

# Customer Advisory Committee

December 10, 2021



# Agenda

- Roll Call
- Updates
  - Smart Metering
  - WIFIA Loan Closing
- Organizational Chart Deep Dive
- Capital Planning
- Adjournment

# Smart Metering Update

- RFP to be released Monday, December 13<sup>th</sup>
- Responses will be due February 4<sup>th</sup>
- Anticipated contract by June 2022
- On track for first meter installs in Q4 2022





# WIFIA

- EPA- Water Infrastructure Finance and Innovation Act of 2014
- Provides low interest loans to water/wastewater utilities
- Highly favorable terms for utilities
- Allows for payments to begin *after* work is complete and up to 5 years of deferment after completion
- Up to 35 year repayment period
- Requires 51% matching funds, up to 80% Federal funds total



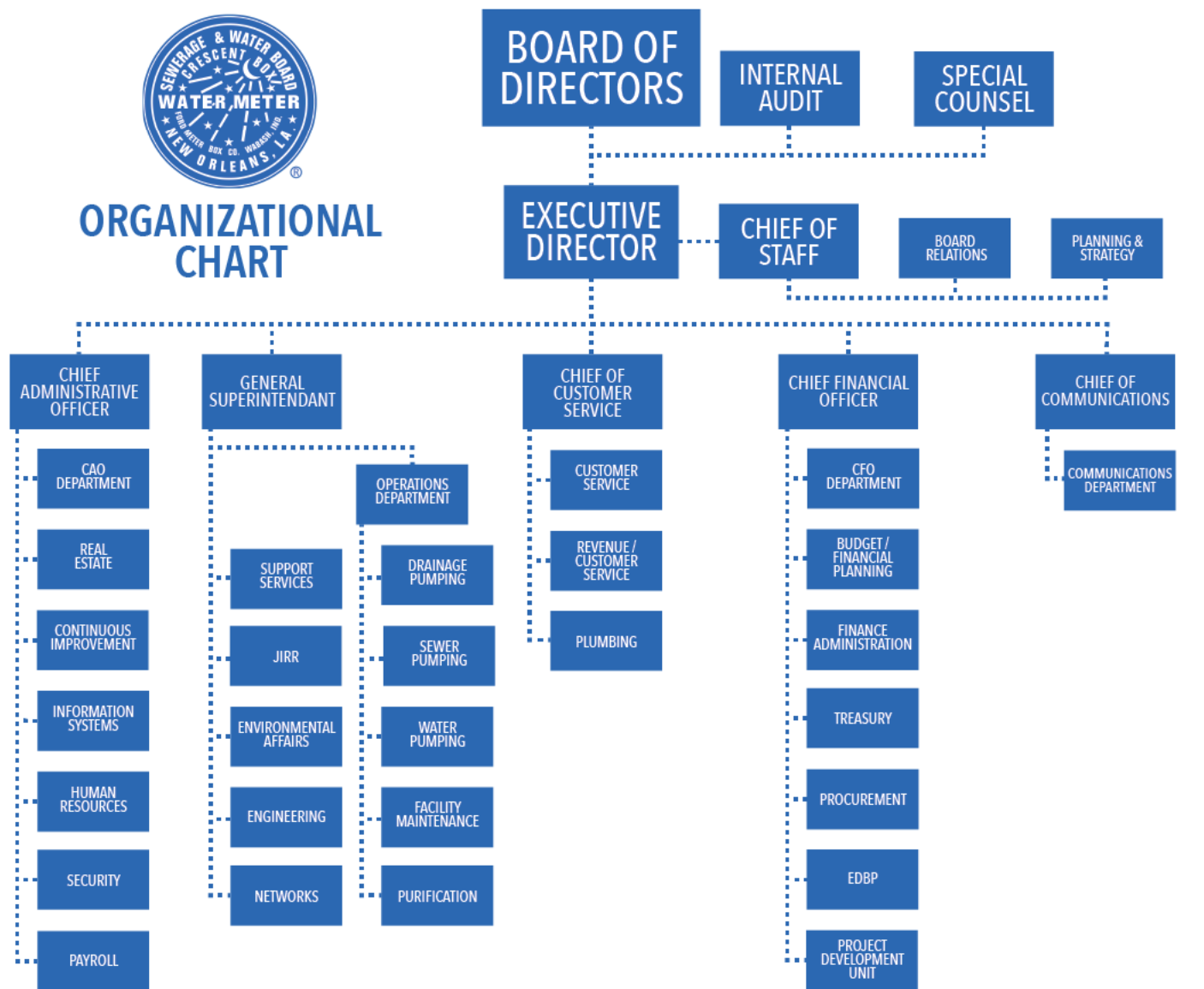
# WIFIA Loan Closing

- \$275 Million Loan - \$561 Million total cost for 160 Projects
- Interest rate of 1.85%
- Will finalize work required under Federal Consent Decree for Sewer
- Terms will save \$100 Million in financing costs vs. typical bonds

