

SEWERAGE & WATER BOARD OF NEW ORLEANS
FINANCE COMMITTEE MEETING
TUESDAY, MAY 6, 2014
9:00 AM

COMMITTEE MEMBERS

Mr. Charles F. Webb, Chair • Ms. Kerri Kane • Mr. Wm. Raymond Manning • Ms. Loyce Pierce Wright

FINAL AGENDA

ACTION ITEMS

1. Approval of Previous Report
2. General Superintendent's Recommendations
3. Amendment of Agreement between the City of New Orleans and the Sewerage and Water Board of New Orleans for Hazard Mitigation Grant Program Funds for Retrofit of the Power Plant (R-073-2014)
4. Amendment to Agreement with CH2M Hill, Inc. for Program Management Services for Hurricane Related Water Restoration Projects (R-074-2014)
5. Amendment to Agreement with Stanley Consultants, Inc. for Design and Engineering Services for the Water Hammer Hazard Mitigation Project (R-075-2014)
6. 2013 Audited Financial Results
7. Employee's Retirement System Actuarial Valuation Report – as of January 1, 2014 (R-071-2014)
8. Proposed Revision to Financial Management Policy
9. Water and Sewer System Bond Documents (Sent Under Separate Cover)
10. Automobile Fleet Liability Insurance Renewal (R-072-2014)
11. Recommendation for Award of Contract for Insurance Broker Services (R-064-2014)
12. Executive Session – Legal Matters
 - In Re: Claim of Keshia and Marques Dubuclet

INFORMATION ITEMS

13. Financial Results through March 2014
14. Quarterly Cash Management and Investment Report as of March 31, 2014
15. Change Order Analysis
16. FEMA Project Worksheet Status
17. 2014 Committee/Board Meeting Schedule
18. Any Other Matters
19. Reference Material (**In Binders**)
 - A. Sewerage & Water Board By-Laws
 - B. 2014 Operating & Capital Budget
 - C. Strategic Plan
 - D. Tracking Tool for Commitments to the City Council
 - E. Bond Rating
20. Adjournment

CONTRACT 6250 - HMGP GENERATOR LOAD BANK AT CARROLLTON WATER PLANT

BE IT RESOLVED by the Sewerage and Water Board of New Orleans that one (1) bid was received on April 17, 2014 after advertising according to the Public Bid Law, for performing work under Contract 6250. The formal bid was hereby accepted and contract awarded therefore to **Industrial Mechanical Contractors, Inc.** for the total amount of **\$5,487,045.00.**

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**CONTRACT 30009 - RESTORATION OF EXISTING GRAVITY SEWER MAINS BY
EXCAVATION AND REPLACEMENT FROM MANHOLE TO MANHOLE AT VARIOUS
SITES THROUGHOUT ORLEANS PARISH**

BE IT RESOLVED by the Sewerage and Water Board of New Orleans that five (5) bids were received on April 17, 2014 after advertising according to the Public Bid Law, for performing work under Contract 30009. The bid was hereby accepted and contract awarded therefore to **Wallace C. Drennan, Inc.** for the total amount of **\$2,088,008.00.**

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**FIRST AND FINAL RENEWAL OF CONTRACT FOR FURNISHING AEROSOL,
JANITORIAL & INDUSTRIAL CHEMICALS - REQ. NO. YW130009**

WHEREAS, under the provisions of the contract, the Board, with the contractor's concurrence, reserves the right to renew the contract with no increase in the cost of services and no change in terms and conditions; and

WHEREAS, the contractor, **Assorted Products**, desires to exercise its renewal option as allowed under this contract with the total being **\$283,331.25**, for Furnishing Aerosol, Janitorial & Industrial Chemicals.

NOW, THEREFORE, BE IT RESOLVED that the request of **Assorted Products**, for this first and only renewal, effective **June 1, 2014**, is hereby approved.

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**FIRST AND FINAL RENEWAL OF CONTRACT FOR FURNISHING IRON CASTINGS
- REQ. NO. YW130036**

WHEREAS, under the provisions of the contract, the Board, with the contractor's concurrence, reserves the right to renew the contract with no increase in the cost of services and no change in terms and conditions; and

WHEREAS, the contractor, **EJ USA, Inc.**, desires to exercise its renewal option as allowed under this contract with the total being **\$260,266.95**, for Furnishing Iron Castings.

NOW, THEREFORE, BE IT RESOLVED that the request of **EJ USA, Inc.**, for this first and only renewal effective **June 1, 2014**, is hereby approved.

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**FIRST AND FINAL RENEWAL OF CONTRACT FOR FURNISHING RECLAIMED
ASPHALTIC PAVEMENT (RAP) - REQ. NO. YW130012**

WHEREAS, under the provisions of the contract, the Board, with the contractor's concurrence, reserves the right to renew the contract with no increase in the cost of services and no change in terms and conditions; and

WHEREAS, the contractor, **Hamp's Enterprises, LLC**, desires to exercise its renewal option as allowed under this contract with the total being **\$249,750.00**, for Furnishing Reclaimed asphaltic Pavement (RAP).

NOW, THEREFORE, BE IT RESOLVED that the request of **Hamp's Enterprises, LLC**, for this first and only renewal, effective **July 1, 2014**, is hereby approved.

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**SECOND AND FINAL RENEWAL OF CONTRACT FOR COLLECTION ENFORCEMENT
SERVICES OF DELINQUENT ACCOUNTS - REQ. NO. CD120001**

WHEREAS, under the provisions of the contract, the Board, with the contractor's concurrence, reserves the right to renew the contract with no increase in the cost of services and no change in terms and conditions; and

WHEREAS, the contractor, **Alphat Company, Inc.**, desires to exercise its renewal option as allowed under this contract with the total being **\$12.0% of the collection**, for Collection Enforcement Services of Delinquent Accounts.

NOW, THEREFORE, BE IT RESOLVED that the request of **Alphat Company, Inc.**, for this second and final renewal, effective **January 1, 2014**, is hereby approved.

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Meeting of the said Board, duly called and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

**FINAL ACCEPTANCE AND CLOSE OUT TO CONTRACT 3692 - RESTORATION OF
EXISTING GRAVITY SEWER MAINS BY EXCAVATION AND REPLACEMENT
MANHOLE TO MANHOLE**

WHEREAS, Contract 3692 is ready for Final Acceptance by the
Sewerage & Water Board of New Orleans; and

WHEREAS, the General Superintendent in his report has
recommended that this contract receive final acceptance and be
closed out.

NOW, THEREFORE, BE IT RESOLVED by the Sewerage and Water Board
of New Orleans that the recommendation of the General
Superintendent to authorize final acceptance and to close out
Contract by **Fleming Construction Company, LLC** for **CONTRACT 3692,**
is hereby approved.

I, Robert Miller, Interim
Executive Director, Sewerage and
Water Board of New Orleans, do
hereby certify that the above and
foregoing is a true and correct
copy of a resolution adopted at
the Regular Meeting of the said
Board, duly called and held,
according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 29, 2014

To: Robert K. Miller
Interim Executive Director

From: Madeline F. Goddard, P.E.
Deputy General Superintendent

Re: Amendment of Agreement Between the City of New Orleans and
the Sewerage & Water Board of New Orleans for Hazard Mitigation
Grant Program Funds for Retrofit of the Power Plant

Attached please find R-073-2014 requesting the Board to authorize acceptance of additional funding in the amount of \$9,620,389 for costs associated with Phase I activities through the HMGP for the Retrofit of the Power Plant.

On May 16, 2013, the Board authorized acceptance of the agreement with the City for the eligible HGMP fund for an amount not to exceed of \$141,175,000, which includes \$350,000 for costs associated with Pre-award activities, \$18,437,000 for costs associated with Phase I activities and \$122,388,000 for Phase II activities.

Since that time, the Board has approached the City with the realization that construction bids are coming in higher than estimated and completion of the preliminary design report has revealed that the final costs of the various components are higher than budgeted. On September 30, 2013, the City requested GOHSEP review and recommend to FEMA to increase and amend the budget to \$ 150,795,389, an increase of \$9,620,389 for costs associated with Phase I activities.

On April 2, 2014 FEMA provided a letter of approval to GOHSEP for award of the additional funds in the amount of \$9,620,389.00 to the Board's HMGP Retrofit of the Power Plant Project.

