

Sewerage and Water Board of New Orleans

Drainage Fee Feasibility Update Project: Results Review

September 2023



Agenda

1. Who is Raftelis
2. What is our scope?
3. What did we learn and hear?
4. Recommendations
5. Implementation Options
6. Discussion

Who is Raftelis?

The most experienced utility financial and management consulting practice in the nation.

With

160+

consultants across the U.S.

Raftelis has provided financial/organizational assistance for

1,200+

public agencies and utilities

that serve more than

25%

of the U.S. population

including the agencies serving

38

of the nation's 50 largest cities

NATIONAL Experience

Raftelis has worked with
SWBNO for...

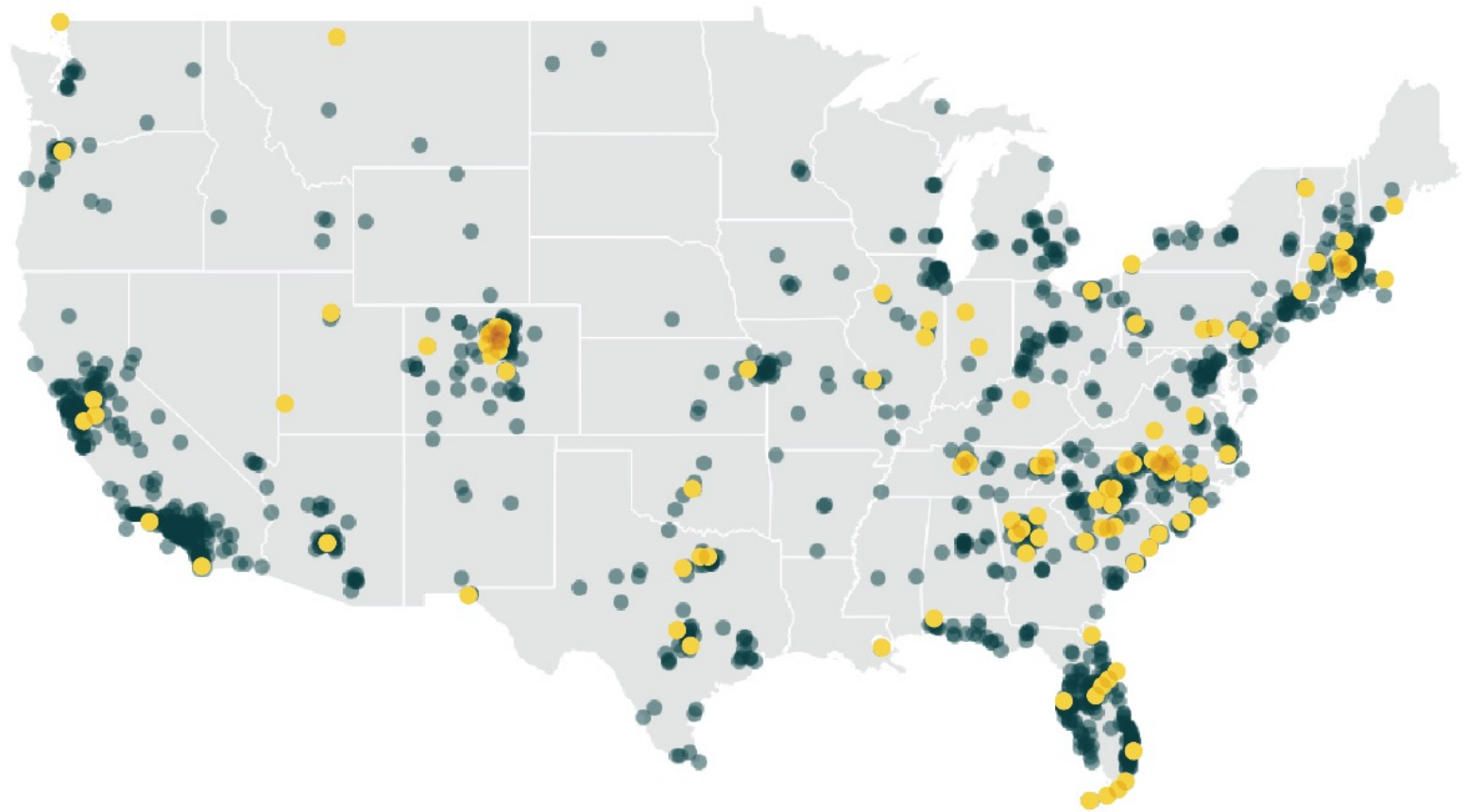
10+ Years

And worked with...

140+ Other drainage
programs in the U.S.

And helped create...

75+ Stormwater utilities



Our Scope



Project Critical Elements

Assess Current Situation

New costs, new geographic data, new perspectives from stakeholders.

Update Analyses

Create financial planning model, develop scenarios, update units of service.

Develop Options

Provide recommendations for implementation with alternatives to meet a variety of complex circumstances.

