

Sewerage and Water Board of New Orleans, LA – Sewerage Service Revenue

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METHODOLOGY

[Public Finance: U.S. Municipal
Retail Utility Revenue Bond
Rating Methodology](#)

Ratings

Description	Rating Action	Rating/Outlook or Watch	
		From	To
Issuer: Sewerage and Water Board of New Orleans, LA			
WIFIA Loan for Sewer and Water Line Rehabilitation, Repair and Replacement Program	Affirmed	A+/Stable	A+/Negative

Rating Summary

The revision of the Outlook to Negative for the Sewerage and Water Board of New Orleans' ("SWBNO's" or the "Board's") sewer system reflects concern that recent governance changes enacted by the State which shift additional oversight responsibilities to the City Council underscore the extent of longstanding broader operational deficiencies that may take time to address, and which in combination with ongoing billing issues, growing accounts receivable in the last two years, and a pause in rate adjustments since 2020 may impede the Board's ability to implement timely and necessary rate adjustments as debt service requirements and operating costs rise over the next several years.

The rating continues to reflect the sewer system's role as sole provider of an essential service to the City of New Orleans (the "City"), a large and diverse customer base, local rate-setting authority, historically ample liquidity and debt service coverage, and strong legal provisions supporting the senior lien sewer system revenue bonds and parity lien WIFIA loan. Offsetting these credit strengths are modest customer and revenue growth (0.8% 5-year CAGR) which slightly lag operating cost growth (1.8%), and a service area sociodemographic profile that is moderately weak with a declining population base over the last decade, high poverty rate, and total employment not yet recovered to the pre-pandemic level. Additionally, the longer-term sewer capital plan (\$476 million CIP through 2035) is currently largely unfunded post-2026 and typically relies on SWBNO seeking external funding sources.

SWBNO was created by State law in 1899 as a "special board" and independent agency of the City to operate the water, sewerage, and drainage systems for the City. The utilities collectively serve 364 square miles of the City, with the sewerage system organized around two distinct wastewater treatment plants located on the east and west banks of the Mississippi River. Prior to Act 938, SWBNO had been governed by an appointed 11-member Board of Directors, although governance model is now in transition. Proposed sewer rate changes are not subject to State or federal approval, however, rate adjustments continue to require approvals by both the City Council and the Board of Liquidation (BOL), which serves as the City's and SWBNO's debt manager.

SWBNO closed on the WIFIA Loan in November 2021 in an agreement with the U.S. Environmental Protection Agency (EPA) to borrow \$275 million to finance rehabilitation projects in SWBNO's sewer system for the purpose of satisfying a federal Consent



Decree (the “Consent Decree”) to update aging infrastructure and reduce sanitary sewer overflows. SWBNO pledges the sewer system’s net revenues to repay the WIFIA Loan, on parity with \$287.2 million in outstanding sewerage service revenue bonds and state revolving fund loans (collectively the “Bonds”) as of fiscal year-end 2025. SWBNO’s parity senior lien debt obligations, which include the WIFIA Loan (\$165.8 million outstanding at FYE 2025) and the Bonds, are not secured by the revenues of SWBNO’s water and drainage systems, which are separately financed. KBRA views the legal provisions supporting the WIFIA Loan as strong, highlighted by a senior lien rate covenant of 1.25x and a debt service reserve fund (DSRF) of \$21 million funded at maximum annual debt service.

SWBNO maintains an ongoing ten-year, approximately \$476 million capital improvement plan (CIP) for the sewerage system¹ designed to fulfill SWBNO’s obligation pursuant to the Consent Decree as well as continue to update aged infrastructure. The primary purpose of the Consent Decree is to address sanitary and combined sewer overflows. SWBNO entered a Third Modified Consent Decree with the EPA and United States Department of Justice in July 2014, building off of the original Consent Decree entered into in 1998 and subsequently modified in 2010 and 2013. Management states that the underground work stipulated in the Third Modified Consent Decree was completed by the October 2025 deadline and within budget. The completion of related roadway restoration work is ongoing but eligible to be completed after the subsurface construction deadline with the WIFIA funding. Remaining WIFIA loan borrowings would need to be drawn by May 2027.

Due to its low elevation and rising sea levels, the City is vulnerable to extreme weather events and climate change hazards. SWBNO’s sewer improvements have helped moderate SSOs during some severe weather events, although additional improvements are needed to address remaining wastewater infiltration and inflow concerns and bolster system resiliency during wet weather periods.