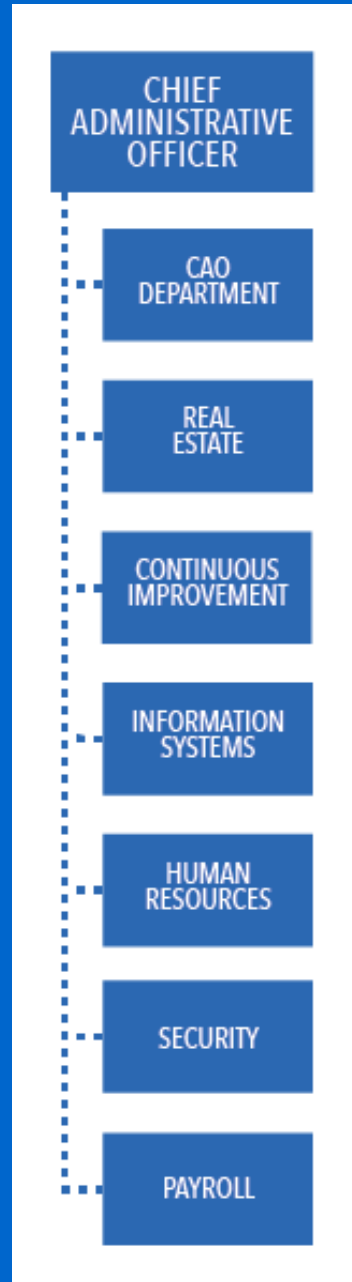




## ORGANIZATIONAL CHART



- 8 members of the Leadership Team
- 5 overall “Organizations”
- 2 Orgs sit between the Board of Directors and the Executive Director



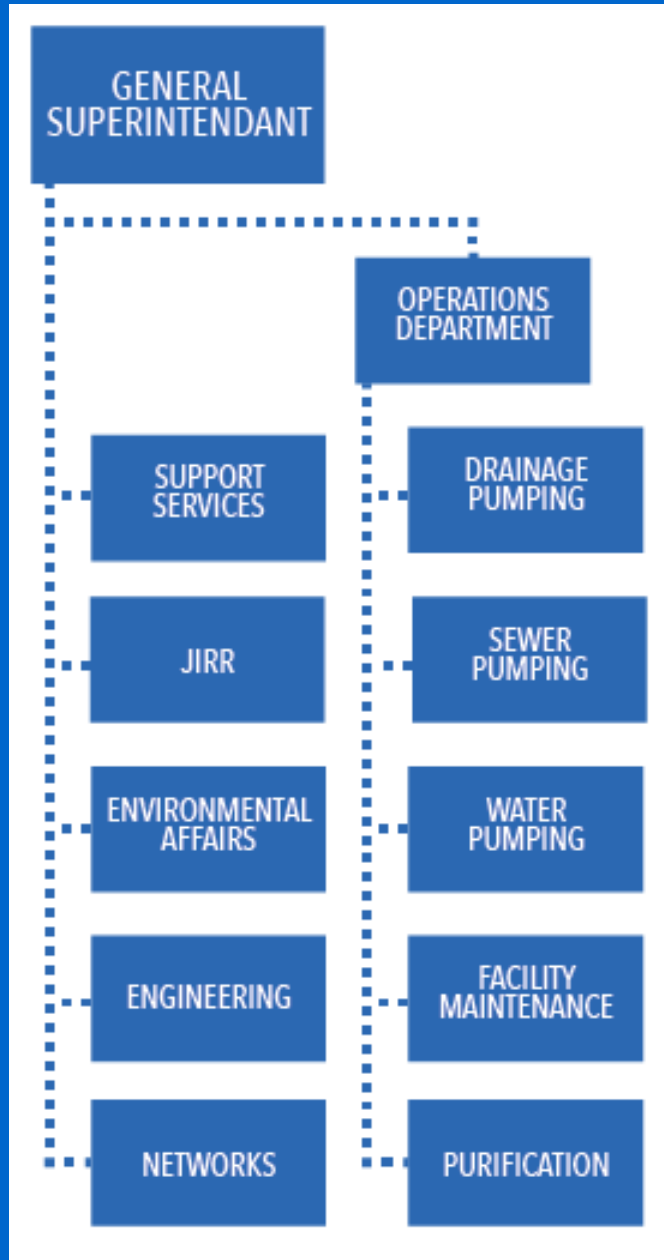
- Chief Administrative Officer organization contains several cross organizational service-related functions such as HR/Payroll, Safety, Security, Emergency Management, Risk Management, Information Technology, and yet to be developed Real Estate Administration, and Continuous Improvement.
- 2021 Figures:
  - 60 Employees
  - \$44,609,518 Budget