Project Tasks

- 1. Program Components**
- 2. Cost of Service / Revenue Requirements**
- 3. Rate Structures**
- 4. Data and Systems**
- 5. Units of Service**

**What did we learn
and hear?**



Recurring themes

1 More funding is needed

Most realize it will take more money to better manage the entire system

2 Stakeholders desire fairness and equity, and want to be heard

Millages disliked by most, combo may not be feasible, credits will be important

3 Community distrust is high

SWBNO or City, major or minor system

**This approach is
responsive to
community priorities**

Definition of Equity

- 1** **Everyone Pays**
- 2** **Three Tiers for
Residential**
- 3** **Credits Program**
- 4** **Affordability Program**

Recommendations



The main points

- S&WB must spend more on drainage O&M and Capital
 - › Near-term maybe \$100M-\$110M
- For S&WB to care for minor drainage system, more funding is required, perhaps an increment of \$15-\$20M annually (included in above number)
- Gradualism and a phase-in will be needed
- Transition over time to a fairer way of charging
 - › A fee is more equitable, and typically more sustainable
- Use fee revenue “headroom” to service new debt issuances
- Rate structure - impervious area with simplified residential rates and 3 tiers, plus a credits program and an affordability program

Drainage Fee Funding Areas

Drainage fee revenue will provide funds for incremental level of service in addition to current operations

Focus areas for funds provided by a drainage fee include:

Minor System

Taking over and improving operation and maintenance of minor system (< 36")

Responsive to Community

Workforce development, capacity building, reforestation

Pumps and Canals

Pump station upgrade, canal dredging, green infrastructure

Power Master Plan

Addressing Power Systems by implementing recommended PMP solutions.

How fees would work – single family home



How fees would work – commercial



Property: High Rise Hotel (e.g., Omni Royal Orleans Hotel)	
Parcels:	41023342, 41023343
Total Gross Parcel Area:	48,250 sq ft
Total Measured Impervious Area:	46,746 sq ft
Total ERUs:	18

How fees would work – commercial



Property: Mercedes-Benz Superdome (now Caesars Superdome)	
Parcels:	41032318, 41208598, 41208602, 41208607, 41209144, 41209330, 51001697
Total Gross Parcel Area:	1,839,639 sq ft
Total Measured Impervious Area:	1,748,001 sq ft
Total ERUs:	636

How fees would work – commercial



Property: Save A Lot	
Parcels:	41131810
Total Gross Parcel Area:	44,909 sq ft
Total Measured Impervious Area:	38,350 sq ft
Total ERUs:	14

Implementation and Phase-in Options



Options

1

Phase in who pays

Customer class, taxpayers vs. exempt, start small, any exemptions?

2

Phase in how much customers pay

“Starter rates” to higher rates

3

Millage expirations

Options for expiration dates, possibility for caps

4

Billing options

Customers vs. owners, SWBNO bill vs tax bill

**This approach is
responsive to
community priorities**

Definition of Equity

- 1** **Everyone Pays**
- 2** **Three Tiers for
Residential**
- 3** **Credits Program**
- 4** **Affordability Program**

Drainage Fee

The Potential over 10 years

By **keeping the millages in place and phasing in a drainage fee*** to recover an additional \$35M in annual drainage revenue by 2032.

*Gains will be reduced if millages are allowed to expire.

New Revenue of \$178M

Under a four step phase-in

Create new jobs by funding \$83M in new operations

New operations for the minor system and small-scale GI

Enhance level of service by funding \$356M in new or upgraded Infrastructure

Through new debt issuances and annual paygo capital

Discussion





Raftelis is a Registered Municipal Advisor within the meaning as defined in Section 15B (e) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (Municipal Advisor Rule).

However, except in circumstances where Raftelis expressly agrees otherwise in writing, Raftelis is not acting as a Municipal Advisor, and the opinions or views contained herein are not intended to be, and do not constitute “advice” within the meaning of the Municipal Advisor Rule.



Infrastructure Advisory Board CNO Update

September 14, 2023

Agenda

- 1) Infrastructure Maintenance Fund (IMF)
 - a) IMF Revenue and Allocations through August
 - b) Outstanding IMF funding
- 2) Capital Outlay and Project Status
- 3) Drainage Consolidation Working Group