C: Joe Becker
Ron Spooner
Dexter Joseph

**AMENDMENT OF AGREEMENT BETWEEN THE CITY OF NEW ORLEANS AND THE
SEWERAGE AND WATER BOARD OF NEW ORLEANS FOR HAZARD MITIGATION
GRANT PROGRAM FUNDS FOR RETROFIT OF THE POWER PLANT**

WHEREAS, the City of New Orleans (City) desires to utilize Hazard Mitigation Grant Program (HMGP) funds to reduce and manage risks to human life, the environment and property, to protect the parish and the surrounding region from the effects of natural and manmade hazards and ensure community continuity in the event of such hazards;

WHEREAS, the City's eligibility for the HMGP was established by the Federal Emergency Management Agency (FEMA) and the Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOSHEP); and

WHEREAS, the City has recognized that the ability of the Sewage and Water Board of New Orleans (Board) to produce power independently from the local energy provider and operate during flood or high wind events ensure the community continuous water, drainage and wastewater services; and

WHEREAS, the Board prepared and submitted an eligible HMGP application through the City to GOSHEP to retrofit the power plant at the Carrollton Water Treatment Plant by 1) relocating and increasing the capacity of the Oak Street Raw Water Intake and Pump Station, 2) upgrading the turbines, boilers and all associated mechanical, electrical, instrumentation and controls; 3) hardening the power complex; 4) hardening the electrical, mechanical including water distribution piping within the power complex; 5) hardening the power distribution network; and 6) hardening the emergency fuel storage tank (FEMA-1603-DR-LA, Project #0411); and

WHEREAS, GOSHEP authorized, obligated and awarded funding to the City for activities for project HMGP #1603x-071-0039 (FEMA-1603-DR-LA, Project #0411) by way of an award letter addressed to Cedric S. Grant, Deputy Mayor, Facilities, Infrastructure, and Community Development, dated November 13, 2012; and

WHEREAS, the City has the authority to pass-through its awarded HMGP funds to the Board for the performance of the scope of work to retrofit the power plant; and

WHEREAS, Board has the authority to work directly with GOSHEP to request, justify, and receive funds; and

WHEREAS, Board shall comply to the terms of the Agreement and Exhibits which are attached hereto and made part of this Agreement; and

WHEREAS, Board affirms that it has the legal authority to conduct and/or provide for the conduct of all necessary and approved work related to this project; and.

WHEREAS, on May 16, 2013, the Board authorized acceptance of the agreement with the City for the eligible HMGP fund for an amount not to exceed of \$141,175,000, which includes \$350,000 for costs associated with Pre-award activities,

\$18,437,000 for costs associated with Phase I activities and \$122,388,000 for Phase II activities (R-077-2012); and

WHEREAS, on September 30, 2013, the City recognized that construction bids and preliminary design costs of various components have come in higher than expected and have requested GOHSEP review and recommend to FEMA to increase and amend the budget to \$150,795,389, an increase of \$9,620,389 for costs associated with Phase I activities; and

WHEREAS, on April 2, 2014 FEMA provided a letter of approval to GOHSEP for award of the additional funds in the amount of \$9,620,389.00 to the Board's HMGP Retrofit of the Power Plant Project.

NOW THEREFORE, BE IT RESOLVED that the Sewerage and Water Board of New Orleans hereby authorizes acceptance of additional funding in the amount of \$9,620,389 for costs associated with Phase I activities through the HMGP for the Retrofit of the Power Plant.

BE IT FURTHER RESOLVED that the Interim Executive Director is hereby authorized to execute, on behalf of the Sewerage and Water Board of New Orleans, an amendment to the agreement with the City of New Orleans for Hazard Mitigation Grant Program funds for retrofit of the power plant.

I, Robert Miller, Interim Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Regular
Monthly Meeting of said Board, duly called and held,
according to law, on May 21, 2014.

ROBERT MILLER, INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 29, 2014

To: Robert K. Miller
Interim Executive Director

From: Madeline F. Goddard
Deputy General Superintendent

Re: Amendment to Agreement with CH2M Hill, Inc. for Program
Management Services for Hurricane Related Water Restoration
Projects

The attached resolution is to request Board authorization to amend the program management services agreement with CH2M HILL, Inc. for hurricane related water restoration projects to \$9,341,546, increasing the fee by \$1,607,045.

The additional fees are due to extended duration of the projects associated with construction staging to ensure minimal impact to the Board operations of the water and power systems; continued support of the Board in its interface and negotiations with FEMA/GOHSEP in aligning the eligible scope of work with the project works sheets and securing funding; additional field and manufacturer inspections to ensure compliance with the Board's plans and specification; technical complexity and continued evolution of the power and pumping plant projects; and expanded construction scope of work to address site conditions and to support continued operation of the existing facilities.

C: Joe Becker
Ron Spooner
Reid Dennis

AMENDMENT TO AGREEMENT WITH CH2M HILL, INC. FOR PROGRAM MANAGEMENT SERVICES FOR HURRICANE RELATED WATER RESTORATION PROJECTS

WHEREAS, by action of the Sewerage and Water Board of New Orleans (Board), through the adoption of Resolution R-064-2008, CH2M HILL, Inc. was awarded the agreement for Program Management Services for Hurricane Related Water Restoration Projects; and

WHEREAS, by action of the Board through the adoption of Resolution R-199-2010, the existing agreement with CH2M HILL, Inc. was increased to \$4,400,000; and

WHEREAS, by action of the Board through the adoption of Resolution R-167-2012, the existing agreement with CH2M HILL, Inc. was increased to \$4,640,177; and

WHEREAS, by action of the Board through the adoption of Resolution R-211-2012, the existing agreement with CH2M HILL, Inc. was increased to \$6,436,400; and

WHEREAS, by action of the Board of New Orleans, through the adoption of Resolution R-085-2013, the existing agreement with CH2M HILL, Inc. was extended through August 31, 2015; and

WHEREAS, by action of the Board through the adoption of Resolution R-154-2013, the existing agreement with CH2M HILL, Inc. was increased to \$7,734,501; and

WHEREAS, the level of effort for the existing contract has increased due to the following reasons:

- Extended duration of the projects associated with continued and protracted construction staging for managing overlap and interferences of critical project components to ensure there is minimal impact to the Board in its operations of the water system, including the power plant;
- Continued support of the Board in its interface and negotiations with FEMA/GOHSEP in aligning the eligible scope of work with the project works sheets and securing funding;
- Additional field and manufacturer inspections to ensure compliance with the Board's plans and specification;
- The technical complexity and continued evolution of the power and pumping plant projects; and
- Further expansion of construction scope of work to address site conditions and to support continued operation of the existing facilities.

NOW THEREFORE, BE IT RESOLVED, that the Program Management Services agreement with CH2M HILL, Inc. for hurricane related water restoration projects shall be amended increasing the fee authorized to be paid to CH2M HILL, Inc. to \$9,341,546,

increasing the fee by \$1,607,045 and the President and/or President Pro Tem shall be authorized to execute the amendment to this contract.

I, Robert K. Miller, Interim Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Regular
Monthly Meeting of said Board, duly called and held,
according to law, on May 21, 2014.

ROBERT K. MILLER, INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 29, 2014

To: Robert K. Miller
Interim Executive Director

From: Madeline F. Goddard
Deputy General Superintendent

Re: Amendment to Agreement with Stanley Consultants, Inc. for Design and Engineering Services for the Water Hammer Hazard Mitigation Project

The attached resolution is to request Board authorization to amend the design and engineering services agreement with Stanley Consultants, Inc. for the Water Hammer Hazard Mitigation Project at the Carrollton Water Treatment Plant to \$3,525,186.66, increasing the fee by \$1,025,821.60.

The additional fees are due to increased level of effort associated with the design and management of elevated storage water tanks, off-site bladder tanks, and property acquisition for the bladder tanks; performance of a second preliminary design report (PDR) per request from FEMA to evaluate replacement of the Claiborne Water Pumping Station pumps versus the original repair and upgrade of same pumps; and supplemental services, including surveying, field exploration, and other geotechnical services as associated with the elevated storage tanks and bladder tanks.

C: Joe Becker
Ron Spooner
Chris Bergeron

AMENDMENT TO AGREEMENT WITH STANLEY CONSULTANTS, INC. FOR DESIGN AND ENGINEERING SERVICES FOR THE WATER HAMMER HAZARD MITIGATION PROJECT

WHEREAS, by action of the Sewerage and Water Board of New Orleans (Board), through the adoption of Resolution R-174-2011, Stanley Consultants, Inc. was awarded the agreement for design and engineering services for the Water Hammer Hazard Mitigation Project at the Carrollton Water Treatment Plant; and

WHEREAS, the level of effort for the existing contract has increased due to the following reasons:

- Additional scope of work for the design and management of elevated storage water tanks, off-site bladder tanks, and property acquisition for the bladder tanks;
- Performance of a second preliminary design report (PDR) per request from FEMA to evaluate replacement of the Claiborne Water Pumping Station pumps versus the original repair and upgrade of same pumps; and
- Additional Supplemental Services, including surveying, field exploration, and other geotechnical services as associated with the elevated storage tanks and bladder tanks.

NOW THEREFORE, BE IT RESOLVED, that the President and/or President Pro Tem shall be authorized to execute the amendment to this agreement with Stanley Consultants, Inc. for the Water Hammer Hazard Mitigation Project increasing the fee authorized to be paid to Stanley Consultants, Inc. by \$1,025,821.60 to a total fee of \$3,525,183.66.

I, Robert Miller, Interim Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Regular
Monthly Meeting of said Board, duly called and held,
according to law, on May 21, 2014.

ROBERT MILLER, INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 30, 2014 *EHW*
From: Ethel H. Williams, Financial Administrator
To: Robert K. Miller, Deputy Director
Re: 2013 Comprehensive Annual Financial Report and
Single Audit Report
Attn: Anita Simmons

Attached are the 2013 Comprehensive Annual Financial Report and the Single Audit Report for your use. Would you place this matter on the Finance Committee agenda as an action item for acceptance and forward to full Board.