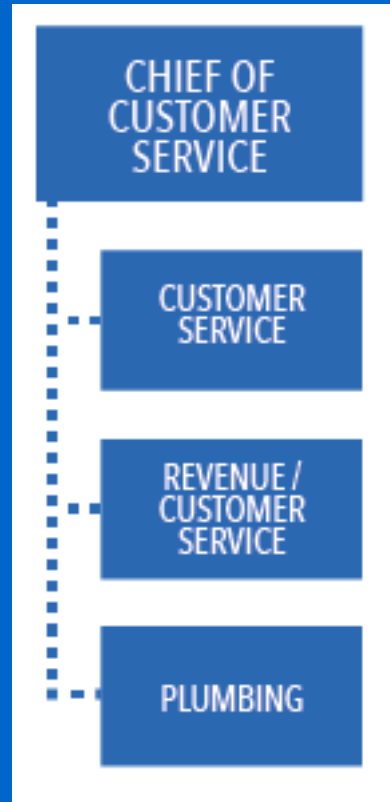
- The Communication Team objective is to obtain and disseminate information to customers, public officials and internal staff that is pertinent to the utility's daily aim to keep New Orleans safe and healthy. It plays an integral role in public education, swift notification during emergencies and the collection of feedback to inform internal decision-makers. Its duties include media relations, intergovernmental relations, public outreach and coordination of all marketing and education strategies.
- 2021 Figures:
  - 3 Employees
  - \$397,791 Budget



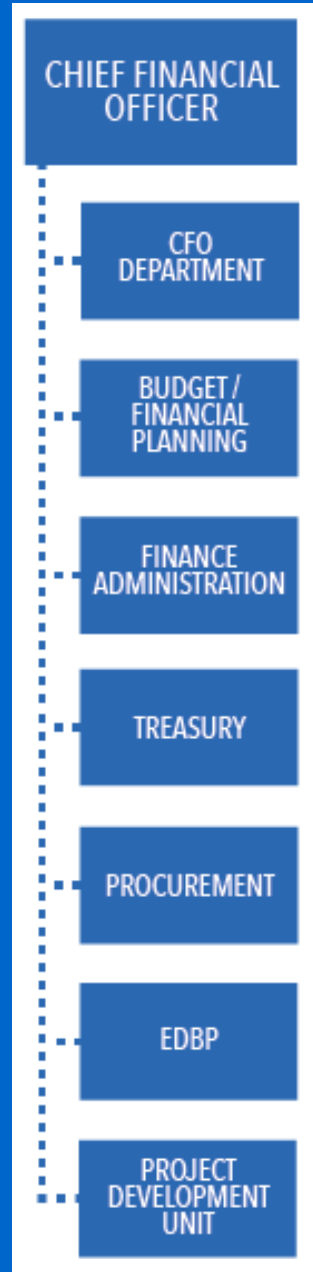




- The General Superintendent's Office oversees all aspects of field operations, including water treatment and distribution, sewer treatment and collection, and drainage.
- The General Superintendent's organization includes approximately 70% of all SWBNO staff, is allocated almost 75% of the O&M budget and is responsible for over 85% of the planned capital projects in 2021.
- 2021 Figures:
  - 910 Employees
  - \$146,097,712 Budget (operational)



- The Customer Service Org engages with the organization and manages customer relationships, revenue and profit, while creating a persistent focus on the customer journey in the strategies the organization implements.
- 2021 Figures:
  - 257 Employees
  - \$12,679,389 Budget



- The Finance Department oversees SWBNO’s strategic sourcing, planning and budgeting, accounting, treasury management, pension program, and the organization’s project delivery program
- 2021 Figures:
  - 71 Employees
  - \$9,713,370 Budget



# 2022 Operating Budget Lookahead

(not yet adopted)

- 2022 Recommended Operating Expenses are budgeted \$24.1 million, or 12.1% higher than 2021 Adopted Operating Expenses

- Addition of 248 new positions

- Significant adjustments and additions for 2022 include:

- Establishment of a formal \$1.5 million Emergency/Contingency Fund.
- Allocation of \$2.7 million for compensation adjustments to comply with the City's \$15 minimum wage resolution.
- Creation of a centralized employee training budget, with significantly restored funding.
- Allocation of some preventative maintenance/repair costs to the operating budget to ensure funding availability.