1

Infrastructure Maintenance Fund

Revenue and Allocations through July

August 2023 reconciliation has not yet been completed by Finance

Historical			2022						2023				
2020 Total	2021 Total		SWB Lost Penny	SWB STR Equalization	DPW Lost Penny	DPW STR Equalization	NOCO STR Occupancy		SWB Lost Penny	SWB STR Equalization	DPW Lost Penny	DPW STR Equalization	NOCO STR Occupancy
\$1,486,294	\$452,109	Jan	\$634,143	\$558,389	\$211,381	\$186,129	\$243,209	Jan	\$859,557	\$612,343	\$286,519	\$204,114	\$266,709
\$1,077,744	\$623,551	Feb	\$410,199	\$752,611	\$136,733	\$250,870	\$327,803	Feb	\$636,118	\$929,011	\$212,039	\$309,670	\$404,635
\$1,003,376	\$1,106,283	Mar	\$743,289	\$830,235	\$247,763	\$276,745	\$361,613	Mar	\$990,124	\$781,764	\$330,041	\$260,588	\$340,501
\$366,814	\$1,353,010	Apr	\$955,949	\$847,846	\$318,649	\$282,615	\$369,284	Apr	\$1,148,820	\$707,709	\$382,940	\$235,903	\$308,246
\$302,088	\$1,393,270	May	\$1,107,310	\$690,605	\$369,103	\$230,201	\$300,797	May	\$972,494	\$568,224	\$324,164	\$189,408	\$247,493
\$107,636	\$1,262,729	Jun	\$930,443	\$600,764	\$310,148	\$200,255	\$261,666	Jun	\$979,698	\$541,388	\$326,566	\$180,462	\$235,804
\$89,956	\$1,650,708	Jul	\$1,022,838	\$96,452	\$340,946	\$32,151	\$42,010	Jul	\$680,890	\$465,932	\$226,963	\$155,310	\$202,939
\$165,654	\$1,693,468	Aug	\$62,901	\$1,868,091	\$20,967	\$622,697	\$813,657	Aug					
\$151,422	\$516,150	Sept	\$447,882	\$615,335	\$149,294	\$205,112	\$268,012	Sept					
\$257,901	\$1,182,378	Oct	\$591,720	\$631,209	\$197,240	\$210,403	\$274,927	Oct					
\$378,478	\$1,241,491	Nov	\$974,622	\$689,342	\$324,874	\$229,781	\$300,246	Nov					
\$501,028	\$1,952,044	Dec	\$831,913	\$628,542	\$277,304	\$209,514	\$273,765	Dec					
\$5,888,391	\$14,427,191	Total	\$8,713,210	\$8,809,422	\$2,904,402	\$2,936,472	\$3,836,989	Total	\$6,267,701	\$4,606,371	\$2,089,232	\$1,535,455	\$2,006,327

	2022 (as of 8/1)	2023 (as of 8/1)
SWBNO	\$10,181,073	\$10,874,072
DPW	\$3,393,689	\$3,624,687

Outstanding IMF Funding

Status

- Ordinance being put forth to City Council authorizing the move of the additional \$5 million to SWBNO. Once ordinance is approved SWBNO will be able to invoice and money transferred.
- In process of gaining final approval for those funds being included in the regular annual budget allowing them to then be invoiced at start of each new year.

2

Capital Outlay and Project Status Update

Infrastructure Maintenance Fund – 2023

Almost \$26M was appropriated from the Infrastructure Maintenance Fund in the 2023 adopted budget

Personnel - \$1.2M

- 41 total positions funded
 - 18 hired
 - 23 vacancies (*18 requisitions in process*)
- New Principal Engineer (Maintenance)
- New Laborers in Traffic Signal Shop and Maintenance

Other Operating - \$24.5M

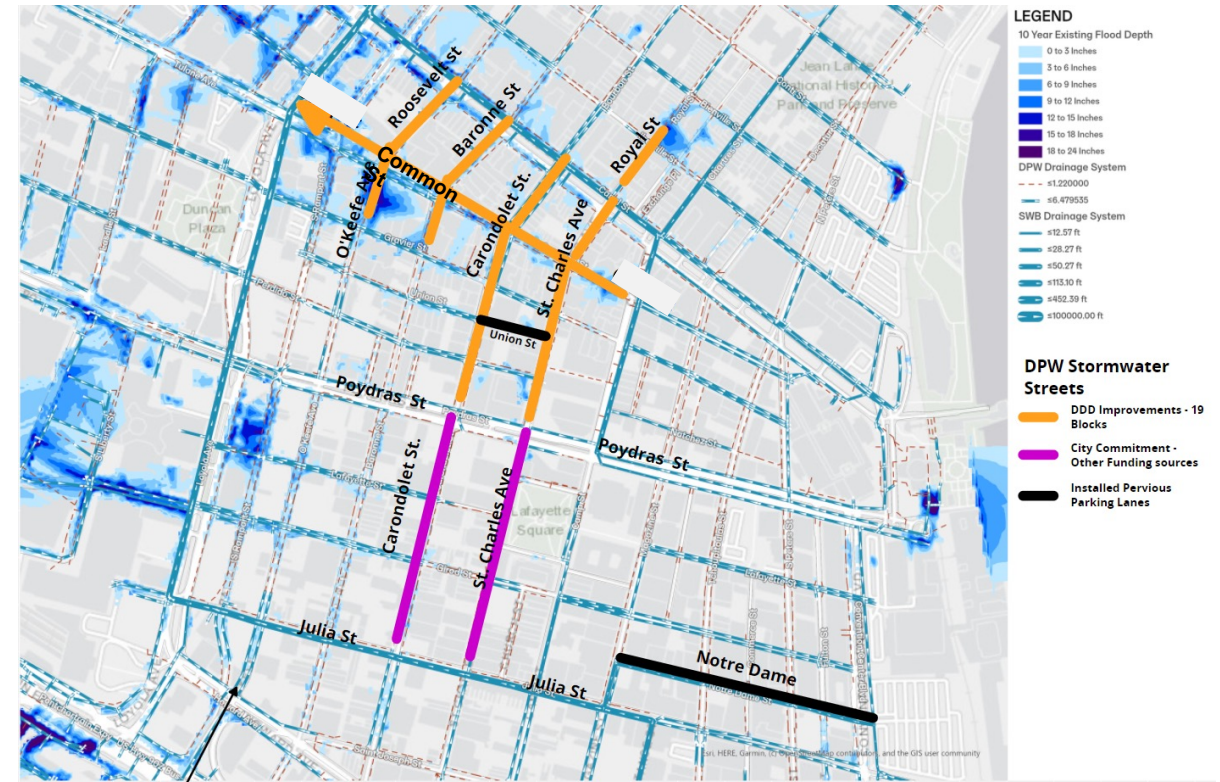
- SWBNO Payments (\$18M)
- Right of Way Repair Contracts (\$5M)
 - District A - \$871K
 - District B- \$1.2M
 - District C (EB) - \$1.8M
 - District C (WB) - \$1.3M
- Traffic Management – Streetlight Repairs (1.4M)