Thank you.

EHW/kbw

Attachments

cc: Minnie Chandler

Members of the Board
Sewerage and Water Board of New Orleans

We have audited the basic financial statements of the Sewerage and Water Board of New Orleans (the Board) as of and for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated September 3, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. For the year ended December 31, 2013, the Board adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* which provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

Except as described in the preceding paragraph, no new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Board's financial statements were claims payable, allowance for doubtful accounts, and depreciation.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures were neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were corrected by management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

As described in Note 14 to the financial statement, management of the Board identified an overstatement of the Hurricane Recovery Revolving Loan which impacted prior year financial statements due to the recording of a liability for amounts that are not required to be reimbursed back to the Louisiana Public Facilities Authority under the Cooperative Endeavor Agreement that is described in Note 13.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the members of the Board and management of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Postlethwaite & Pittenwiler".

New Orleans, Louisiana
April 22, 2014

SEWERAGE AND WATER BOARD OF NEW ORLEANS

SINGLE AUDIT REPORTS

DECEMBER 31, 2013

P&N Postlethwaite
& Netterville

A Professional Accounting Corporation

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SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Single Audit Reports

December 31, 2013

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board
Sewerage and Water Board of New Orleans:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sewerage and Water Board of New Orleans (the Board), as of and for the year December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



New Orleans, Louisiana
April 22, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Members of the Board
Sewerage and Water Board of New Orleans:

Report on Compliance for Each Major Federal Program

We have audited Sewerage and Water Board of New Orleans' (the Board) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended December 31, 2013. The Board's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Board as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated April 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



New Orleans, Louisiana
April 22, 2014

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2013

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Environmental Protection Agency – Capitalization Grants for Clear Water State Revolving Funds		
Passed through Louisiana Department of Environmental Quality	66.458	\$ 8,420,403
Environmental Protection Agency – Capitalization Grants for Drinking Water State Revolving Funds:		
Passed through Louisiana Department of Health and Hospitals		
Non-ARRA loan	66.468	72,229
United States Department of Homeland Security – Public Assistance Grants:		
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness	97.036	60,710,181
United States Department of Homeland Security – Hazard Mitigation Grant Program:		
Passed through the City of New Orleans	97.039	4,187,010
United States Department of Homeland Security – Special Community Disaster Loans (note 4)	97.030	<u>-</u>
		<u>\$ 73,389,823</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2013

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the Sewerage and Water Board of New Orleans (the Board). The Board's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2013. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the Board's financial statements for the year ended December 31, 2013.

(3) Relationship to Basic Financial Statements

Federal awards are included in the statement of net position and the statement of revenues, expenses and changes in net position as follows:

Operating and maintenance grants	\$ 1,823,783
Capital contributions	63,073,408
Bonds payable	8,424,268
Add: 2013 bond draws repaid in 2013	68,364
	<u>\$ 73,389,823</u>

(4) Loans Payable to Federal Agency

The Board entered into an agreement with the Louisiana Department of Health and Hospitals (the Department) whereby the Department has committed to loan the Board up to \$3,400,000 to fund the installation of a new sodium hypochlorite storage and feed facility as well as the installation of a new sludge line into the Mississippi River (Project). The loan is to be advanced in incremental amounts as project costs are incurred. The debt will be paid in 20 principal installments. Principal payments of the amount repayable began February 1, 2011. Interest on the bonds is incurred at the rate of 2.95% and payment thereof began August 1, 2010 and is due semi-annually thereafter. As of December 31, 2013, the Project has been completed, and the amount of advances totaled \$3,185,740. A portion of the LADHH bonds payable is to be funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). Up to \$1,000,000 of the ARRA Loan can be forgiven. The Board received advances of \$3,185,740 as of December 31, 2013. Of this amount, \$1,000,000 was forgiven in prior years, \$2,181,875 has been repaid, and the remaining balance of \$3,865 is recorded as bonds payable at December 31, 2013.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

December 31, 2013

(4) Loans Payable to Federal Agency (continued)

Reconciliation of total expenditures and outstanding LADHH bonds payable at December 31, 2013 is as follows:

Non-ARRA loan	\$ 1,385,740
ARRA loan	<u>800,000</u>
Total expenditures	2,185,740
Less: Repayments made in 2011	(25,000)
Less: Repayments made in 2012	(90,000)
Less: Repayments made in 2013	<u>(2,066,875)</u>
Total loan balance at December 31, 2013	\$ <u>3,865</u>
 Bonds payable	 \$ <u>3,865</u>

The Board entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the Board \$9,000,000 to fund sewer main replacements, point repairs, replacement of associated service connections and laterals, sewer line rehabilitation by cured in-place pipe lining and manhole rehabilitation. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ will be evidenced through the Sewerage Service Subordinate Revenue Bonds, Series 2011. Annual principal payments are due beginning November 1, 2013 and continuing through November 1, 2032. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on May 1, 2012 and are due semi-annually thereafter. As of December 31, 2013, \$8,420,403 is recorded as bonds payable.

The Board received a Special Community Disaster Loan (the "loan") from the federal government in January 2006. In 2010, the Board was granted a partial forgiveness on the loan in the amount of \$36,790,000. The Board was also granted a five year extension in the loan terms. In 2013, the remaining loan balance of \$25,166,747 and accrued interest of \$4,894,621 was forgiven.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: unmodified opinion
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: no; Material weaknesses: no
- (c) Noncompliance which is material to the basic financial statements: no
- (d) Significant deficiencies in internal control over major program: no;
Material weaknesses: no
- (e) The type of report issued on compliance for major program: unmodified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no
- (g) Major program:
United States Department of Homeland Security, Federal Emergency Management Agency –
Public Assistance Grants - passed through the State of Louisiana (CFDA number 97.036)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$2,201,695
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no

(2) Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards*: None

(3) Findings and questioned costs related to federal awards: None



SEWERAGE AND WATER BOARD OF NEW ORLEANS

Inter-Office Memorandum

DATE: April 28, 2014

FROM: Ethel H. Williams, ^{ETHW} Financial Administrator

TO: Robert K. Miller, Interim Executive Director

RE: 2013 ACTUARIAL VALUATION REPORT and GASB 27
CALCULATIONS

ATTN: Anita Simmons

Attached are the Actuarial Valuation report and Resolution #R-071-2014 for the Employee's Retirement System for the year ending December 31, 2013.

Additionally, GASB 27 calculations are located in the back of the report on a separate schedule for the year ending December 31, 2013.

Please forward this report to the Finance Committee meeting Tuesday, May 06, 2014 and the full Board as an action item for approval and acceptance of the Employer (Board) minimum contribution change from 20.277% to 22.411%, an increase of 2.134% approximately \$633,941.00.

Cc: Rosita Thomas
Audrey Lee
Sonji Skipper
Mike LaPorte

Attachment

CONEFRY & COMPANY, L.L.C.

1340 Poydras Street, Suite 2130

New Orleans, LA 70112-5274

Tel. 504.392.8853 ■ Facsimile 504.392.4430

March 5, 2014

Mr. Robert K. Miller
Deputy Director
Sewerage and Water Board of New Orleans
625 St. Joseph Street
New Orleans, LA 70165

Re: January 1, 2014 Actuarial Valuation

Dear Mr. Miller:

Enclosed is the actuarial valuation report of the Employees' Retirement System of the Sewerage and Water Board of New Orleans as of December 31, 2013.

This actuarial valuation has been performed on a basis consistent with that which was performed as of December 31, 2012.

It should be noted that Exhibit III contains the Schedule of Funding Progress according to the requirements formerly mandated by Statement No. 25 (as modified by Statement No. 50) of the Governmental Accounting Standards Board (GASB #25 and #50). As described in that Exhibit III, these statements have been replaced by GASB Statements #67 and #68 and will be addressed in a separate report.

I have summarized below the principal results of the actuarial valuation.

Summary of Valuation Results

	<u>12/31/2012</u>	<u>12/31/2013</u>
1. Number of Active Participants	842	871
2. Total Active Annual Payroll	\$ 29,074,529	\$ 29,706,715
3. Plan "Amortization" Contribution as a Percentage of Active Payroll	36.394%	39.988%
4. Expected Employee Contribution as a Percentage of Active Payroll	5.000%	5.000%
5. Employer "Amortization" Contribution as a Percentage of Active Payroll	31.394%	34.988%

Mr. Robert K. Miller
March 5, 2014
Page 2

	<u>12/31/2012</u>	<u>12/31/2013</u>
6. Plan "Minimum" Contribution as a Percentage of Active Payroll	25.277%	27.411%
7. Expected Employee Contribution as a Percentage of Active Payroll	5.000%	5.000%
8. Employer "Minimum" Contribution as a Percentage of Active Payroll	20.277%	22.411%
9. Market Value of Plan Assets	\$ 220,704,055	\$ 234,358,049
10. Actuarial Value of Plan Assets (Adjusted Market Value Basis)	\$ 229,137,699	\$ 226,423,894
11. Valuation Unfunded Actuarial Liability	\$ 53,965,718	\$ 62,379,320
12. Ratio of UAL to Valuation Payroll	185.6%	210.0%
13. Funded Ratio	81.9%	79.5%

Yours truly,



Michael A. Conefry, FCA, ASA, MAAA*
Actuary

* Member of the American Academy of Actuaries and qualified to render the Statements of Actuarial Opinion contained herein.