|                          | 2021<br>Adopted<br>Budget | 2022<br>Recommended<br>Budget | \$<br>Change  | %<br>Change |
|--------------------------|---------------------------|-------------------------------|---------------|-------------|
| Total Operating Expenses | \$ 199,852,176            | \$ 223,936,110                | \$ 24,083,934 | 12.1%       |
| Total Operating Budget   | \$ 394,316,826            | \$ 453,674,951                | \$ 59,358,125 | 15.1%       |

|                                | 2021<br>Authorized<br>Positions | 2022<br>Recommended<br>Positions | #<br>Variance |
|--------------------------------|---------------------------------|----------------------------------|---------------|
| Chief Administrative Officer   | 60                              | 90                               | 30            |
| Chief Financial Officer        | 71                              | 80                               | 9             |
| Chief Customer Service Officer | 257                             | 301                              | 44            |
| Communications                 | 3                               | 7                                | 4             |
| Executive Director             | 9                               | 13                               | 4             |
| Special Counsel/Legal          | 10                              | 16                               | 6             |
| General Supt./Operations       | 910                             | 1061                             | 151           |
| <b>Total</b>                   | <b>1320</b>                     | <b>1568</b>                      | <b>248</b>    |

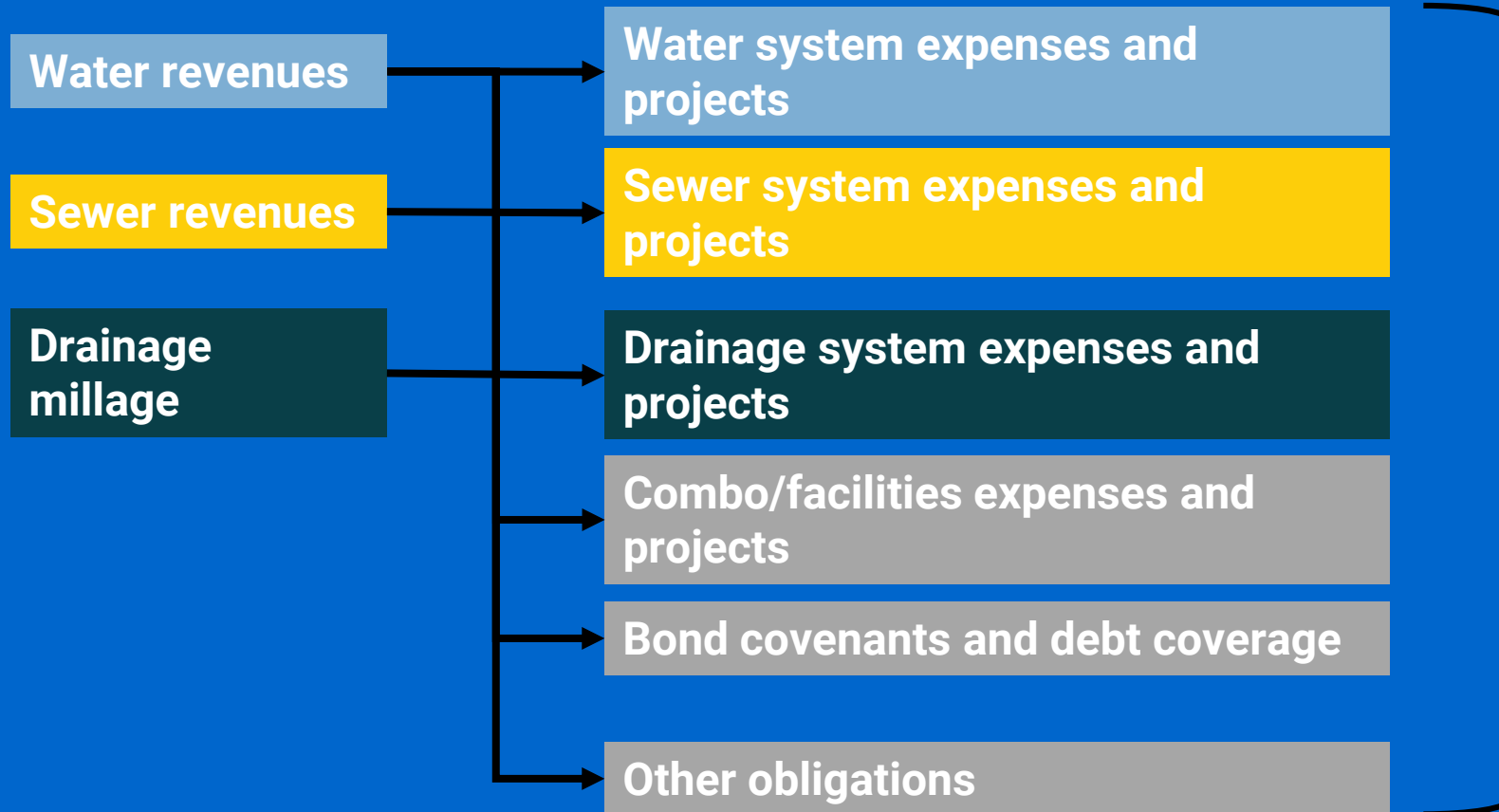


# Utility Budget Basics

- Operations budget
  - 'Ordinary and necessary' to run a business (or organization) – short term
  - Personnel-related expenses (salaries, benefits, etc)
  - Maintenance, repair, utilities, day-to-day expenses
- Capital budget
  - Extends the useful life of a public works; increases or improves fixed assets
    - Assets are 'positives' on a balance sheet (add value to the organization), but are depreciated over time
  - Typically engineering-related projects, but can also be any large investment that extends beyond the accounting period and improves assets
  - Example: Smart Metering



# SWBNO Revenue Allocation



- ~90% of revenues go towards operating expenses
- Water, sewer, drainage funds operate independently
- ~10% of revenues is dedicated for projects/expenses that aren't immediately known at the time of budgeting

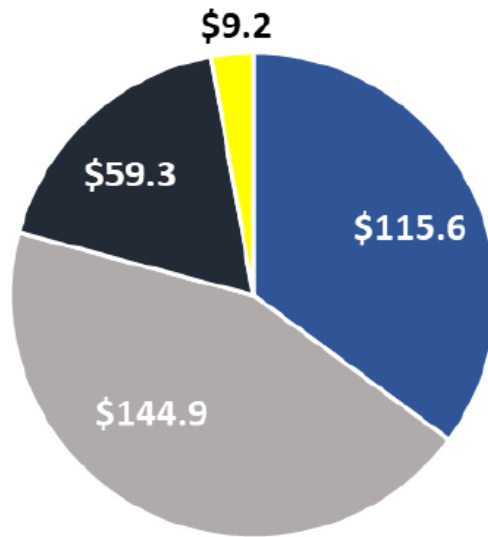
**2021 Operating Budget**  
\$394M

**2022 Operating Budget**  
*(recommended)*  
\$454M



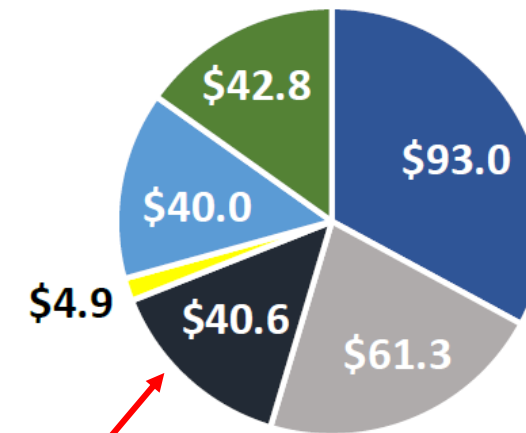
# 2021 Adopted Operating Budget

2021 Revenues (\$329 m)



- Water Sales
- Sewer Sales
- Drainage Millage
- Other Revenue Sources

2021 Operating Expenses (\$282.6 m)



- Personnel Services
- Services and Utilities
- Materials and Supplies
- Other Operating Expenses
- Debt Service
- Paygo