DDD Drainage Improvements

Timeline:

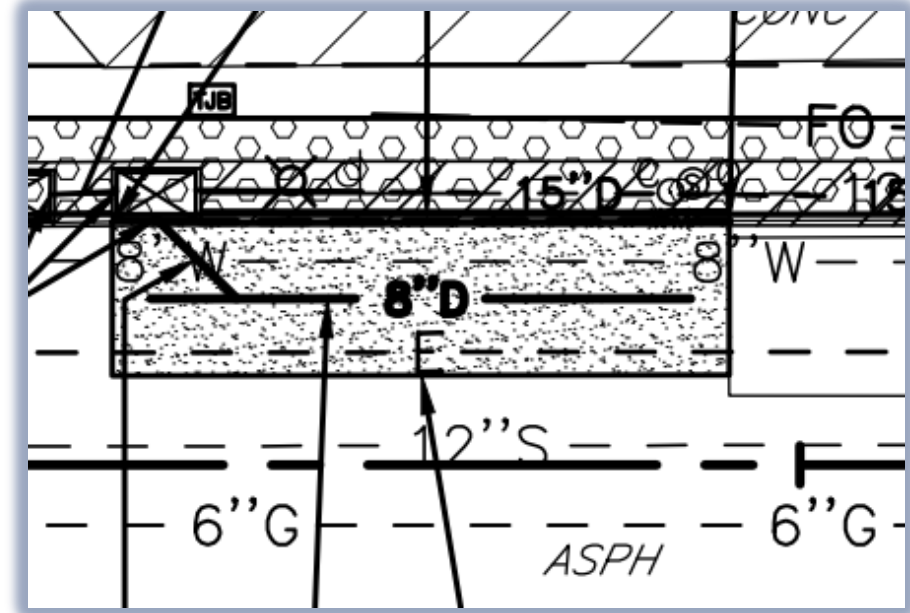
- Overall- Still on schedule to bid before Mardi Gras 2024
- Currently –Wingate has submitted plans for preliminary plans for all 18 blocks & Drainage Calculations. DPW & Meyer Engineering met 9/12/23 to review plans and drainage calculations
- Utility Coordination meeting occurred on Wednesday 8/30/2023 to review preliminary plans and provide comments on potential utility conflicts.
- Next Steps:
 - DPW & Meyer to provide collaborative plan review to Wingate
 - Coordinate with SWBNO for Utility Conflicts

Project Area:

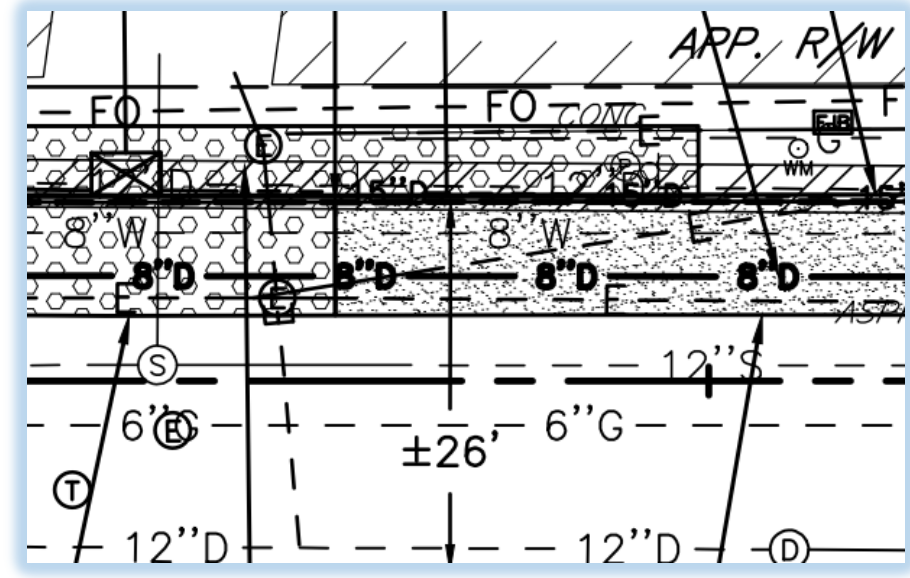


Potential Utility Conflicts (example pg104 Common St):

Picture 1- SWBNO existing 8" waterline within parking lane. Discussions with SWBNO on how to proceed.