New Orleans is the largest city in Louisiana and the crossroads for transportation and commerce near the mouth of the Mississippi River. While the City’s economic base benefits from a concentration of higher education and healthcare institutions, as well as leisure, trade (shipping), and governmental entities, certain sociodemographic characteristics remain relatively weak. Since 2014, the City’s population is estimated to have declined at a compound annual growth rate (CAGR) of -0.58%, as compared with growth of 0.66% for the U.S. The City’s poverty rate remains high, although improved over the last decade, to 20.5% in 2024 from 27.8% in 2014, which is above the State (18.7%) and the U.S. (12.1%) levels. Total employment in the City (US Census 167,000 in 2025) has yet to recover to its pre-pandemic level (176,000 in 2019). Positively, for 2025, the City’s employment data is modestly higher YoY (+0.2%) as is the number of sewer customers (+0.3%), with anticipated new commercial customers in the near-to-medium term. Additionally, while the City’s most recent per capita income (\$42,674; US Census 2024) is below that of the US (\$45,256), it compares more favorably to the State income (\$38,890).

SWBNO pursued an eight-year program of 10% annual rate increases from 2013 through 2020, then held rates flat for the past six years. Average sewer bills for a typical residential customer are relatively high compared to other regional wastewater providers², but affordable. Maintenance of SWBNO’s rate affordability is a moderate concern prospectively, given that the system may need rate adjustments over the five-year horizon to support continued replacement of aged equipment. KBRA estimates the average annual residential sewer bill represents approximately 1.3% of the City’s 2024 median household income (MHI)³, which on its own is affordable, although the combined water and sewer bill is less so, at 2.2% of MHI.

Financial operations have remained solid since FY 2020, with net revenues available for debt service providing at least 2.3x coverage of senior lien debt service (excluding Fair Share non-pledged revenues), which includes debt payments on the sewerage service revenue bonds, state revolving fund loans, and the WIFIA Loan (interest-only WIFIA payments through FY 2030). Liquidity has been strong, in excess of 200 days cash on hand for three of the last 4 fiscal years, and above the 90-day Operating Reserve Requirement stipulated in the revenue bond documents. Based upon SWBNO’s financial forecast, which incorporates no rate adjustments and operating expenditure growth (3% CAGR)

1 SWBNO’s 10-year CIP for the three utility systems totals \$2.7 billion, of which the sewer projects account for about 18% or \$476 million.

2 Average utility bills pursuant to SWBNO’s 2024 Comprehensive Financial Analysis and Rate Study.

3 Median household income reflects 2024 US Census data for the City of New Orleans.



in excess of revenue growth (1% CAGR), DSC trends lower, potentially to 1.7x by FY 2030. KBRA notes SWBNO's financial forecast is typically conservative, as the sewer system tends to outperform forecast. Leverage, as measured by long-term debt to net fixed assets, is moderately rising, as the remainder of the WIFIA Loan is drawn over the next year. Leverage increased to 31% in FY 2025, up from 25.3% in FY 2023.

Key Credit Considerations

The rating action reflects the following key credit considerations:

Credit Positives

- Providing an essential utility service with local rate-setting authority.
- Sewer system's historically solid financial performance, with sound DSC and liquidity levels.
- Strong legal provisions for the WIFIA Loan, including a rate covenant of 1.25x and fully funded debt service reserve fund (funded at MADS).

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Credit Challenges

- Projected narrowing of net margins and DSC as operating expenditure growth exceeds revenue growth through FY 2030, assuming no rate adjustments.
- Moderately weaker sociodemographic profile of the City service area with less favorable population growth, employment trend and unemployment relative to the state and the nation.
- Increasing concern with rate flexibility given no rate adjustments since 2020, ongoing billing disputes and increase in accounts receivable, along with the recent state legislation (Act 938) which expanded direct oversight of SWBNO by the elected City Council, including control of the governance structure.
- Reliance on securing external funding sources to adequately meet CIP requirements given generally limited free cash flow.

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Rating Sensitivities

- Completion of remaining Consent Decree projects and sufficient replacement of aged sewer facilities, supported by timely rate increases and stronger than projected DSC.
- Effective transition to greater City Council oversight with a sound governing board structure and demonstrated support for timely rate increases and funding for aged infrastructure improvements.
- Inability to implement timely rate adjustments as needed to address increasing operating, debt service and capital investment needs.
- Material delay or inadequate replacement of needed sewer system improvements which increase future capex and debt requirements, and pressures financial coverage below the projected level.