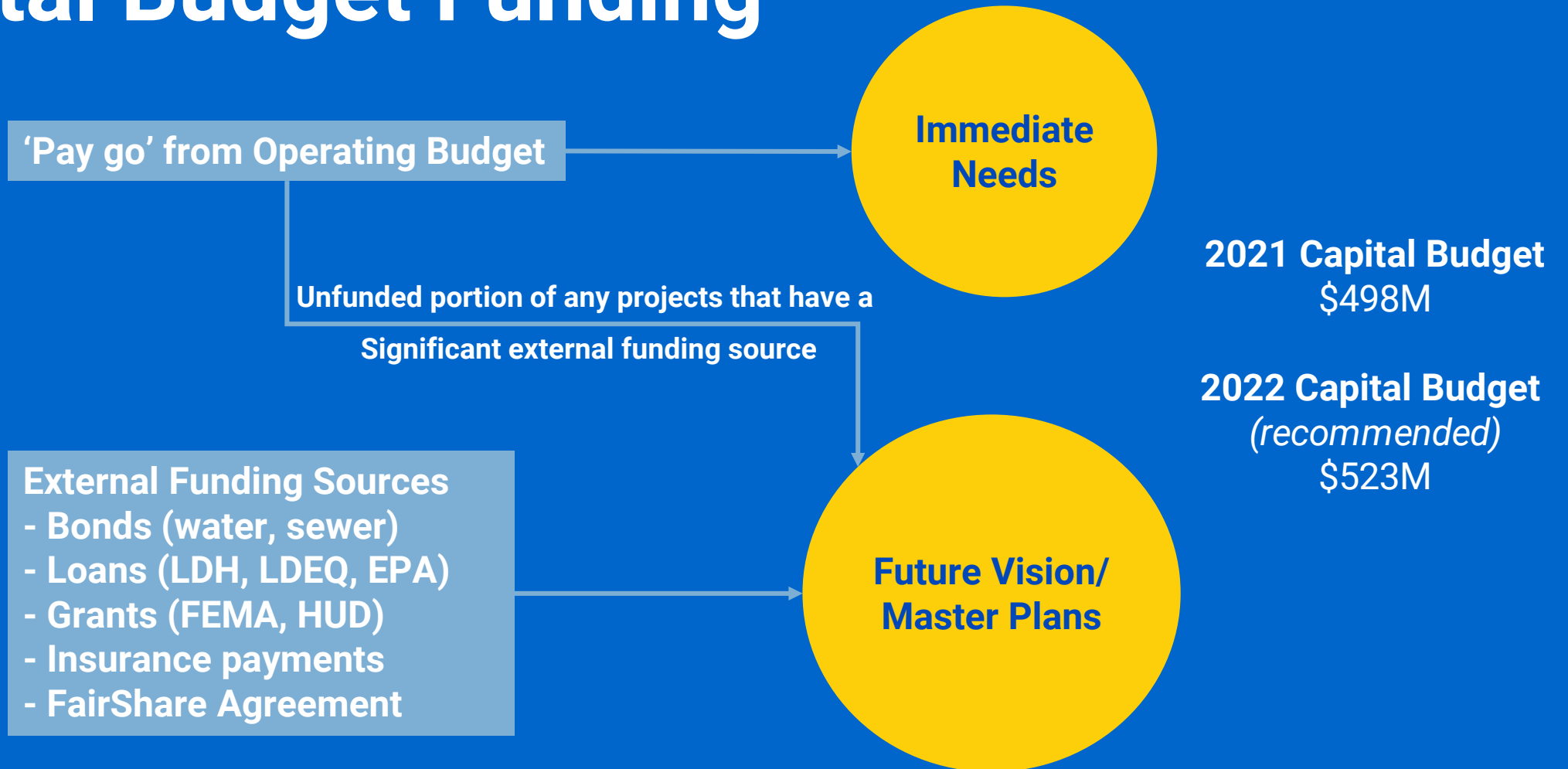
# Capital Budget Development

- There are limited system funds available for capital projects
- Large capital programs must seek external funding in order to proceed
  - Any shortfalls must be met via 'pay-go' funds
- On-going projects must be continually budgeted on an annual basis
- Major new projects in 2022
  - Fleet/rolling stock replacement (combo, pay-go)
  - Bulk chemical feed facility (water, pay-go)
  - Water Hammer Phase 3 (water, FEMA)
  - West Power Complex (combo, various sources)
  - Hurricane Ida damage repairs (sewer, insurance)





