

17 DEC 2025

Fitch Downgrades New Orleans, LA's IDR to 'A-'; Places on Rating Watch Negative

Fitch Ratings - Austin - 17 Dec 2025: Fitch Ratings has downgraded the Issuer Default Rating (IDR) and approximately \$800 million in general obligation (GO) bonds, public improvement bonds (PIBs), and limited tax (LT) debt of the city and the Board of Liquidation of New Orleans, LA to 'A-' from 'A'. Fitch has also placed the ratings on Rating Watch Negative (RWN).

The downgrade to 'A-' from 'A' along with the placement of the ratings on RWN 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.

Safety-related operating expenditures rose sharply after the January 2025 terrorist attack in the city, and legislative changes affecting sales tax exemptions and traffic light revenue further strained finances. City officials estimate a fiscal 2025 general fund deficit of about \$130 million on the year — roughly 15% of the general fund budget. The city issued \$125 million in revenue anticipation notes (RANs), which will be repaid by July 2026, to meet payroll costs for November and December 2025.

In addition to issuing the RANs, the city has implemented several cost-cutting measures including the curtailment of nonessential overtime, a hiring freeze, and additional procurement and contracting oversight. Based on the city's year-end projection, general fund available reserves will total approximately \$67 million, which equates to about 7% of operating expenses.

The mayor vetoed the roughly \$800 million 2026 budget unanimously approved by city council citing concerns related to \$75 million in new revenue and plans for layoffs and furloughs through a portion of 2026. On Jan. 12, the first day of the new mayor's administration, city administrators will convene via the Revenue Estimating Conference (REC) to further discuss the additional revenues and decide on other budgetary measures.

Fitch will review details of the final adopted budget, the reasonableness of its underlying assumptions and the extent to which it establishes a path for the city to return to structural balance as soon as practical, but no later than six months from the date of this release.

The 'A-' ratings reflect a 'bbb' financial resilience assessment based on Fitch's assessment of the city's 'limited' budgetary flexibility and expectation that available general fund reserves will hover around 7% of spending. Prior to the receipt of substantial pandemic-related stimulus funding, the city's reserve levels approximated 10% of spending, the minimum threshold for an 'a' financial resilience assessment.

The 'A-' rating also considers the city's 'midrange' revenue volatility and a population and economy of sufficient size and diversification, balanced against Fitch's 'weakest' assessment for population trend and 'weak' assessments for demographic and economic level metrics and a long-term liability burden, which is inclusive of forthcoming debt plans.

The ratings also incorporate a -1 notch additional analytical factor (AAF) that reflects the city's history of pension contributions below the ADC for the firefighter pension fund and its low assets-to-liability ratio.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A decline in available general fund reserve levels sustained below 5% of spending, which would lower Fitch's assessment of financial resilience to 'bb';

--A sustained approximate 35% increase in long-term liabilities and carryings costs assuming current levels of personal income and governmental resources;

--Continued underfunding of the ADC for the firefighter pension plans, further increasing the risk to depletion and leading to a higher net pension liability and contribution levels.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Revision of the Outlook to Stable from RWN if the city is able to resume and maintain a structurally balanced budget that includes operating reserve levels equal to at least 5% of general fund expenditures;

--A sustained approximate 20% decrease in long-term liability metrics assuming current levels of personal income and governmental resources;

--Improved demographic and economic trend and level metrics — in particular, a reversal of the city's declining population trend;

--Sustained full funding of the city's actuarially determined contributions to its pension plans resulting in healthier funded levels could result in the removal of the negative AAF.

SECURITY

The outstanding GO bonds and PIBs are payable from an unlimited ad valorem tax levied against all taxable property in the city. Outstanding LT bonds are payable from limited ad valorem taxes (such rates subject to adjustment periodically due to reassessment) upon all taxable property in the city. All the city's GO debt has been issued by the Board of Liquidation, which has an independent board and manages all bonded debt matters of the city, including setting millage rates for repayment.

Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

Ratings Headroom & Positioning

New Orleans Model Implied Rating: 'A-' (Numerical Value: 4.28)

-- Metric Profile: 'A' (Numerical Value: 5.28)

-- Net Additional Analytical Factor Notching: -1.0

Individual Additional Analytical Notching Factors:

-- Pension Contributions: -1.0

New Orleans' Model Implied Rating is 'A-'. The associated numerical value of 4.28 is at the lower end of the 4.0 to 5.0 range for an 'A-' rating.

Key Rating Drivers

Financial Profile

Financial Resilience - 'bbb'

New Orleans' financial resilience is driven by the combination of its 'Low' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'Limited' budgetary flexibility assessment.