MAC:wp
Enclosures

ACTUARIAL VALUATION REPORT

**EMPLOYEES' RETIREMENT SYSTEM
OF THE SEWERAGE AND WATER BOARD
OF NEW ORLEANS**

Annual Actuarial Valuation
as of January 1, 2014

CONEFRY & COMPANY, LLC

ACTUARIAL AND EMPLOYEE BENEFIT CONSULTING
NEW ORLEANS, LOUISIANA

INTRODUCTION

We present in this report the results of our actuarial valuation of the Employees' Retirement System of the Sewerage and Water Board of New Orleans as of January 1, 2014. The plan is an actuarially funded qualified governmental defined benefit pension under the Internal Revenue Code, and we have performed this actuarial valuation using conventional and generally accepted actuarial methods, assumptions, and principles applicable to qualified defined benefit pension plans. We have performed the actuarial valuation using the Entry Age Normal Cost Method. A full description of the funding method is contained in Section II of the report.

The Summary of Plan Provisions presented in the Appendix is intended to describe the principal benefits provided by the plan, particularly from the perspective of their significance in affecting the actuarial liability and cost of the plan. The summary is not, of course, intended to be a comprehensive or complete description of all benefits payable under all circumstances under the pension plan.

EMPLOYEES' RETIREMENT SYSTEM
OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS

SUMMARY

I. FINANCIAL AND ACTUARIAL STATUS
As of January 1, 2014

Market Value of Assets	\$ 234,358,049	Page 1
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Actuarial Value of Assets	\$ 226,423,894	Page 2
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II. EMPLOYER AND EMPLOYEE CONTRIBUTIONS
For the Plan Year Beginning January 1, 2014

Total "Amortization" Contribution (As % of Payroll)	\$ 11,879,057 (39.988%)	Page 6
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Expected Total Employee Contributions (As % of Payroll)	\$ 1,485,335 (5.000%)	Page 6
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Employer "Amortization" Contribution (As % of Payroll)	\$ 10,393,722 (34.988%)	Page 6
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Total "Minimum" Contribution (As % of Payroll)	\$ 8,142,972 (27.411%)	Page 7
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Expected Total Employee Contributions (As % of Payroll)	\$ 1,485,335 (5.000%)	Page 7
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Employer "Minimum" Contribution (As % of Payroll)	\$ 6,657,637 (22.411%)	Page 7
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Net Actuarial Experience		Page 8
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APPENDIX

Summary of Plan Provisions	Exhibit I - P. 12
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Statement of Actuarial Basis for Funding Purposes	Exhibit II - P. 20
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Statement of Accounting Information for Financial Statements	Exhibit III - P. 22
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Active and Inactive Participant Profiles	Exhibit IV - P. 23
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Market Value and Actuarial Value Investment Performance	Exhibit V - P. 30
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CERTIFICATION

Page 34

I. FINANCIAL AND ACTUARIAL STATUS as of January 1, 2014

We have conducted this actuarial valuation using employee data and asset information furnished by the administrative office of the System. This section of the report presents a summary of the assets of the plan at Market Value, as well as the development of the Actuarial Value of Assets used in the funding method. The funding method used to determine the actuarial liabilities is described in Section II and the actuarial assumptions upon which the liabilities are based are summarized in Exhibit II of the report.

ASSETS

The following table showing the composition of the assets as of December 31, 2013 is based on information supplied by the administrative office and the auditors of the System.

Table 1

Statement of Assets
as of December 31, 2013

<u>Assets</u>	<u>Market Value</u>
Cash	\$ 1,145,186
Investments	<u>232,097,010</u>
Total Invested Assets	233,242,382
Plus accounts receivable	+1,115,667
Less accounts payable	<u>0</u>
Total Assets	\$ 234,358,049 *

- * The actuarial value of assets used in this valuation is Adjusted Market Value as determined in Table 2. D.R.O.P. account balances of \$11,272,538 are included in the foregoing Assets and shown as an actuarial liability in Table 4, item (2)f.

ACTUARIAL VALUE OF ASSETS

Beginning with the January 1, 1998 actuarial valuation, the method of determining the actuarial value of assets was changed to adjusted market value from the former adjusted book value basis. The change has been necessitated because the former method, in our opinion and that of the auditors, is not "market value related" within the meaning of Statement No. 25 of the Government Accounting Standards Board (GASB #25), which now applies to your plan.

This revised method reflects actual market value performance over a seven year period ending on the valuation date. The market value performance is averaged over the seven year period by reflecting the actual external cash flow and adjusting each prior year's market value to the current valuation date using the actuarial interest assumption.

The following table develops the Adjusted Market Value of Assets to be used as the Actuarial Value of Assets in the actuarial valuation.

Table 2
Actuarial Value of Assets
As of December 31, 2013

Plan Year Ending	Beginning Market Value	Net External Cash Flow For Year	Market Value Inv. Income For Year	Ending Market Value	Market Value Performance For Year	Adj. Market Value Component
2007	229,184,172	-6,058,903	8,667,155	231,792,424	3.8324%	289,619,602
2008	231,792,424	-6,251,824	-59,122,504	166,418,096	-25.8553%	184,241,879
2009	166,418,096	-7,306,708	31,912,755	191,024,143	19.6067%	211,132,725
2010	191,024,143	-8,223,289	22,439,431	205,240,285	12.0053%	222,587,720
2011	205,240,285	-8,114,890	8,968,361	206,093,756	4.4578%	216,726,701
2012	206,093,756	-8,472,301	23,082,600	220,704,055	11.4351%	226,300,582
2013	220,704,055	-9,525,020	23,179,014	234,358,049	10.7339%	234,358,049

Years Included: 7 -53,952,935 59,126,812

Average Adj. MV: \$226,423,894

II.

EMPLOYER AND EMPLOYEE CONTRIBUTIONS

for the Plan Year Beginning January 1, 2014

DESCRIPTION OF ACTUARIAL COST METHOD

Under the Entry Age Normal Cost Method, the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date. The actuarial accrued liability is the amount of total liability not covered by future entry age normal costs. This amount is composed of the actuarial value of benefits already funded (assets) and those not yet funded (unfunded actuarial liability).

The plan's funding cost for the year is the sum of the Entry Age Normal Cost and the amount necessary to amortize the remaining unfunded actuarial liability as of the valuation date over the adopted amortization period.

Beginning with the January 1, 2007 actuarial valuation, a new amortization basis was established. The former amortization basis used a level dollar amortization for a ten (10) year "closed" (that is, with the remaining period reducing by one each year) amortization period from January 1, 2003 through December 31, 2012. This has been replaced by a level dollar amortization for an "open" (that is, a constant number of years) ten (10) year amortization period effective on each valuation date. This open ten (10) year amortization amount is developed later in this section and presented in Table 5.

Table 3
Entry Age Normal Cost for Plan Year
Beginning January 1, 2014

(1)	Actuarial Present Value at Entry Age of Expected Benefits to Plan Participants	\$ 12,525,546
(2)	Actuarial Present Value at Entry Age of Future Payroll of Active Participants	117,384,662
(3)	Normal Cost as a Percentage of Payroll: (1) divided by (2)	10.671%
(4)	Current Payroll of Active Participants *	29,706,705
(5)	Normal Cost: (3) x (4) (Assumed payable January 1, 2014)	\$ 3,170,002
(6)	Normal Cost, adjusted for monthly payments	\$ 3,270,464

* There are 871 active participants: 531-fully vested; 0-partially vested; 340-not vested.

Table 4
Unfunded Actuarial Liability
as of January 1, 2014

(1)	Actuarial Present Value of Expected Benefits to Active Plan Participants		
	(a) Basic and Supplemental Retirement Benefit	\$ 96,966,620	
	(b) Death and Survivor Benefit	7,484,583	
	(c) Disability Benefit (Inc. suppl & surv.)	6,378,325	
	(d) Vesting Benefit	6,039,303	
	(e) Refund of Employee Contributions	<u>1,174,203</u>	
	Total Active		\$ 118,043,062
(2)	Actuarial Present Value of Expected Benefits to Inactive Plan Participants		
	(a) Regular Retirees	\$ 108,648,879	
	(b) Disability Retirement	8,299,189	
	(c) Survivors	5,256,315	
	(d) Terminated Vested	1,348,140	
	(e) D.R.O.P. Retirees (Future Benefits)	51,593,001	
	(f) D.R.O.P. Retirees (Account Balances)	<u>11,272,538</u>	
	Total Inactive		\$ 186,418,062
(3)	Total Actuarial Present Value of Expected Benefits to All Plan Participants (1) + (2)		304,461,096
(4)	Actuarial Present Value of Future Payroll of Active Participants		146,733,034
(5)	Normal Cost as a Percentage of Payroll: (From Table 3)		10.671%
(6)	Actuarial Present Value of Future Normal Cost Contributions: (4) x (5)		15,657,882
(7)	Actuarial Value of Assets (from Table 2)		226,423,894
(8)	Unfunded Actuarial Liability: (3) - (6) - (7)		62,379,320

TOTAL CONTRIBUTION FOR PLAN YEAR BEGINNING January 1, 2014

CONTRIBUTION TO AMORTIZE UNFUNDED ACTUARIAL LIABILITY

The adopted "amortization" contribution for a plan year equals the normal cost plus the level dollar amount necessary to amortize the Unfunded Actuarial Liability over ten (10) years. The annual amount required to amortize the Unfunded Actuarial Liability of \$62,379,320 over 10 years at 7% annual interest (assuming monthly payments) is \$8,608,593.

