserves.

A determination of the appropriate size for the City's reserves should be part of a study to develop a reserve management policy. For at least two years, BGR, credit rating agencies, and the City's own financial consultants have called for the City to develop and adopt such a pol-

icy to manage its reserves.⁹ BGR also urged the City to adopt a five-year financial plan to chart a path to long-term fiscal stability and a sustainable budget. Such a plan is essential to achieve a budget that meets service and infrastructure needs, while preserving a healthy financial reserve. The City administration told BGR it has now hired a financial consultant to create both the reserve policy and the financial plan – two major steps toward more effective fiscal management.

Government finance experts urge municipalities to adopt reserve management policies to set clear goals for the level of reserves and establish guardrails for the use and replenishment of them. This would support careful consideration of future spending priorities by defining what portion of City resources should be conserved for emergencies.

BGR found in a [September 2025 report](#) that the lack of a reserve policy contributed to the City's fiscal crisis.¹⁰ The report found that the City spent or appropriated more than \$200 million from the reserves without a policy for managing its financial cushion, which eventually dropped far below recommended minimum levels. The lack of a strategy for managing the City's reserves was compounded by poor financial monitoring that left City officials and the public unaware that they were depleting the reserves. As City officials develop the new reserve policy, it is important to consider ways to reinforce its application across future administrations and councils, such as whether a charter change is needed.

So far this year, the City has made significant strides in transparency and accountability with its monthly reports

on the City's finances. But reserve levels need greater attention, especially if the council approves the infusion of one-time cash from the sale of casino lease payments. City officials can build upon their transparency push by adding a regular report to the City Council or a public-facing dashboard that shows the size of the reserves and how they are using the upfront payment from the Caesars casino lease deal.

The City Council could amend the proposed ordinance to require the City administration to provide such reporting. The public should be able to track all the components of the reserves and any appropriations from them. The components would include, among other things, the casino lease deal proceeds and the charter-mandated Savings Fund, which is about \$35 million currently.

CONCLUSION AND RECOMMENDATIONS

The City of New Orleans faces a pivotal moment as it seeks to address a severe fiscal crisis through the proposed deal to sell future Caesars casino revenues. The transaction offers a creative solution to bolster emergency reserves without increasing debt or taxes. But it also highlights the urgent need for transparency and safeguards to ensure responsible use of these funds. By implementing clear guardrails, committing to regular reporting, and adopting a formal reserve policy, the City administration and council can help restore public trust and strengthen the City's financial foundation. Swift action is essential to avoid repeating past mistakes and to secure sustainable fiscal stability for New Orleans in the years ahead.

BGR makes the following recommendations to safeguard the new revenues and provide additional layers of transparency and accountability:

- **The City Council should amend the proposed ordinance authorizing the Caesars casino lease deal to specify that the upfront revenue may be used only to increase the City's reserves and meet emergency needs, and not permit other uses, such as ordinary operating expenses.** After BGR raised this issue with the City in a draft of this report, the administration said it is preparing such an amendment. It is important that it do so to protect the rebuilt reserves and avoid a repeat of past decisions that depleted the City's reserves for non-emergency spending.
- **The City Council should also amend the proposed ordinance to require the City administration to report regularly on the reserves and show how the City is using the deal proceeds.**

City officials can build upon their transparency push by adding a regular report to the City Council or a public-facing dashboard that shows the size of the reserves and how they are using the upfront payment.

The public should be able to track all the components of the reserves and any appropriations from them. The components would include, among other things, the casino lease deal proceeds and the charter-mandated Savings Fund. The updates could be included in the administration's monthly financial reports to the City Council, a public-facing financial dashboard, or both. This will help keep the public and their council representatives informed and able to track this important financial cushion for emergencies.

- **The City administration should complete a comprehensive policy for the use and preservation of the City's reserves, and the City Council should adopt it before the mayor proposes the 2027 budget.** 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.

ENDNOTES

- 1 In the City’s accounting and financial reporting, it may refer to the reserves as the “fund balance” of the General Fund. It is the same financial cushion that BGR calls the “emergency reserves” or “reserves” in this report.
- 2 Closing costs would reduce the net upfront payment the City would receive to \$100 million to \$101 million.
- 3 BGR gathered information on the terms and conditions of the deal from City officials and advisers on April 24, 2026, and in follow-up emails and interviews. BGR provided an earlier draft of the report to them on May 2 to review for accuracy. BGR received their comments on May 3 and made various revisions before finalizing the report for publication.
- 4 Second Amended and Restated Lease Agreement Among New Orleans Building Corporation as Landlord and Harrah’s New Orleans, LLC (as successor to Jazz Casino Company, L.L.C.), as Tenant and City of New Orleans as Intervenor, April 3, 2020, (the “Caesars casino lease”).
- 5 Information provided by NOBC and the City.
- 6 For more on the proposed bond sale and steps the City can take to manage that capital investment effectively, see BGR’s recommendations to the mayor and City Council at <https://www.bgr.org/510-million-in-bonds-letter/>.
- 7 GFOA, *Fund Balance Guidelines for the General Fund*, September 30, 2015, webpage accessed March 10, 2025.
- 8 The Savings Fund is established in the City of New Orleans Home Rule Charter, Sec. 6-201(2)(b).
- 9 See PFM Financial Advisors, “Fund Balance Uses and Potential Implications,” presentation to the City of New Orleans Revenue Estimating Conference, June 3, 2024, and BGR, *After the Windfall: Strengthening the City of New Orleans’ Financial Management Practices*, p. 7. Credit rating agencies also urged the City to develop a fund balance policy. See, for example, Fitch Ratings, New Orleans, Louisiana, July 29, 2024, p. 2.
- 10 BGR, *New Orleans Needs a Sustainable Budget to Meet Residents’ Demands*, September 11, 2025, p. 4.

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