Picture 2- Entergy gas and electric conflicts. Entergy will move their utilities or Wingate will design around existing



3

Drainage Consolidation Working Group

Drainage Consolidation Working Group

Overview and History

- Following the adoption of Motion M-22-148 in April 2022, the Drainage Consolidation Working Group was established to discuss the operational, financial, and legislative changes necessary to merge oversight and repairs of our City's drainage system under a single entity.
- The membership of the Working Group was established in May 2022 as follows:
 - CAO Montañó
 - Cm. Moreno (Council President)
 - Cm. Thomas (Public Works Committee Chair)
 - City Attorney Turner (Law Department)
 - Ghassan Korban (Sewerage and Water Board (SWBNO) Executive Director)
 - Josh Hartley, now Sarah Porteous (Acting Director, Department of Public Works)
 - Joe Threat (Deputy CAO for Infrastructure)
 - Bruce Thompson (Designee of the Business Council of New Orleans and the River Region)
- The Drainage Consolidation Working Group met three times in 2022, and the City and SWBNO conducted two additional smaller group meetings dedicated to discussing more detailed operational and logistical issues presented by consolidation.

Drainage Consolidation Working Group

Update

- The Chief Administrative Office provided a preliminary Working Group report to the City Council on January 31, 2023, and the Working Group has met once so far in 2023.
- The preliminary report to the City Council discussed the following:
 - The actions taken by the Working Group and its members thus far
 - The historical background of drainage system management by the City and SWBNO
 - Potential opportunities that consolidation would provide
 - Challenges presented by consolidation under SWBNO
 - Changes required to implement consolidation under SWBNO.
- The Working Group consensus is that a sustainable drainage system that is capable of operating as designed requires a strategic and proactive approach to cleaning and repairing the system and carries an enormous price tag for capital improvements and recurring maintenance.
- The Working Group intends to continue to explore options for sustainable funding going forward while simultaneously working through the operational and legislative challenges identified.



Questions?

Infrastructure Advisory Board

Quarterly Meeting

September 14, 2023





SWBNO Power Complex

Substation Work Remains on Schedule

- Entergy work remains on schedule for 2024 completion, transmission line work 90% complete

SWBNO Connections and Backup Plant

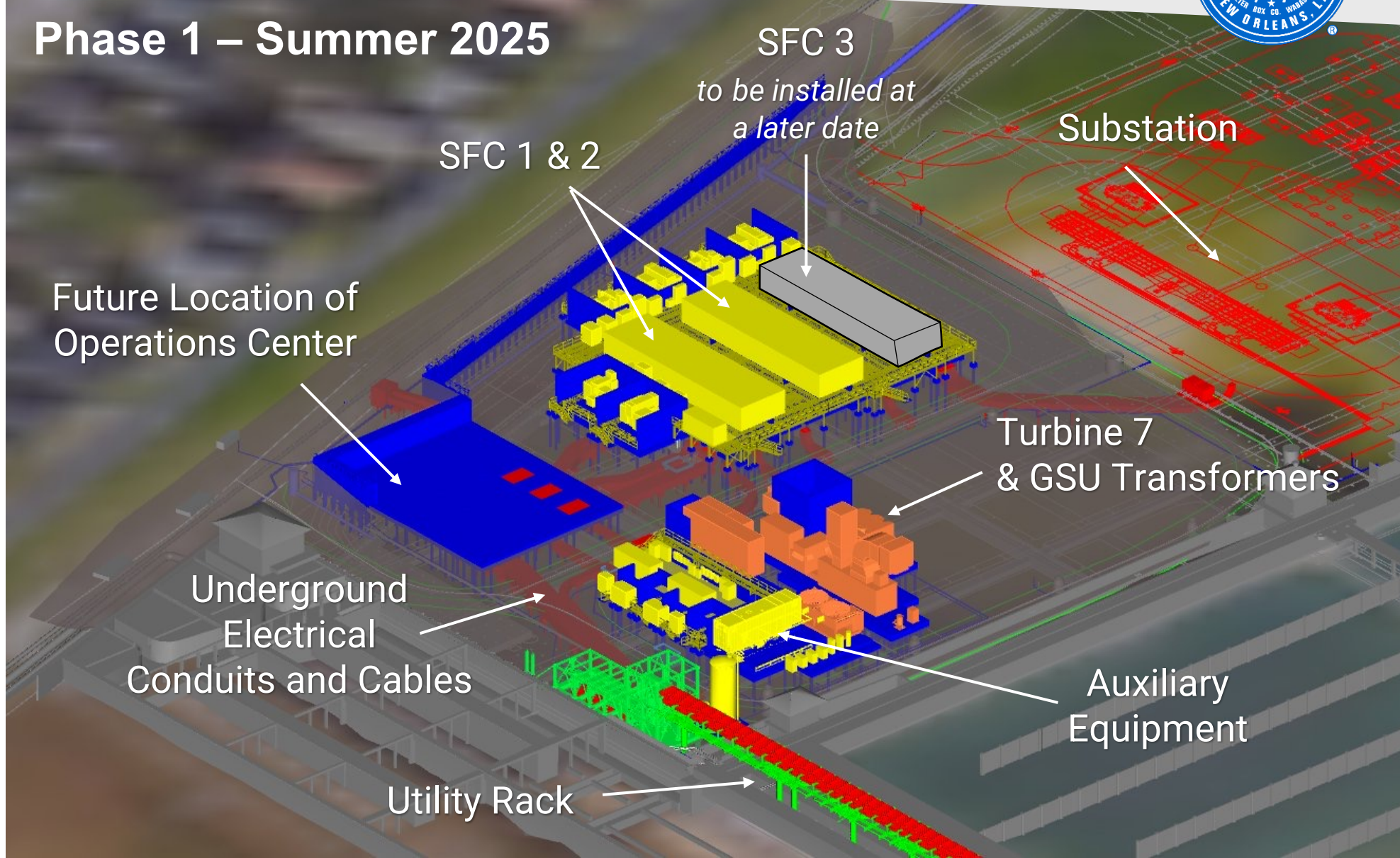
- Pile driving for utility rack foundations 100% complete
- Currently installing racks
- Optimizing **\$15 million** awarded during Legislative Session plus **\$10 million** of Fair Share
 - Moving forward with two static frequency changers and Turbine 7
 - Ready for peak hurricane season 2025