Table 5

Total Required "Amortization" Contribution for the
Plan Year Beginning January 1, 2014

(1)	Normal Cost (From Table 3; assumed payable monthly)	\$ 3,270,464	
(2)	Net Annual charge Required for Amortization of Unfunded Actuarial Liability Over 10 year period beginning January 1, 2014 (See Above; Assumed payable monthly)	8,608,593	
(3)	Total Plan Contribution as of January 1, 2014: (1) + (2)	\$ 11,879,057 (39.988%)	*
(4)	Annual Employee Plan Contributions as of January 1, 2014	\$ 1,485,335 (5.000%)	*
(5)	Employer Contribution as of January 1, 2014: (3) - (4) (Assumed payable monthly)	\$ 10,393,722 (34.988%)	*

* Expressed as a percentage of annual participant payroll of \$29,706,705.

"MINIMUM" CONTRIBUTION

GASB Statements 25 and 27 require that the Unfunded Actuarial Liability be amortized over a period not longer than 30 years. The minimum contribution for a plan year equals the normal cost plus the amount necessary to amortize the Unfunded Actuarial Liability over the thirty (30) year period which begins on the valuation date. Using a level dollar, open period amortization method, the annual amount required to amortize the Unfunded Actuarial Liability of \$62,379,320 over the 30 year period beginning January 1, 2014 at 7% annual interest (assuming monthly payments) is \$4,872,508.

Table 6

Total Required "Minimum" Contribution for the
Plan Year Beginning January 1, 2014

(1)	Normal Cost (From Table 3; assumed payable monthly)	\$ 3,270,464	
(2)	Net Annual Charge Required for Amortization of Unfunded Actuarial Liability Over 30 year period beginning January 1, 2014 (see above) (Assumed payable monthly)	4,872,508	
(3)	Total Plan Contribution as of January 1, 2014: (1) + (2)	\$ 8,142,972 (27.411%)	*
(4)	Annual Employee Plan Contributions as of January 1, 2014	\$ 1,485,335 (5.000%)	*
(5)	Employer Contribution as of January 1, 2014: (3) - (4) (Assumed payable monthly)	\$ 6,657,637 (22.411%)	*

* Expressed as a percentage of annual participant payroll of \$29,706,705.

NET ACTUARIAL EXPERIENCE
for the Plan Year Beginning January 1, 2013

Actuarial experience refers to the comparison of actuarial results of each valuation with those expected from the previous valuation according to the actuarial assumptions. A decrease or increase in the Total Plan Contribution as a percentage of payroll is indicative of favorable (gains) or unfavorable (losses) experience, respectively. If the overall experience follows the general pattern indicated by the assumptions presented in the Appendix, the Total Plan Contribution (on a given amortization basis) as a percentage of payroll will remain relatively stable, except for routine fluctuations.

The Total "Amortization" Contribution as a percentage of payroll increased from 36.394% for the plan year beginning January 1, 2013 to 39.988% for the plan year beginning January 1, 2014. The Total "Minimum" Contribution as a percentage of payroll increased from 25.277% for the plan year beginning January 1, 2013 to 27.411% for the plan year beginning January 1, 2014. These increases of 3.594% and 2.134% of payroll, respectively, are indicative of an overall actuarial loss for the most recent plan year.

Table 7
Effect on Total "Amortization" and "Minimum"
Contributions by Component
for the Plan Year Ending December 31, 2013

<u>Component</u>	<u>"Amortization"</u> <u>Gain (-) or Loss (+)</u>	<u>"Minimum"</u> <u>Gain (-) or Loss (+)</u>
Interest	+4.379%	+2.478%
Salary Scale	-0.839%	-0.462%
Net from All Other Sources	<u>+0.054%</u>	<u>+0.118%</u>
Total Gain(-)/Loss(+)	<u>+3.594%</u>	<u>+2.134%</u>

A P P E N D I X

EXHIBIT I

EMPLOYEES' RETIREMENT SYSTEM OF THE
SEWERAGE AND WATER BOARD OF NEW ORLEANS

SUMMARY OF PLAN PROVISIONS

EFFECTIVE DATE:

Authorized by Act Number 551, effective January 1, 1957; Last Restatement for Plan Qualification, January 27, 2011; Latest Restatement, April 17, 2013; last amendment date as of the date of performance of this valuation, April 17, 2013.

MEMBERSHIP:

Employees who become members as a condition of employment.

CREDITABLE SERVICE:

Prior service plus membership service for which credit is allowable. Also, one year service credit given for every 250 days of unused sick and annual leave. Credit for prior military service may be purchased (maximum 4 years) by active contributing member who is vested; lump sum payment required based on 4% of excess over first \$100 monthly average for each month claimed plus 7% compound interest. Military service available only to those who will not receive a benefit from another retirement system (except Social Security). There are also provisions for restoring service on behalf of certain leaves without pay such as for Katrina Disaster Leave and Workers' Compensation.

EARNABLE COMPENSATION:

Annual compensation paid to an employee; excluding on-call and stand-by pay or over-time.

AVERAGE COMPENSATION:

Average annual earned compensation of a member for highest thirty-six successive months of service as a member, minus \$1,200. For employees hired after December 31, 1995, the \$1,200 reduction was not applicable. Effective June 19, 2002, the \$1,200 reduction was eliminated for all employees. Periods without compensation are not used in determining the average compensation.

EMPLOYEE CONTRIBUTIONS:

4% of earnable compensation through December 31, 2012. Effective January 1, 2013, 5% of earnable compensation.

EMPLOYER CONTRIBUTIONS:

Certain percentage of earnable compensation of each member, determined on basis of regular interest and mortality tables adopted by the Board, and additional percentage of earnable compensation, determined by actuary.

EXHIBIT I (Continued)

RETIREMENT BENEFITS:

Eligibility:

Any age with 30 years of Service; age 60 and 10 years of Service; effective January 1, 1996, age 65 and 5 years of Service; age 70 with any Service. Effective June 19, 2002, age 60 and vested (with actuarial reduction) and any member whose age and service total 80 or more years may retire without reduction for age.

Benefits:

Retirement allowance, consisting of (1) and (2) below:

- 1) An annuity, which is the actuarial equivalent of employee's accumulated contribution; plus
- 2) An annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2 1/2% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years. Effective June 19, 2002, the above percentages were changed to 2.5% for the first 25 years plus 4% for years over 25 years.
- 3) An additional annual pension equal to 2% of \$1,200 times first 10 years, plus 2 1/2% of \$1,200 times next 10 years, plus 3% of \$1,200 times next 10 years, plus 4% of \$1,200 times service over 30 years; if the employee was hired prior to 1996 and retires prior to age 65 on retirement allowance. Ceases at age 65 or receipt of first Social Security check, whichever comes first. Effective June 19, 2002, this additional benefit no longer applies except to those who retired prior to that date.
- 4) For service retirement prior to age 62 with less than 30 years of Service, (2) and (3) above are reduced by 3% for each year rounded to nearest day below the age of 62.
- 5) Effective January 1, 1997, a member may retire after 30 years of service, regardless of age, with no reduction in his benefit.
- 6) Maximum Benefit: Benefit no greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 13, 1977.

EXHIBIT I (Continued)

7) Form of Benefit: Modified cash refund annuity. If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity and pension payments, then lump sum balance of his contributions is paid to beneficiary.

8) Cost-of-Living: Effective July 1, 1992, for members that retired prior to January 1, 1984, if funds are available, each July 1st a 2% increase times the number of years retired will be given to members over age 65.

For members that retired on or after January 1, 1984, and are over age 65, each January 1st, increases in benefits based on the increase in the CPI, not to exceed 2%.

Spouses receiving a Joint and Survivor Annuity that have reached the age of 65 shall also receive an increase, based on the increase in the CPI, not to exceed 2%.

DISABILITY BENEFITS:

Eligibility:

10 years of credited service. (certified by physician nominated by Board).

Benefits:

1) A retirement allowance equal to the greater of: An annuity, which is the actuarial equivalent of the member's accumulated contributions at retirement; or

2) An annual pension equal to 75% of the accrued benefit based on service credits to the member had he continued in service until age 62.

3) Benefit offset by Workmen's Compensation benefits.

4) Effective 1/1/84, disability allowance is subject to the same COLA after age 65 as regular retirement.

DEATH BENEFITS:

Eligibility:

Death of member in active service.

Benefits:

Employee's accumulated contributions paid to beneficiary.

1) If member has 3 years Creditable Service, but less than 10 years, a lump sum benefit equal to the Member's accumulated contributions and 25% of the member's prior year earned compensation is payable to the designated beneficiary or estate.