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Key Ratios

SWBNO - Sewerage System				
(\$000s)				
FYE December 31	2022	2023	2024	2025
Income Statement				
Total Revenues	\$159,909	\$160,540	\$162,206	\$167,216
Operating Expenditures Net of Noncash Expense	100,304	107,620	102,022	103,764
Net Revenues Available for Debt Service	59,604	52,920	60,185	63,452
Key Metrics				
Senior Debt Service Requirements	\$22,846	\$20,335	\$20,986	\$18,464
Senior Debt Service Coverage ¹	2.61x	2.60x	2.87x	3.44x
Cash and Cash Equivalents - Current	\$60,471	\$79,615	\$73,956	\$48,980
Days Cash On Hand	209	257	263	173
Total Debt ²	\$331,090	\$321,272	\$388,468	\$474,483
Debt/Total Assets	23.6%	22.2%	25.1%	28.4%
Debt/Net Sewer Plant	27.8%	25.3%	27.8%	31.0%

¹ Reflects senior lien sewer revenue bond Indenture-based coverage inclusive of parity lien WIFIA loan debt service.

² Reflects wastewater revenue bonds, WIFIA loan, state revolving fund loans, and GO Zone loans.

Sources: SWBNO annual audited financials and continuing disclosure statements; KBRA metrics.

Rating Determinants

1. Management, Governance, Regulatory Framework	A
2. Legal Mechanics and Security Provisions	AA+
3. Service Area and Demand	A+
4. Operations and Capital	A-
5. Financial Profile and Debt	AA-

Rating Determinants 1 and 5 were updated with this Surveillance Report. For a detailed discussion of all Rating Determinants and the Bankruptcy Risk Assessment, please refer to prior KBRA reports, the most recent of which is dated [October 15, 2025](#).

RD 1 Update: Management, Governance, Regulatory Framework

Governance Structure in Transition (Act 938)

The Sewerage and Water Board of New Orleans was created in 1899 by Act 6 of the Legislature of the State of Louisiana. The SWBNO was created as a special board and stand-alone entity, operating independently of the government of the City of New Orleans. Its mandate is to construct, maintain and operate the City's sewer, water, and drainage systems. Each of the utility systems is separately accounted for, financed and secured.



The SWBNO was created by State Legislative action, and it has been subject to close scrutiny by the State at times. In recent years, while the sewer system's overflow issues were partially addressed via the Consent Decree CIP, other significant aged infrastructure rehabilitation/replacement work remains ongoing. Additionally, SWBNO's water and drainage system issues continue to persist. In particular, frequent flooding of storm drains, water line breaks, and excessive water leaks that can result in inaccurate customer bills. SWBNO has implemented several changes to date including elimination of the estimated billing practice and the installation of smart meters for all customers to reduce inaccurate billings associated with the analog meters; as well as the consolidation of the stormwater/drainage operations under SWBNO in 2025 (previously partially managed by the City's Department of Public Works).

Despite management's efforts to gradually improve utility operations, longstanding public concerns regarding SWBNO's ability to address its aged infrastructure requirements and eliminate the billing issues fueled the passage of State legislation in mid-2026, Act 938. The legislation grants the City Council control of SWBNO's governance structure and increased financial and operational oversight. The legislation aims to streamline governance and establish accountability for SWBNO's performance with elected officials – the City Council members. City Council's authority was expanded to include approval of SWBNO's annual budgets, capital plans, contracts, billing and finance policies. In KBRA's view, the increased City Council regulatory authority granted via legislation seems to underscore underlying concerns with overall utility operations of the SWBNO, particularly given the City's below sea level location and susceptibility to sewerage overflows during severe wet weather events. Favorably, Act 938 expressly states that the City Council, in exercising its authority, "shall not impair existing obligations of the board [SWBNO]" – this extends to the WIFIA obligation.

SWBNO continues to address the State's concerns while maintaining satisfactory financial performance. While not anticipated, any City Council or State legislative action that hampered SWBNO's key credit strengths, in particular affecting the sewer system's operations, financial performance, or willingness to increase rates would be a credit concern.

EPA Consent Decree

The SWBNO maintains a ten-year CIP, which is updated annually, for the water, sewer, and drainage systems. The 10-year CIP totals \$2.7 billion, of which, the sewer system's share is approximately \$476 million, or 18%, inclusive of projects that share functionality with the water or drainage systems. CIP projects for the sewer system are designed to ensure compliance with the federal Consent Decree, to adequately maintain the wastewater treatment plants, replace aging sewer infrastructure, and make other improvements as prioritized by the SWBNO.