Phase 1 – Summer 2025

SWBNO Power Complex Rendering





Smart Metering Update

- Integration of smart metering technology and our IT systems
- Initial testing complete as of this morning
- 2,000+ meters installed as part of O&M, including 50 large meters
- Detailed communications planning and messaging continues
- First batch of postcards have already gone to public
- **\$5 million application for State Revolving Fund loan accepted**
- An additional \$4.8 million has been applied for



YOUR SMART METER IS COMING SOON!



The Sewerage and Water Board of New Orleans is implementing a Smart Metering Program to replace its current water meters with smart meters. This digital technology is reliable, efficient, and industry-proven. As part of this program, **your meter will be changed in the near future!**

The new smart meter will automatically read your water use on an hourly basis and transmit the information directly to SWBNO. Soon, a new customer portal will give you 24/7 access to your water use information and modern account management tools available on your smartphone or computer. Your new smart meter and customer portal will empower you as a customer and will help us respond faster and more efficiently to customers' needs.

THE BENEFITS OF SMART METERS:

-  More Accurate, Frequent Water Use Readings
-  Water Use Budgeting Tools
-  Minimizes SWBNO's Environmental Impact
-  Near Real-Time Leak Detections and Alerts
-  24/7 Access to Your Water Use Info
-  Improved Customer Service
-  Nearly Eliminates Estimated Bills



Paving Repairs (Networks & Contractors)



Average Repair Timelines*
80 days
(Down from 100-day average)

- **20% faster** than in 2022
- **Goal:** 2-4 weeks cut to fill

**As of June 2023*



Paving Repair Resources

Two new crews in the field

Additional equipment to reduce response timelines – 20% reduction already in 2023 over 2022

60-90 paving repairs per week

Contractors ramping up performance

- Aim to reduce backlog from 3,000 to 600-1,000 by year end
- Backlog currently dropping at around 100 work orders per week



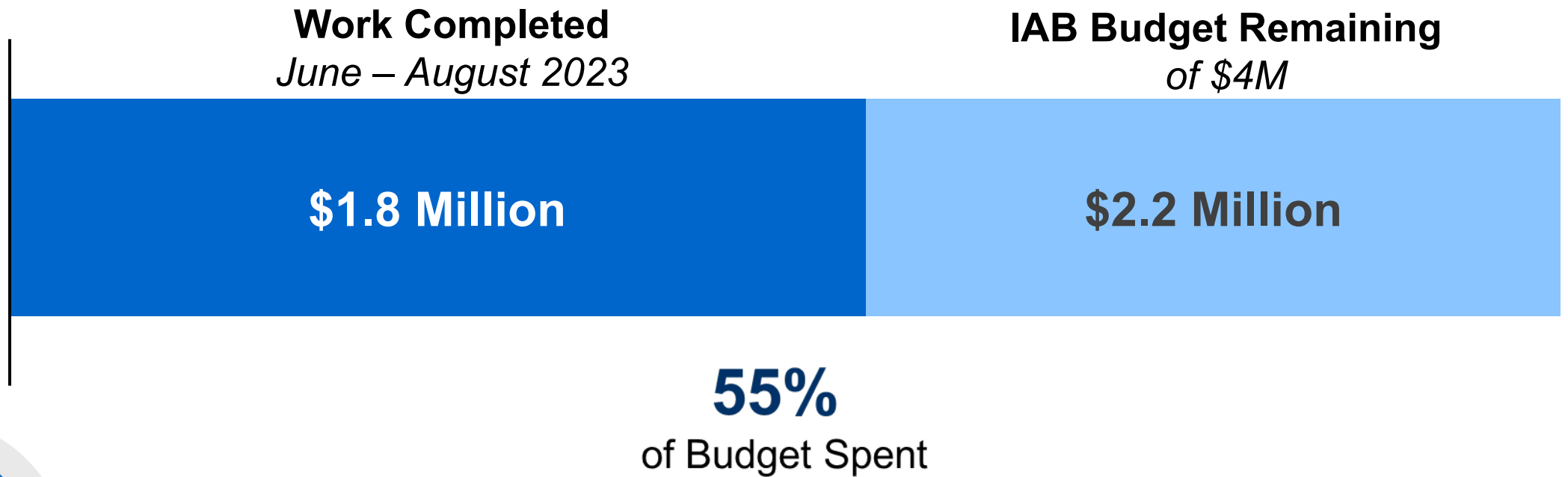
\$8.3M

Additional City/DPW funds secured for work in early 2023

\$4M

Additional funds secured for paving from Infrastructure Advisory Board

Work Order Progress – Contractors (CMG and Drennan)