-- Revenue control assessment: Low

-- Expenditure control assessment: Midrange

-- Budgetary flexibility assessment: Limited

-- Minimum fund balance for current financial resilience assessment: $\geq 5.0\%$

-- Current year fund balance to expenditure ratio: 7.2% Analyst Input (vs. 7.5% 2024 Actual)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 7.5% (2024)

Revenue Volatility - 'Midrange'

New Orleans' weakest historic three-year revenue performance has a modest negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 6.8% decrease for the three-year period ending fiscal 2021

-- Median issuer decline: -4.3% (2024)

Demographic and Economic Strength

Population Trend - 'Weakest'

Based on the median of 10-year annual percentage change in population, New Orleans' population trend is assessed as 'Weakest'.

Population trend: -0.1% 2023 median of 10-year annual percentage change in population (8th percentile)

Unemployment, Educational Attainment and MHI Level - 'Weak'

The overall strength of New Orleans' demographic and economic level indicators (unemployment rate, educational attainment and median household income [MHI]) in 2024 are assessed as 'Weak' on a composite basis, performing at the 39th percentile of Fitch's local government rating portfolio. This is due to very low median-issuer indexed adjusted MHI and elevated unemployment rate offsetting high education attainment levels.

-- Unemployment rate as a percentage of national rate: 122.5% 2024 (25th percentile), relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 41.9% (2023) (77th percentile)

-- MHI as a percent of the portfolio median: 76.3% (2023) (14th percentile)

Economic Concentration and Population Size - 'Strongest'

New Orleans' population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic

concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 365,167 (2023) (above the 15th percentile)

-- Economic concentration: 39.7% (2024) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The city's 2024 population estimate and 2024 unemployment data were input into the model.

Long-Term Liability Burden

Long-Term Liability Burden - 'Weak'

New Orleans' carrying costs to governmental expenditures has improved while liabilities to personal income remain moderately weak and liabilities to governmental revenue remain midrange. The long-term liability composite metric in 2024 is at the 40th percentile, indicating a somewhat elevated liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 9.8% Analyst Input (20th percentile) (vs. 9.2% 2024 Actual)

-- Liabilities to governmental revenue: 176.6% Analyst Input (51st percentile) (vs. 165.0% 2024 Actual)

-- Carrying costs to governmental expenditures: 14.7% Analyst Input (50th percentile) (vs. 14.6% 2024 Actual)

Long-Term Liability Burden Additional Analytical Factors and Notching: -1.0 notch (for Pension Contributions)

The -1 notch additional analytical factor reflects the city's history of sizable underfunding of the ADC, particularly the FPRF (new system), which has resulted in a very low assets-to-liabilities ratio of 9%. The -1 notch also reflects uncertainty regarding the city's ability and commitment to funding at the ADC given the expected increase resulting from the use of a risk-free rate in the latest actuarial valuation.

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The long-term liability burden metrics were adjusted to include the district's series 2024A PIBs as the series 2024Bs were amortized in December 2024. The long-term liability metrics also capture the

amortization of existing debt through FYE 2025 and \$215 million to reflect the planned 2026 issuances of \$170 million in GO.

It also includes the city's firefighter pension plan (new fund) based on a Jan. 1, 2024 actuarial valuation that uses a risk-free discount rate which lead to a higher net pension liability and actuarially determined contribution.

PROFILE

The city of New Orleans, which is coterminous with Orleans Parish, is located in southeastern Louisiana and occupies approximately 199 square miles. New Orleans' status as a major tourism destination, along with its significant commercial presence, has been a major growth driver in recent years. The local economy also continues to diversify from a historical reliance on shipping and energy with gains in healthcare and technology. The population is estimated at about 365,000, more than 74% of the pre-Hurricane Katrina population in 2005.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

New Orleans (LA) [General Government] has an ESG Relevance Score of '4' for Rule of Law, Institutional & Regulatory Quality, Control of Corruption due to diminished financial management and frequent changes in financial management leadership, which has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
New Orleans (LA) [General Government]	LT IDR	A- 	Downgrade	A 
<hr/>				
• New Orleans (LA) /General ObligatiobT - Unlimited Tax/ 1 LT		A- 	Downgrade	A 
<hr/>				
• New Orleans (LA) /Limited	LT	A- 	Downgrade	A 
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ENTITY/DEBT	RATING	RECOVERY	PRIOR
Ad Valorem Tax Revenues/ 1 LT			

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	⊕	◆
STABLE	⦿	

Applicable Criteria

[U.S. Public Finance Local Government Rating Criteria \(pub.02 Apr 2024\) \(including rating assumption sensitivity\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 [\(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

New Orleans (LA) EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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