



Sewerage & Water Board OF NEW ORLEANS

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SWBNO Retains its Rating for Water and Sewer Service Bonds *Utility Finalizing its 2017 Financial Audit*

NEW ORLEANS -- The Sewerage and Water Board of New Orleans (SWBNO) is pleased to announce that the rating of its water and sewer service and refunding bonds remains unchanged as it continues to recover financially from the unexpected costs associated with a string of emergencies in 2017 and 2018.

Fitch Ratings affirmed SWBNO's "A-" rating for bonds sold in 2014 and 2015. However, the rating outlook, which indicates the potential direction of a future rating, was reduced from "stable" to "negative." This change reflects the challenges SWBNO faces as it works to restore its cash reserves and improve its revenue collection processes.

The consistent bond rating provides SWBNO with a good climate to sell bonds to pay for capital projects. Fitch found that SWBNO had the revenue to fulfill its debt service payments in 2019 and noted that the utility has not missed any of its monthly accrual payments.

"This is welcome news," SWBNO Executive Director Ghassan Korban said. "We can continue to build on our recent improvements by going to the bond market next year with the goal of financing new capital projects."

Fitch noted that the scheduled annual 10 percent rate increases for water and sewer services, which will continue through 2020, were integral to its decision to keep SWBNO's bond rating unchanged.

SWBNO sold bonds in 2014 and 2015 to pay for capital projects on New Orleans water and sewer systems.

- \$200.7 million for water
- \$216.5 million for sewerage

This year has been an extraordinary year of change for SWBNO. Starting with the response to the flood event of Aug. 5, 2017, Operations Staff have doggedly fought to restore New Orleans' drainage system to a state of readiness it has not enjoyed in years. To get there, the utility spent more than \$80 million to restore New Orleans' drainage infrastructure and SWBNO's self-generated power supply. That investment negatively affected the utility's 90-day cash reserves required by its covenants for water and sewer service bonds.

A reliable revenue stream will be vital to stabilizing SWBNO's bond rating going forward, which is why the utility is determined to improve its billing and collections processes. The success of that monumental project will resonate across the City, restoring much needed public trust in this storied utility.

Additionally, SWBNO is in the final stages of completing its Comprehensive Annual Financial Report (CAFR) for fiscal year 2017. To give SWBNO's external auditors the additional time they have requested to properly vet the financial data provided by the utility, SWBNO has asked the state auditor for a third and final extension. If granted, the auditors would have until Nov. 30 to complete the CAFR.

SWBNO's leadership does not take this request lightly. Accountability to customers and the public is the utility's primary goal, and proper, reliable financial tracking is the essential foundation for that.

Chief Financial Officer Yvette Downs said: "Both the Board and Postlethwaite & Netterville are dedicating resources to complete the testing as expeditiously as possible."

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