Work Order Progress

Work Completed
June – Aug. 2023

IAB Budget Remaining
of \$4M

245
Work Orders Completed

270+
Work Orders Allotted

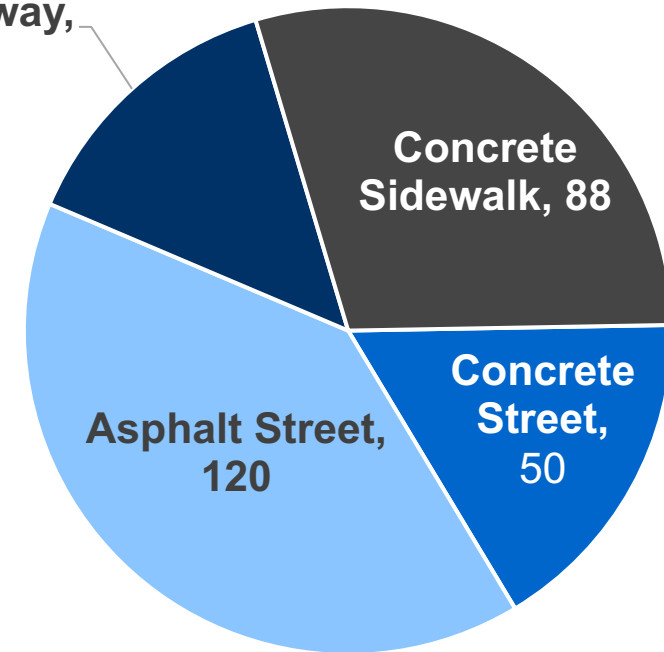


Work Order Progress – Contractors (CMG and Drennan)

Work Completed
June – Aug. 2023

245
Work Orders Completed
(Some work orders include multiple repairs)

Concrete
Driveway,
42



Work Order Progress – Contractors

Work Completed
June – Aug. 2023

IAB Budget Remaining
of \$4M

245
Work Orders Completed

270+
Work Orders Allotted

500+

Work orders could be completed by contractors by the end of the year if funding were available



DPW Coordination

Transmission Mains

Stage	Number of Projects
Post-Construction	1
Construction	4
Bid & Award	1
Pre-Construction*	5

Joint Infrastructure Recovery Roads

Stage	Number of Projects	% of JIRR Projects
Post-Construction	71	31%
Construction	38	17%
Bid & Award	8	4%
Pre-Construction*	110	48%



**involves planning and design phases*



Infrastructure Maintenance Fund Status

Total Revenues: \$ 50,035,249

Total Expenditures: \$ 15,447,146

Allocated to IMF Projects: \$37,562,057
(awarded contracts)

Month	IMF Revenue
July 2023	\$1.1M
June 2023	\$1.5M
May 2023	\$1.5M
Special Allocation FY23	\$5M



Infrastructure Maintenance Fund Status

Major expenditures to date (*August*):

- Sycamore Filter Gallery Rehabilitation: \$1.7M
- Turbine 7 Design Contract: \$1.9M
- Smart Meter Program: \$2.3M
- Power Complex: \$4.9M
- SELA Drainage Projects: \$3.5M
 - Approximately \$6.0M of expenditures in the last three months

Additional Project Funding: \$10M Additional Power Complex Static Frequency Changer #2 – connection and integration contracts

Report of Revenue and Expenditures made pursuant to the CEA (R-079-2020)
Infrastructure Maintenance Fund
September 2023

REVENUES:

Notification				Amount
Date	Period of Collection			
9/16/2020	Inception to July	2020		\$6,225,937
10/30/2020	August	2020		124,241
11/18/2020	September	2020		113,567
12/11/2020	October	2020		193,427
1/21/2021	November	2020		283,861
2/3/2021	December	2020		375,772
3/12/2021	January	2021		339,083
4/9/2021	February	2021		467,665
5/7/2021	March	2021		489,066
7/30/2021	April	2021		831,941
7/30/2021	May	2021		867,499
9/29/2021	June	2021		859,495
9/29/2021	July	2021		1,037,999
11/23/2021	August	2021		1,076,227
11/23/2021	September	2021		367,756
2/4/2022	October	2021		811,584
2/4/2022	November	2021		906,411
2/22/2022	December	2021		1,267,007
2/16/2022	January	2022		1,192,533
4/14/2022	February	2022		1,162,811
4/14/2022	March	2022		1,573,525
6/1/2022	April	2022		1,803,796
6/13/2022	May	2022		1,797,916
7/15/2022	June	2022		1,531,207
8/24/2022	July	2022		1,119,291
10/20/2022	August	2022		1,930,992
10/24/2022	September	2022		1,063,217
11/28/2022	October	2022		1,222,930
1/18/2023	November	2022		1,663,964
1/23/2023	December	2022		1,460,455
2/17/2023	January	2023		1,471,901
3/16/2023	February	2023		1,565,128
4/21/2023	March	2023		1,771,889
5/18/2023	April	2023		1,856,530
6/23/2023	May	2023		1,540,719
6/5/2023	Special Allocation FY23	2023		5,000,000
8/17/2023	June	2023		1,521,086
8/17/2023	July	2023		\$1,146,823
TOTAL REVENUES				\$50,035,249