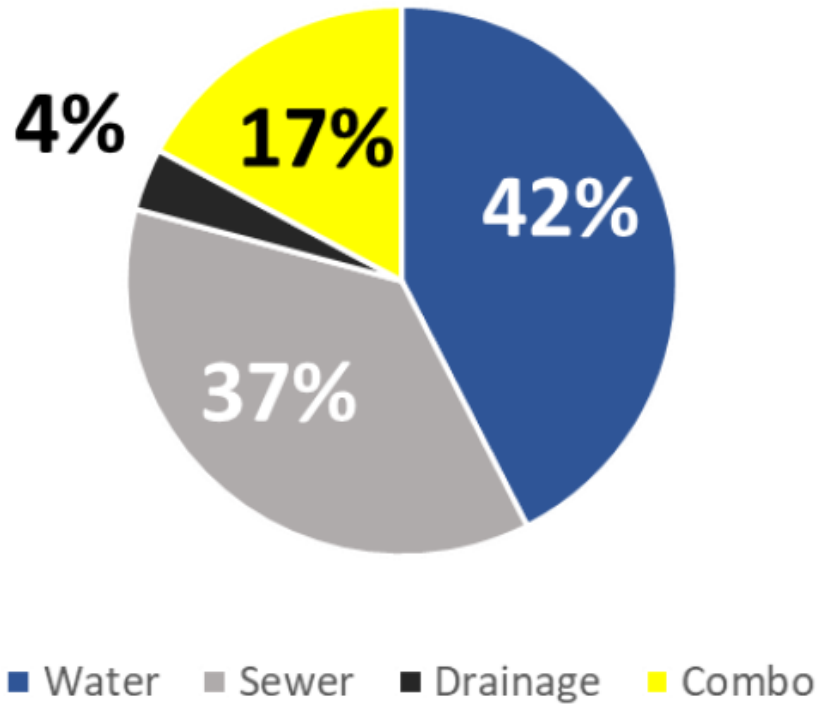
# Capital Budget Funding



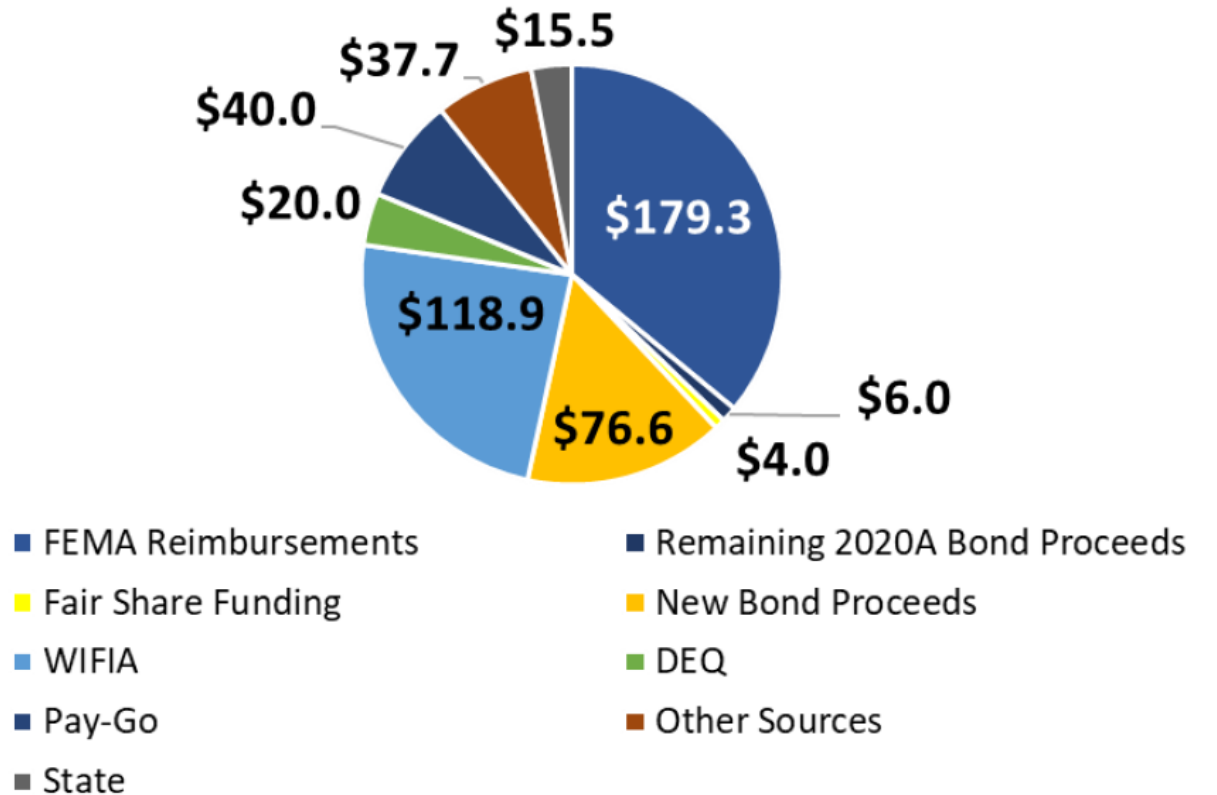


# 2021 Adopted Capital Budget

2021 Capital Uses (\$465m)



2021 Capital Sources (\$498m)



# Estimated 2022 Capital Sources & Uses and Identified Projects<sup>1</sup>

| Sources   | Sewer                 | Water                 | Drainage             | Total                 |
|---|-----------------------|-----------------------|----------------------|-----------------------|
| WIFIA Capital Financing                             | \$ 93,462,424         | \$ -                  | \$ -                 | \$ 93,462,424         |
| FEMA - JIRR   | \$ 15,343,736         | \$ 113,156,264        | \$ 1,500,000         | \$ 130,000,000        |
| FEMA - Non JIRR                                     | \$ 4,000,000          | \$ 41,677,870         | \$ -                 | \$ 45,677,870         |
| Fairshare   | \$ 466,667            | \$ 7,466,667          | \$ 466,667           | \$ 8,400,001          |
| Other Capital Project Funds – Smart Metering        | \$ 5,600,000          | \$ 4,400,000          | \$ -                 | \$ 10,000,000         |
| Power Program (Capital Outlay, HUD CDBG, FEMA HMGP) | \$ 600,000            | \$ 600,000            | \$ 42,810,775        | \$ 44,010,775         |
| HUD CDBG NDR Grant                                  | \$ 194,332            | \$ 194,332            | \$ 194,332           | \$ 582,996            |
| IDA Insurance                                       | \$ 5,493,600          | \$ -                  | \$ -                 | \$ 5,493,600          |
| Pay-Go  | \$ 15,000,000         | \$ 15,000,000         | \$ 15,000,000        | \$ 45,000,000         |
| <b>Total</b>  | <b>\$ 140,160,759</b> | <b>\$ 182,495,133</b> | <b>\$ 59,971,774</b> | <b>\$ 382,627,666</b> |

| Uses and Identified Projects <sup>1</sup>               | Sewer                   | Water                   | Drainage               | Total                   |
|---|-------------------------|-------------------------|------------------------|-------------------------|
| WIFIA Program <sup>2</sup>                              | \$ (169,600,000)        | \$ -                    | \$ -                   | \$ (169,600,000)        |
| FEMA – JIRR <sup>2</sup>                                | \$ (11,215,491)         | \$ (176,400,000)        | \$ (1,500,000)         | \$ (189,115,491)        |
| FEMA - Non JIRR   | \$ (4,000,000)          | \$ (23,437,500)         | \$ -                   | \$ (27,437,500)         |
| Fairshare - Water Filter, Asset Mgmt, and Bulk Chemical | \$ (466,667)            | \$ (7,466,667)          | \$ (466,667)           | \$ (8,400,001)          |
