



"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21ST"

Sewerage & Water Board of NEW ORLEANS

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Sewerage and Water Board Issues Bonds for Water and Sewer Systems

New Orleans - The Sewerage and Water Board of New Orleans sold bonds on Tuesday for its water and sewer systems to refinance outstanding debt and fund its capital improvement program. The \$103,525,000 water system revenue bonds and \$158,990,000 sewer system revenue bonds attracted favorable attention from the marketplace after receiving ratings of BBB/BBB from Fitch and BBB+/A from Standard & Poor's. The bonds were sold by the Board of Liquidation through a negotiated underwriting process with co-financial advisors Public Financial Management and CLB Porter.

The refinancing of previous debt achieved one-time savings of more than \$2.4 million for the water system and \$9.0 million for the sewer system. Board President Pro-Tem Ray Manning noted that, *"These savings will be used to pay for additional investments in construction projects."* The water bonds carried an average interest rate of 4.47% while the higher-rated sewer bonds carried a rate of 3.91%.

The bond sale followed significant increases in water and sewer rates in December 2012. The rate increases were used to increase cash reserves, pay down other liabilities, and improve debt service coverage in advance of the sale, resulting in higher bond ratings announced in May 2014. Sewerage and Water Board and Board of Liquidation staff worked with a financing team composed of financial advisors, bond counsels, underwriters, and underwriter counsels to develop new bond documents for these deals. *"The new bond documents represent standard terms and conditions used by other large high-grade municipal issuers"*, said David Gernhauser, Secretary for the Board of Liquidation.

The capital improvement program for the water system received \$77.0 million and the sewer system received \$47.3 million. *"These bond proceeds represent the first occasion when the Board's capital programs have been fully funded for a plan year in more than twenty-five years,"* according to Joseph Becker, General Superintendent for the Board. Additional bond issues will be needed every one-to-two years for the next several years.

Interim Executive Director Bob Miller said, “We made several specific commitments to the community during the rate approval process. Since that time, we planned our work, worked our plan, and achieved remarkable results yesterday. This represents a significant promise made and kept.”

There were more than \$2.75 billion of orders placed by investors for the two bond issues or more than ten times the amount of bonds available to be sold. Mayor-President Mitch Landrieu said, *“This is an extremely strong vote of confidence in the City of New Orleans and the direction underway at the Sewerage and Water Board. It will serve us very well for future borrowings which will be needed to continue the necessary capital improvements to rebuild the water and sewer systems.”*

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