EXPENDITURES:

Date	Description	Amount
7/24/2020	5% cash payment required to match current year federal funding for the SELA Program, due 8/1/2020	\$1,030,625
12/30/2020	Olameter Corporation Contract for Meter Reading Services for Contract Readers. August Thru December 2020	410,788
2/22/2021	Olameter Corporation Contract for Meter Reading Services for Contract Readers. Revised September 2020 Invoice	13,801
2/22/2021	Olameter Corporation Contract for Meter Reading Services for Contract Readers. January 2021	70,263
6/30/2021	5% cash payment required to match current year federal funding for the SELA Program	2,486,836
January 2022	Asset Management assessment project for establishing a strategy for procurement and needs assessment	48,060
Cumulative thru August 2023	Raftelis Financial Consultants Contract for Consulting Services for Utility Strategic Planning.	391,821
Cumulative thru August 2023	Design costs related to the acquisition of Turbine 7	1,977,582
Cumulative thru August 2023	Smart metering design and program management	2,276,381
Cumulative thru August 2023	Sycamore Filter Gallery water purification rehabilitation	1,744,716
Cumulative thru August 2023	Raftelis Financial Consultants Contract for Stormwater Fee Study	49,148
Cumulative thru August 2023	Power Complex Contracts (Auxiliary Power system and step up transformers)	4,947,125
TOTAL EXPENDITURES		\$15,447,146

Amounts Available for IAB Projects

\$34,588,103

updated September 2023
 SWBNO - IMF Fair Share Funding Proforma
 Jan 23 - Dec 24

Line															Beginning Fund Balance 1/1			
					2023				2024				24,157,243					
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total Projected Revenues	45,777,253			
2	Total Estimated Revenue to SWBNO				Sources:	4,808,918	9,918,335	5,175,000	5,175,000	5,175,000	5,175,000	5,175,000	5,175,000					
3	Proposed revenue allocation ² :																	
4	Ongoing Infrastructure Improvements (A)					360,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000		4,140,000			
5	Infrastructure Modernization and Technological Improvements (B)					3,358,918	2,743,335	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000		18,102,253			
6	Infrastructure Power Complex (C)					1,090,000	6,635,000	2,635,000	2,635,000	2,635,000	2,635,000	2,635,000	2,635,000		23,535,000			
7																		
8					Uses:	-	-	-	-	-	-	-	-					
9																		
10	Project List:				Type	Project status	IAB Status	Project Amount	Expended inception to date at 1/1									
11	Acceleration of Paving Contracts				(A)	ongoing	approved	4,000,000				(2,000,000)	(2,000,000)		(4,000,000)			
12	Water Treatment Plan Improvements: Sycamore Filter Gallery				(A)	ongoing	approved	3,000,000	-	(1,000,000)	(450,000)	(500,000)	(1,050,000)		(3,000,000)			
13	Construction of a new Bulk Chemical Feed and Storage Facility				(A)	bidding	approved	4,000,000	-				(1,000,000)	(1,000,000)	(4,000,000)			
14	Smart Metering Program Management				(B)	ongoing	approved	4,000,000	(1,461,673)	(101,572)	(283,663)	(429,473)	(300,000)	(300,000)	(3,776,381)			
15	Smart Metering Implementation ¹				(B)	ongoing	approved	15,000,000					(5,000,000)	(5,000,000)	(15,000,000)			
16	Master Plan/Strategic Plan				(B)	ongoing	approved	500,000	(391,821)			(20,000)	(20,000)	(10,000)	(481,821)			
17	Stormwater Fee Study				(B)	ongoing initial	approved	250,000	-		(49,148)	-			(49,148)			
18	Asset management software system				(B)	initial planning	approved	1,650,000	(48,060)		-	-	-	(250,000)	(500,000)	(1,548,060)		
19	T7 Solution				(C)	ongoing	approved	4,000,000	(1,246,195)	(218,947)	(180,326)	(332,114)	(200,000)	(500,000)	(500,000)	(3,877,582)		
20	Power Complex integration and auxiliary components ¹				(C)	ongoing	approved	20,000,000		(1,907,125)	(1,216,000)	(1,824,000)	(2,230,000)	(3,200,000)	(3,000,000)	(19,377,125)		
21	Total Currently approved IAB project list							56,400,000										
22																		
23	Request to IAB - September 2023																	
24	Power Complex additional support with SFC 1/2 connection and integration with the addition of the special \$5m FY23 allocation and \$5m for FY24 special allocation.							10,000,000						(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(10,000,000)
25																		
26	Other Potential Future Projects:																	
27	Lead Service Line Task Force Unit				(B)			TBD										
28	Total							66,400,000										
														Total Projected Expenditures:	(65,110,117)			
														Projected Fund Balance	<u>4,824,379</u>			

¹ Portion of estimated costs to supplement overall Project funding needs (Fair Share funding to be utilized after other funding sources required to be spent first are exhausted)

² Allocation of IMF revenues used only for purposes of creating categories of potential types of infrastructure projects