| Smart Metering  | \$ (5,600,000)          | \$ (4,400,000)          | \$ -                   | \$ (10,000,000)         |
| Power Program   | \$ (600,000)            | \$ (600,000)            | \$ (42,810,774)        | \$ (44,010,774)         |
| HUD CDBG NDR Grant - Drainage SCADA                     | \$ (194,332)            | \$ (194,332)            | \$ (194,332)           | \$ (582,996)            |
| IDA Emergency Repair EBWWTP                             | \$ (5,493,600)          | \$ -                    | \$ -                   | \$ (5,493,600)          |
| Other Capital Projects and Capitalized Overhead         | \$ (22,361,948)         | \$ (23,587,306)         | \$ (31,639,222)        | \$ (77,588,476)         |
| <b>Total</b>  | <b>\$ (219,532,038)</b> | <b>\$ (236,085,805)</b> | <b>\$ (76,610,995)</b> | <b>\$ (532,228,838)</b> |
|   | <b>\$ (79,371,279)</b>  | <b>\$ (53,590,672)</b>  | <b>\$ (16,639,221)</b> | <b>\$ (149,601,172)</b> |

<sup>1</sup> Actual Capital appropriation and spending will be limited based on available Sources by System. Identified projects without available funding will be deferred beyond 2022 or until funding becomes available.

<sup>2</sup> WIFIA Program encompasses 164 projects covering Sewer line replacements to complete consent decree requirements and Water line and transmission main replacements as a part of the JIRR Program.





# 2022 Budget Cycle: Capital Program

- The proposed budget represents a difficult balance of operating and capital needs and a commitment to provide necessary public services given the reality of a resource-constrained environment.
- The community understands that the organization has significant outstanding needs to rebuild and revitalize our infrastructure. Due to successful low-interest loan applications, bond sales, and intergovernmental negotiations, the utility has access to new funding sources that allow for a more robust capital program as compared to the past several years.
- However, our external funding sources are not fully aligned with our planned uses by system. The organization must use system funds to pursue critical project work that falls outside the eligibility criteria of our external funding sources. Additionally, for joint infrastructure projects estimated uses provide budget authority to allow pre-bid activities to commence, however actual spending may occur in future years.
- The November 10, 2021, closing of WIFIA provides a \$275 million EPA Loan, which along with planned matching funds of \$80 million of Sewer Bonds, \$37 million of SRF Loans, and \$173 million of FEMA funding provides \$565 million in sources for completion of key Sewer and Water line replacement programs over the coming years.

# Adjournment

Next Meeting- January 14, 2022