EXHIBIT I (Continued)

2) If member dies in active service with less than three years Creditable Service, a Lump Sum Benefit equal to the Member's accumulated contributions is payable to the designated beneficiary or estate.

3) If, at date of death, member was eligible for retirement and leaves Surviving Spouse, Surviving Spouse shall be eligible for a Joint and 100% benefit or a lump sum refund of Employee's contributions.

4) If, at date of death, member was ineligible for retirement, but had at least 10 or more years of creditable service, then surviving spouse shall receive benefit equal to 80% of the former member's accrued benefit at death, payable at the later of the member's death or spouse's attainment of age 62.

5) If, at date of death, member was receiving a disability benefit and dies, his spouse shall receive 80% of the former member's disability retirement allowance payable at the later of the retiree's death or spouse's attainment of age 62. Eligible children shall receive 65% of the disability benefit payable until they reach age 18, age 25 if the child attends school full time or is mentally or physically disabled or until the spouse attains age 62.

6) The spouse's benefit shall be subject to the COLA after attaining age 65 as for a regular retiree.

SEPARATION BENEFITS:

1) A member that withdraws from service before age 60 with 10 years of Creditable Service may allow his accumulated contributions to remain on deposit until he is eligible to receive a separation retirement allowance. Effective June 19, 2002, only 5 years of Creditable Service is required.

2) Upon withdrawal without 10 years Creditable Service (or, after June 19, 2002, 5 years) Employee is entitled to a refund of his accumulated contributions or may allow contributions to remain on deposit for maximum of five years. In case of employee's death, accumulated contribution are paid to designated beneficiary.

Note:

If employee re-enters after receipt of refund and continues service thereafter for 18 months, he may repay amount of refund plus the amount of employee contributions, with interest at a rate of 4% for service prior to 1970 and 7% compounded annually to date of payment for service after January 1, 1970, to receive prior creditable service again.

EXHIBIT I (Continued)

OPTIONAL FORMS OF BENEFIT:

- 1) A member shall receive a retirement allowance payable for life. If he dies before receiving, in annuity payments, the value of his annuity at the time of his retirement, the balance is payable to his beneficiary.
- 2) A reduced benefit payable for the life of the member and continued to beneficiary after member's death. A specific percentage is chosen by the member at the time of retirement. Such percentage shall be an integral multiple of 5%, to a maximum of 100%.
- 3) A reduced benefit payable for the life of the member and 100% of that amount is paid to the spouse after member's death.

RECIPROCITY:

Effective July 16, 1974, provisions made for reciprocal transfers of service and funds between this System and Employees' Retirement System of the City of New Orleans, in the event an employee transfers from one employing agency to the other; service credits were transferred from sending system to receiving system provided all employee contributions plus earned interest and all employer contributions plus agreed-upon interest were transferred; effective September 23, 1993 (retroactive for transfers on and after October 17, 1988), agreement was amended to provide for a transfer from the sending system to the receiving system equal to the GASB #5 liability of the sending system at 7% interest, 5% salary scale, the remaining GASB #5 actuarial assumptions and the salary and benefit structure in effect for the sending system at time of transfer.

DROP ACCOUNT:

Effective January 1, 1996, any member who is eligible for a service retirement under Section 6(1) can participate in the DROP program:

- 1) A member can only participant once, and only up to three years. Effective June 19, 2002, the allowable period was increased to 5 years.
- 2) When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit begins being paid into his DROP account.

EXHIBIT I (Continued)

3) Interest is credited to the separately invested DROP accounts at the actually earned rate at the end of each month (not including the month of withdrawal unless on the last day of the month), but not below zero. Members of the DROP receive no cost-of-living increases.

4) Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out in a lump sum.

5) Continued employment after the end of the DROP period is possible only by reapplication to the Board by the employee. If rehired, that employee shall receive a lump sum of his DROP account balance as if he had retired. For DROP participants rehired after April 20, 2005, the retirement allowance that had been paid into the participant's DROP account shall be suspended while re-employed and the participant shall be treated in the same manner as a re-employed retiree.

EXHIBIT I (Continued)

SUMMARY OF SUBSTANTIVE PLAN CHANGES IN RECENT YEARS
HAVING AN IMPACT ON ACTUARIAL VALUATION RESULTS

September 23, 1993:

Reciprocity agreement with City of New Orleans amended, retroactive for transfers on and after October 17, 1988.

January 8, 1994:

Allows for purchase of credit for prior military service.

December 13, 1995:

Plan amended for qualification under Internal Revenue Code for Governmental Plans.

January 1, 1996:

The Deferred Retirement Option Plan was adopted to allow members terminating employment and accepting a service retirement allowance under plan section 6(1) to participate in this program.

Average Compensation amended to remove the \$1,200 reduction for employees hired after December 31, 1995.

Any member with 5 years of Creditable Service and attainment of age 65 may retire.

January 1, 1997:

For members retiring on or after January 1, 1997 and choose a Joint and Survivor option, if the beneficiary predeceases the retiree, the reduced benefit reverts back to the maximum amount upon the death of the spouse.

A member with 30 years of creditable service may retire, regardless of age, with no reduction in benefits.

Death benefit payable to the spouse of a deceased disabled retiree is now available immediately upon the retiree's death, on an actuarially equivalent basis.

June 21, 2000:

Disability benefit equal to 75% of the member's accrued benefit based on service credits to the member had he continued in service until age 62.

Eligible Dependent amended to add age 25 if the child attends school full-time or if the child is mentally or physically disabled.

EXHIBIT I (Continued)

SUMMARY OF SUBSTANTIVE PLAN CHANGES IN RECENT YEARS
HAVING AN IMPACT ON ACTUARIAL VALUATION RESULTS

June 21, 2000:

Death benefit payable to designated beneficiary or estate when there is no spouse or eligible dependents equal to the member's accumulated contributions at death plus 25% of the member's prior year's earnable compensation payable from the Trust fund.

January 1, 2001:

Any retiree with less than 30 years of Credited Service and under age 62, the benefit is reduced by 3% for each year of age rounded to the nearest day below age 62.

February 25, 2001:

Plan amended for the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, Uniformed Services Employment & Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998 and the Community Renewal Tax Relief Act of 2000, (GUST).

June 19, 2002:

Benefit formula amended to 2.5% of first 25 years of service, plus 4.0% for each year of service in excess of 25 years, up to a maximum of 100% of pay. A Rule of 80 retirement eligibility (age plus years of service greater than or equal to 80) without age reduction was added. Eligibility to leave employee accumulated contributions on deposit for Separation Retirement was changed from 10 years to 5 years; the exclusion of the first \$1,200 of annual pay was eliminated; D.R.O.P. period was extended from 3 to 5 years.

January 31, 2011:

Interest on DROP accounts changed from "Credited Interest" to that actually earned on the separately invested DROP accounts, but not below zero.

January 1, 2013:

Employee contribution formula amended from 4% to 5% of earnable compensation.

EXHIBIT II
EMPLOYEES' RETIREMENT SYSTEM
OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
STATEMENT OF ACTUARIAL BASIS FOR FUNDING PURPOSES

Actuarial Funding Method:

Cost Method:	Entry Age Normal Cost Method.
Asset Valuation Method:	Adjusted Market Value. Refer to the explanation on page 2 of the report and development in Table 2.

Actuarial Assumptions

Interest:	7% compounded annually.
Mortality:	1971 Group Annuity Mortality Table for males and females. (See chart in the following pages for specific rates by age and sex).
Turnover:	Table developed from the 1977-1980 Actuarial Experience Study, as used by the prior actuary. (See chart in the following pages for specific rates by age).
Salary Increases:	5.0% compounded annually.
Cost of Living Increases:	Actuarial liabilities for future cost of living increases were included for both active and inactive participants as per the appropriate sections of the plan.

STATEMENT OF ACTUARIAL BASIS FOR FUNDING PURPOSES

Actuarial Assumptions (Continued)

Retirement:

It has been assumed that employees retire at a variation of the earliest age at which they would be eligible to retire (with reduced benefits, if applicable) as follows; if the earliest age of retirement eligibility is less than or equal to age 55, the assumed age at retirement is the earliest age plus one year, but not beyond age 55; if the earliest age of retirement eligibility is greater than age 55, the assumed age at retirement is the earliest age of retirement eligibility.

Disability Incidence:

The rates utilized in the 14th actuarial valuation of the U.S. Railroad Retirement System. (See chart in the following pages for specific rates by age).

Survivor Benefits:

85% of active participants are assumed to be married to spouses of equal age. Children's survivor benefits and spouse's disability benefits (in the event of the death of a member on disability) were estimated to be 10% of the related benefits giving rise to the secondary benefits being valued.

Other assumptions:

20% of participants terminating with a vested right were assumed to withdraw their accumulated contributions upon termination, while 80% were assumed to retain their vested deferred benefits by leaving contributions on deposit.

Accumulated employee contributions are credited with 2% interest compounded annually.

