



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

Sewerage & Water Board OF NEW ORLEANS

MITCHELL J. LANDRIEU, President
WM. RAYMOND MANNING, President Pro-Tem

625 ST. JOSEPH STREET
NEW ORLEANS, LA 70165 • 504-529-2837 OR 52W-ATER
www.swbno.org

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Contact: Robert Jackson 504-269-7978
Brenda Thornton 504-269-7819

Sewerage and Water Board Issues Bonds for Water and Sewer Systems

This week, Sewerage and Water Board of New Orleans (S&WB) sold bonds for its water and sewer systems to fund its capital improvement program. The \$100 million water system revenue bonds and \$100 million sewer system revenue bonds attracted favorable attention from the marketplace after receiving ratings of BBB+/BBB+ from Fitch and A-/A from Standard & Poor's. The bonds were sold by the Board of Liquidation through a negotiated underwriting process with Bank of America / Merrill Lynch using co-financial advisors Public Financial Management and CLB Porter. The water bonds carried an average interest rate of 4.09% while the higher-rated sewer bonds carried a rate of 4.06%.

"This is a truly remarkable indication of financial marketplace confidence in the Sewerage and Water Board of New Orleans," said Mayor Mitch Landrieu. "These funds will be used primarily to rebuild the network of pipes beneath our streets, support reconstruction of major portions of the street surfaces above those pipes, as well as to improve the reliability of our water treatment and pumping systems to reduce the likelihood of service disruptions in the future."

The bond sale followed increases in water and sewer rates approved by the New Orleans City Council 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 and November 2015.

Cedric Grant, Executive Director of S&WB said, *"Several specific commitments were made to the community during the rate approval process. Since that time, we have been diligent in executing our plans to rebuild the water and sewer system infrastructure. These bond proceeds will allow us to move forward on an accelerated basis."*

The credit rating assigned to the water bonds remain slightly below where they were prior to Hurricane Katrina, while the sewer bonds have returned to the level they were in 2005; the drainage system bonds are now higher than they were at that time. There were more than \$2.84 billion of orders placed by investors for the two bond issues or more than fourteen times the amount of bonds available to be sold.

David Gernhauser, Board of Liquidation Secretary said, *"The favorable interest rates are the direct result of improvements to the bond ratings."*

The capital improvement program had been mostly deferred for more than twenty-five years until new bonds were sold in 2014. Additional bond issues will be needed every one-to-two years for the next several years.

Joseph Becker, General Superintendent for S&WB said, *“These bond proceeds continue to fully fund the capital projects that are currently underway and planned for 2016.”*

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