Similar to many urban utility systems, SWBNO is a party to an EPA mandated Consent Decree. The goal of the Consent Decree is to correct sanitary sewer overflows (SSOs) particularly during wet weather, by increasing capacity via rehabilitation, reducing cross-connectivity, improving response times to remedy overflows, and other improvements as required by the Clean Water Act.

In July 2014, SWBNO entered into its Third Modified Consent Decree with the EPA and United States Department of Justice. Management states that underground work to address the Third Modified Consent Decree was substantially completed as required by October 2025, and within budget. The completion of related roadway restoration work is ongoing but eligible to be completed after the construction deadline with WIFIA funding. Remaining WIFIA loan borrowings, of which approximately \$71.7 million remains currently available, would need to be drawn by May 2027.

Rate Setting Authority

Sewer rates are locally set by SWBNO, with the approval of both the City's BOL and the City Council (rate setting authority was not affected by Act 938). The rates are designed to recover the operation, maintenance and capital costs from each customer class based upon cost of service. KBRA notes that the SWBNO's rates were last adjusted January 1, 2013 – January 1, 2020, with annual 10% sewer rate increases for eight consecutive years, favorably implemented in advance of the major capital program. Rates have remained unchanged since 2020, despite somewhat limited customer and revenue growth and rising operating costs. Financial coverage metrics remained sound via SWBNO's cost containment efforts, and a decline in annual debt service in recent fiscal years.



While the remaining projects under the sewer Consent Decree are fully funded via the WIFIA Loan proceeds, SWBNO's funding of other needed infrastructure capex through the 10-year CIP will be more challenging, as current sewer rates are projected to generate slimmer margins prospectively, as operating and debt service requirements step up.

SWBNO continues to pursue alternative funding sources, including federal grants, commitments from the City, State revolving funds, and borrowings from the capital markets. In addition, as City Council transitions into a more active oversight role of the sewer system financial and operational performance, management anticipates reviewing the potential for sewer rate adjustments. KBRA will be monitoring SWBNO's effective transition to greater City Council regulatory oversight, completion of the remaining Consent Decree work as planned, maintenance of adequate rate levels to support projected financial performance and adequate fund sewer system infrastructure upgrades to resolve the Negative Outlook.

RD 5 Update: Financial Profile and Debt

Operating Performance and Debt Service Coverage

SWBNO's sewerage and water utility operations are each separately funded through their respective service rates, while the drainage system is funded through dedicated ad valorem taxes. For the past five years, the sewerage system has maintained sound operating performance, with revenues initially bolstered by the annual rate increases from FY 2013 - FY 2020, followed by cost containment efforts and no rate adjustments post-2020. Additionally, the sewer system was allocated Fair Share revenue in FY 2022 – FY 2025 (ranging from \$4.2 million to \$9.9 million non-operating revenue per year) which was used to fund a portion of capex⁴. Operating revenues were slightly down in FY 2025 (-0.8% YoY), due to lower sewer sales. Without any rate adjustments, SWBNO is projecting 1.0% annual growth in sewer service operating revenues through FY 2030, slightly ahead of the historical 5-year revenue CAGR of 0.8%. The modestly higher future sewer sales projection takes into account anticipated commercial customer growth.

Senior lien debt service coverage, which includes coverage of debt service on the parity senior lien Bonds and WIFIA loan, has been strong at 2.3x or higher (excluding Fair Share non-operating revenue) for the past five fiscal years. SWBNO's senior lien debt service coverage also benefitted from a declining trend in the debt service requirement (via scheduled amortization of outstanding revenue bonds), from \$22.8 million in FY 2022 to \$18.5 million in FY 2025.

Prospectively, senior lien DSC could trend lower through FY 2030 (potentially to 1.7x) assuming the WIFIA loan is fully drawn over the near-term, operating expenditure growth (CAGR 3%) exceeds operating revenue growth (CAGR 1%), and sewer rates are assumed to remain unchanged. KBRA notes SWBNO's financial projection is fairly conservative, as the sewer system tends to outperform the forecast. DSC will be pressured going forward, as senior lien debt service is projected to rise to \$27 million in FY 2027 and up to \$34 million in FY 2031, when the WIFIA principal payments commence. A weakening in financial coverage or liquidity below forecasted levels, due to higher operating or debt service costs than anticipated and/or insufficient sewer rates, could trigger a rating action.

⁴ Annual allocation of the Fair Share revenue is at the discretion of the City's Infrastructure Advisory Board. SWBNO's water and drainage systems are also separately allocated Fair Share revenue.