EXHIBIT III

December 31, 2013 ACCOUNTING INFORMATION FOR FINANCIAL STATEMENTS

This section is included to provide information required by the Governmental Accounting Standards Board Statement Number 25 and is provided for historical continuity and consistency. GASB Statements 25 and 27 have been replaced by GASB Statements 67 and 68. These two statements have made extensive and fundamental changes in the nature of the financial disclosure requirements and have effectively removed the actual funding aspects of the plan from any direct involvement. The effective date of GASB 67 (with respect to the plan itself) is the first Plan Year beginning after June 15, 2013 (namely, the Plan Year beginning January 1, 2014). The effective date of GASB 68 (with respect to the Sewerage & Water Board as sponsoring employer) is the first Fiscal Year beginning after June 15, 2014 (namely, the Fiscal Year beginning January 1, 2015). The actuarial information for financial disclosure as required by these GASB Statements will be presented in a separate report.

The Projected Benefit Obligation (PBO) as of December 31, 2013 is based on all of the assumptions outlined in Exhibit II including future salary growth. The Unfunded Accrued Liability (UAL) is that used in funding the plan and is developed in Table 4.

SCHEDULE OF FUNDING PROGRESS

	<u>12/31/2012</u>	<u>12/31/2013</u>
Interest Assumption	7.00%	7.00%

RATIO OF UAL TO VALUATION PAYROLL:

[1] Unfunded Accrued Liability (UAL)	\$ 53,965,718	\$ 62,379,320
[2] Valuation Annual Payroll	29,074,529	29,706,705
[3] Ratio: [1] divided by [2]	185.6%	210.0%

FUNDED RATIO:

[1] Projected Benefit Obligation (PBO)		
Inactive Plan Participants	\$ 180,867,664	\$ 186,418,062
Active Plan Participants	<u>99,534,543</u>	<u>98,324,924</u>
Total PBO	\$ 280,402,207	\$ 284,742,986
[2] Actuarial Value of Assets	229,633,410	226,423,894
[3] Funded Ratio: [2] divided by [1]	81.9%	79.5%

EXHIBIT IV

ACTIVE AND INACTIVE PARTICIPANT PROFILES

EMPLOYEES RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
01/1/2014 ACTIVE PARTICIPANT AGE VS SERVICE GRID
JANUARY 1, 2014 ACTUARIAL VALUATION

----- ALL ACTIVE PARTICIPANTS -----

AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	TOTAL ANNUAL SALARIES	AVERAGE SALARY
0-19	3	0	0	0	0	0	0	0	0	3	63,222.37	21,074.12
20-24	50	1	0	0	0	0	0	0	0	51	1,229,064.95	24,099.31
25-29	77	23	0	0	0	0	0	0	0	100	2,694,440.16	26,944.40
30-34	60	24	3	0	0	0	0	0	0	87	2,458,163.17	28,254.75
35-39	26	19	10	6	1	0	0	0	0	62	1,928,467.32	31,104.31
40-44	32	17	9	20	10	0	0	0	0	88	2,968,189.28	33,729.42
45-49	31	22	14	29	28	15	6	0	0	145	5,292,191.26	36,497.87
50-54	31	19	7	20	19	34	22	0	0	152	5,781,895.10	38,038.78
55-59	29	23	10	12	22	20	19	0	0	135	5,321,719.25	39,420.14
60-64	8	8	3	6	6	3	1	1	1	37	1,364,735.67	36,884.75
65-69	1	1	4	2	0	1	0	0	0	9	557,162.08	61,906.90
70-74	0	1	0	0	0	0	0	0	0	1	47,471.06	47,471.06
	348	158	60	95	86	73	48	1	1	870	29,706,721.67	34,145.66

EMPLOYEES RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
01/1/2014 INACTIVE PARTICIPANT PROFILE
JANUARY 1, 2014 ACTUARIAL VALUATION

----- REGULAR RETIREES -----

AGE	YEARS SINCE RETIREMENT										TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+				
50-54	8	3	0	0	0	0	0	0	0	11	353,664.96	32,151.36	
55-59	19	43	2	0	0	0	0	0	0	64	1,767,300.96	27,614.08	
60-64	20	73	28	0	0	1	0	0	0	122	2,966,955.72	24,319.31	
65-69	11	68	43	7	0	0	0	0	0	129	2,925,988.92	22,682.08	
70-74	4	24	41	15	2	0	0	0	1	87	1,826,902.32	20,998.88	
75-79	0	1	21	26	6	2	0	0	0	56	1,014,346.44	18,113.33	
80-84	0	0	3	17	16	4	1	0	0	41	680,631.36	16,600.76	
85-89	0	1	3	0	5	12	3	0	0	24	408,806.04	17,033.59	
90+	0	0	0	2	0	2	3	1	0	8	101,241.36	12,655.17	
	62	213	141	67	29	21	7	1	1	542	12,045,838.08	22,224.79	

EMPLOYEES RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
01/1/2014 INACTIVE PARTICIPANT PROFILE
JANUARY 1, 2014 ACTUARIAL VALUATION

----- DISABLED RETIREES -----

AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
40-44	2	1	0	0	0	0	0	0	0	3	59,879.40	19,959.80
45-49	1	1	0	0	0	0	0	0	0	2	31,338.72	15,669.36
50-54	3	5	0	3	0	0	0	0	0	11	134,368.32	12,215.30
55-59	3	6	1	2	0	1	0	0	0	13	189,273.00	14,559.46
60-64	1	4	10	3	1	0	0	0	0	19	190,847.64	10,044.61
65-69	0	2	5	6	2	0	0	0	0	15	153,889.08	10,259.27
70-74	0	0	1	0	0	0	0	0	0	1	8,971.92	8,971.92
	10	19	17	14	3	1	0	0	0	64	768,568.08	12,008.88

EMPLOYEES RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
01/1/2014 INACTIVE PARTICIPANT PROFILE
JANUARY 1, 2014 ACTUARIAL VALUATION

----- SURVIVORS -----

AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
0-19	1	0	1	0	0	0	0	0	0	2	16,377.84	8,188.92
20-24	0	1	0	0	0	0	0	0	0	1	12,080.88	12,080.88
45-49	2	0	0	0	0	0	0	0	0	2	6,506.40	3,253.20
50-54	2	1	0	0	0	0	0	0	0	3	13,579.80	4,526.60
55-59	4	7	1	0	0	0	0	0	0	12	95,887.68	7,990.64
60-64	7	6	0	0	1	0	0	0	0	14	60,205.56	4,300.40
65-69	6	1	2	1	0	0	0	0	0	10	61,000.68	6,100.07
70-74	3	2	2	0	1	0	0	0	0	8	44,454.60	5,556.83
75-79	4	7	1	0	0	2	0	0	0	14	76,393.44	5,456.67
80-84	3	0	1	1	2	2	0	0	0	9	78,775.08	8,752.79
85-89	4	3	1	1	0	2	1	0	0	12	77,844.96	6,487.08
90+	1	3	5	0	0	0	1	2	1	13	107,046.96	8,234.38
	37	31	14	3	4	6	2	2	1	100	650,153.88	6,501.54

EMPLOYEES RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
01/1/2014 INACTIVE PARTICIPANT PROFILE
JANUARY 1, 2014 ACTUARIAL VALUATION

AGE	YEARS SINCE RETIREMENT										DROP RETIREES			TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL					
50-54	19	0	0	0	0	0	1	0	0	20	724,992.24	36,249.61			
55-59	51	0	0	0	0	0	0	0	0	51	1,910,017.56	37,451.32			
60-64	49	0	0	0	0	0	0	0	0	49	1,643,125.32	33,533.17			
65-69	14	0	0	0	0	0	0	0	0	14	505,185.84	36,084.70			
133		0	0	0	0	0	1	0	0	134	4,783,320.96	35,696.43			

SEWERAGE AND WATER BOARD OF NEW ORLEANS RETIREMENT SYSTEM
12/31/2013 TERMINATED VESTED EMPLOYEES WITH DEFERRED BENEFITS

NAME	EMPLOYEE ID NUMBER	S E X	DATE OF BIRTH	DATE OF TERMINATION	(BASIC) INIT. MO. BENEFIT	(BASIC) CURR. MO. BENEFIT	SUPPL. MONTHLY BENEFIT	ACCUMULATED EMPLOYEE CONTRIBS.
707		M	11/05/59	3/24/2001	1,812.12	1,812.14	36.96	31,447.13
708		M	8/19/71	5/04/2006	0.00	435.87	0.00	7,004.63
709		M	4/14/58	1/11/1994	250.44	250.44	26.25	7,540.24
710		F	8/12/53	4/13/1995	1,174.56	1,174.56	39.37	21,694.69
711		M	6/23/54	3/28/2006	0.00	916.65	0.00	16,296.90
712		M	2/24/67	11/08/2004	0.00	1,110.29	0.00	21,156.73
713		M	3/29/62	8/08/2007	0.00	2,133.13	0.00	23,833.94
714		M	8/29/62	1/13/1999	337.93	337.93	21.25	7,605.62
715		M	12/01/53	11/05/2005	0.00	1,055.82	0.00	16,631.41
716		M	2/25/58	1/13/2007	0.00	1,306.16	0.00	25,960.64
717		M	2/06/61	3/16/2011	0.00	0.00	0.00	10,376.09
718		F	10/17/76	5/29/2009	0.00	301.10	0.00	4,196.67
719		F	10/29/53	4/07/1995	604.69	604.69	51.75	12,185.61
720		F	5/01/55	2/23/2007	0.00	516.40	0.00	8,680.25
721		F	11/30/55	4/11/2007	0.00	507.35	0.00	7,034.37
722		F	6/25/61	7/08/1995	555.81	555.81	22.50	14,099.34
723		F	11/22/58	10/24/1999	930.15	930.15	28.75	16,496.91
724		M	1/13/69	4/21/2006	0.00	1,550.40	0.00	24,767.31
725		M	7/27/61	6/21/1996	1,099.34	1,099.34	23.75	19,182.41
726		M	11/22/53	12/04/2000	1,086.60	1,086.61	31.81	32,383.78
727		M	11/14/69	7/10/2012	0.00	1,155.34	0.00	16,568.28
728		M	9/24/60	9/07/2000	688.67	688.68	40.37	14,593.58
729		M	12/17/62	3/31/2006	0.00	1,324.56	0.00	21,895.91
TOTALS:					8,540.31	20,853.42	322.76	381,632.44