Figure 1

Sewerage and Water Board of New Orleans, LA					
Sewerage System - Historical Revenues, Expenses and Debt Service Coverage					
FYE December 31 (in thousands)	2021	2022	2023	2024	2025
Sewerage service charges	150,364	150,932	149,695	152,846	152,417
Plumbing inspection and license fees	231	243	773	79	27
Other revenue	1,270	1,116	1,371	1,012	238
Operating Revenues	151,865	152,292	151,839	153,937	152,683
Interest Income	1,191	2,236	4,123	2,537	2,246
Contributions from other governments (Fair Share)	-	5,052	4,263	5,426	9,909
Other Non-Operating Revenue	171	329	316	306	2,378
Total Revenues	153,227	159,909	160,540	162,206	167,216
Operating Expenses	133,316	134,646	134,479	124,683	116,045
Operating Expenses Less Depreciation	104,688	105,634	113,001	102,764	103,604
Other Noncash Expenses	5,935	5,329	5,381	742	(160)
Adjusted Operating Expenses¹	98,753	100,304	107,620	102,022	103,764
NET REVENUES AVAILABLE FOR DEBT SERVICE¹	54,474	59,604	52,920	60,185	63,452
Debt Service Requirement - Senior Lien	8,205	22,846	20,335	20,986	18,464
Debt Service Requirement - Other	3,641	3,641	3,641	3,641	7,125
Senior Debt Service Coverage²	6.64x	2.61x	2.60x	2.87x	3.44x
Total Debt Service Coverage³	4.60x	2.25x	2.21x	2.44x	2.48x

¹ Adjusted Operating Expenses equal Operating Expenses less depreciation and pension/OPEB noncash expenses. Net Revenue Available for Debt Service is Total Revenues less Adjusted Operating Expenses.

² Reflects senior lien sewer system resolution-based debt service coverage for parity senior lien sewer revenue bonds and WIFIA loan debt service (WIFIA interest-only payments thru 2030).

³ Includes debt service for senior lien and subordinate sewer debt obligations (i.e., the State's Gulf Opportunity Zone loans).

Sources: SWBNO ACFRs and Continuing Disclosure; KBRA metrics.

Debt Profile and Liquidity

The sewer system's outstanding debt for FY 2025 totaled \$474.5 million, up from \$388.5 million, in the prior year, primarily related to accelerated drawdown on the WIFIA Loan. Long-term debt at fiscal year-end 2025 included: senior lien sewer revenue bonds and state revolving fund loans (\$287.2 million), the WIFIA loan (\$165.8 million) and remaining State GO Zone loans (\$21.5 million; debt service assistance loans issued post-Hurricane Katrina). It is conservatively all fixed rate debt, with a final maturity of 2057. Leverage, as measured by Debt-to-Net Fixed Assets, has been moderately rising since FY 2023 from 25.3% to 31% in FY 2025, given increasing work on required Consent Decree projects and usage of the WIFIA Loan. Borrowings under the WIFIA loan have stepped up in the most recent two years, with capital expenditures totaling \$139.8 million and \$144.9 million, for FY 2025 and FY 2024 respectively — more than double the annual sewer capex spending in FY 2022.



Figure 2

Sewerage and Water Board of New Orleans, LA					
Sewerage System - Historical Leverage and Liquidity					
FYE December 31 (in thousands)	2021	2022	2023	2024	2025
Cash and investments	51,146	60,471	79,615	73,956	48,980
Operating Exp (net of D&A)	104,688	105,634	113,001	102,764	103,604
Days Cash on Hand	178	209	257	263	173
Debt Ratios					
Total Debt ¹	345,098	331,090	321,272	388,468	474,483
Net Fixed Assets	1,151,507	1,192,613	1,268,519	1,398,241	1,532,655
Total Assets	1,382,282	1,400,418	1,448,870	1,549,681	1,671,190
Total Capitalization	1,727,380	1,731,508	1,770,142	1,938,150	2,145,673
Debt/Total Assets	25.0%	23.6%	22.2%	25.1%	28.4%
Debt/Net Fixed Assets	30.0%	27.8%	25.3%	27.8%	31.0%

¹ Reflects wastewater revenue bonds, WIFIA loan, state revolving fund loans, and GO Zone loans.

Sources: SWBNO ACFR and Continuing Disclosure; KBRA calculations.

Liquidity moderated in FY 2025 but remains adequate for the rating level, with cash and cash equivalents providing 173 days cash on hand (DCOH), as compared to 263 in the prior year. The unrestricted cash balance continues to exceed the Operating Reserve Requirement of 90 DCOH as per the sewer revenue bond resolution. Projections provided by management through fiscal 2030 reflect maintenance of days cash in excess of 200 days.

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