TOTAL COUNT: 23

EXHIBIT V

MARKET VALUE AND ACTUARIAL VALUE ASSET INVESTMENT PERFORMANCE

EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
ESTIMATED MARKET VALUE INVESTMENT PERFORMANCE
BY CALENDAR YEAR

PLAN YEAR ENDING	BEGINNING MARKET VALUE	EMPLOYER CONTRIBUTIONS FOR YEAR	EMPLOYEE CONTRIBUTIONS FOR YEAR	TRANSFERS IN FOR YEAR	TOTAL BENEFIT PAYMENTS FOR YEAR	TRANSFERS OUT FOR YEAR	NET EXTERNAL CASH FLOW FOR YEAR	MARKET VALUE INV. INCOME FOR YEAR	ENDING MARKET VALUE	MARKET VALUE INV. PERFORMANCE FOR YEAR
12/31/91	56,348,353	4,524,382	1,001,436		4,460,555	0	1,065,263	11,331,152	68,744,768	19.9208%
12/31/92	68,699,004	4,980,959	1,113,066		4,988,329	0	1,105,696	5,789,535	75,594,235	8.3601%
12/31/93	75,594,235	4,873,366	1,092,713		4,678,593	0	1,287,486	8,471,584	85,353,305	11.1120%
12/31/94	85,353,305	5,102,920	1,298,780		5,220,801	0	1,180,899	-2,682,882	83,851,322	-3.1217%
12/31/95	83,851,322	5,188,055	1,395,149		5,733,411	0	849,793	22,390,520	107,091,635	26.5680%
12/31/96	107,091,635	5,678,507	1,463,218		5,704,458	0	1,437,267	12,894,655	121,423,557	11.9605%
12/31/97	121,423,557	5,933,289	1,202,021		6,410,573	0	724,737	21,841,187	143,989,481	17.9341%
12/31/98	143,989,481	5,448,823	1,138,063		6,573,992	0	12,894	13,756,662	157,759,037	9.5535%
12/31/99	157,759,037	5,151,389	1,028,094		6,928,999	0	-749,516	16,013,013	173,022,534	10.1745%
12/31/00	173,022,534	5,444,048	1,053,495		7,317,215	0	-819,672	5,658,247	177,861,109	3.2780%
12/31/01	177,861,109	5,417,854	1,040,680		7,632,745	0	-1,174,211	-1,677,973	175,008,925	-.9465%
12/31/02	175,008,925	2,931,065	1,089,543		7,625,705	0	-3,605,097	-15,455,327	155,948,501	-8.9231%
12/31/03	155,948,501	3,391,535	1,097,183		9,184,249	0	-4,695,531	36,142,887	187,395,857	23.5304%
12/31/04	187,395,857	3,721,034	1,120,776		8,884,614	0	-4,042,804	19,502,120	202,855,173	10.5204%
12/31/05	202,855,173	3,716,381	1,176,637	714,343	10,177,467	0	-4,570,106	7,713,678	205,998,745	3.8459%
12/31/06	205,998,745	3,343,713	982,418	2,357,005	12,231,855	0	-5,548,719	28,734,146	229,184,172	14.1391%
12/31/07	229,184,172	3,885,124	1,014,461	1,854,239	12,812,727	0	-6,058,903	8,667,155	231,792,424	3.8324%
12/31/08	231,792,424	4,915,512	1,143,858	958,605	13,269,799	0	-6,251,824	-59,122,504	166,418,096	-25.8553%
12/31/09	166,418,096	5,247,031	1,161,744	516,393	14,231,876	0	-7,306,708	31,912,755	191,024,143	19.6067%
12/31/10	191,024,143	5,146,081	1,190,714	849,540	15,409,624	0	-8,223,289	22,439,431	205,240,285	12.0053%
12/31/11	205,240,285	5,436,700	1,161,996	1,233,504	15,947,090	0	-8,114,890	8,968,361	206,093,756	4.4578%
12/31/12	206,093,756	6,114,997	1,128,257	1,690,683	17,406,238	0	-8,472,301	23,082,600	220,704,055	11.4351%
12/31/13	220,704,055	5,946,614	1,465,774	1,065,165	18,002,573	0	-9,525,020	23,179,014	234,358,049	10.7339%
Number of Years Included: 23									249,550,016	

EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
ESTIMATED INVESTMENT PERFORMANCE BY MARKET VALUE AND ACTUARIAL VALUE OF ASSETS
BY CALENDAR YEAR

YEAR ENDING	ENDING MARKET VALUE	MARKET VALUE INV. PERF. FOR YEAR	MARKET VALUE MEAN FUND	ACTUARIAL VALUE MEAN FUND	ENDING ACTUARIAL VALUE OF ASSETS	ACTUARIAL ASSETS INV. PERF. FOR YR
12/31/91	68,744,768	19.9208%	56,880,985	58,063,594	64,921,832	10.8943%
12/31/92	75,594,235	8.3601%	69,251,852	65,474,680	72,541,969	9.9496%
12/31/93	85,353,305	11.1120%	76,237,978	73,185,712	81,932,422	11.0718%
12/31/94	83,851,322	-3.1217%	85,943,755	82,522,872	87,957,901	5.8706%
12/31/95	107,091,635	26.5680%	84,276,219	88,382,798	100,059,569	12.7308%
12/31/96	121,423,557	11.9605%	107,810,269	100,778,203	114,805,212	13.2056%
12/31/97	143,989,481	17.9341%	121,785,926	115,167,581	120,911,255	4.6726%
12/31/98	157,759,037	9.5535%	143,995,928	120,917,702	134,901,231	11.5592%
12/31/99	173,022,534	10.1745%	157,384,279	134,526,473	149,976,441	11.7633%
12/31/00	177,861,109	3.2780%	172,612,698	149,566,605	164,845,672	10.4896%
12/31/01	175,008,925	-.9465%	177,274,004	164,258,567	180,737,128	10.3895%
12/31/02	155,948,501	-8.9231%	173,206,377	178,934,580	187,892,718	6.0138%
12/31/03	187,395,857	23.5304%	153,600,736	185,544,953	196,697,432	7.2760%
12/31/04	202,855,173	10.5204%	185,374,455	194,676,030	204,706,452	6.1907%
12/31/05	205,998,745	3.8459%	200,570,120	202,421,399	209,829,340	4.7885%
12/31/06	229,184,172	14.1391%	203,224,386	207,054,981	217,143,723	6.2124%
12/31/07	231,792,424	3.8324%	226,154,721	214,114,272	223,583,589	5.8374%
12/31/08	166,418,096	-25.8553%	228,666,512	220,457,677	222,598,640	2.3891%
12/31/09	191,024,143	19.6067%	162,764,742	218,945,286	228,999,660	6.2608%
12/31/10	205,240,285	12.0053%	186,912,499	224,888,016	230,298,898	4.2343%
12/31/11	206,093,756	4.4578%	201,182,840	226,241,453	229,137,699	3.0736%
12/31/12	220,704,055	11.4351%	201,857,606	224,901,549	229,633,410	3.9875%
12/31/13	234,358,049	10.7339%	215,941,545	224,870,900	226,423,894	2.8085%

EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
ESTIMATED INVESTMENT PERFORMANCE
BY CALENDAR YEAR

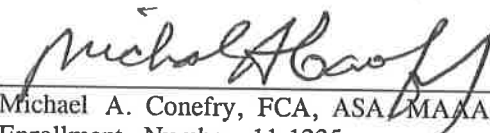
PLAN YEAR ENDING	BEGINNING MARKET VALUE	NET EXTERNAL CASH FLOW FOR YEAR	MARKET VALUE INV. INCOME FOR YEAR	MARKET VALUE INVESTMENT PERFORMANCE			ACTUARIAL ASSET VALUE INVESTMENT PERFORMANCE		
				FOR YEAR	CUMULATIVE	AVERAGE	FOR YEAR	CUMULATIVE	AVERAGE
12/31/91	56,348,353	1,065,263	11,331,152	68,744,768	19.9208%	19.92%	10.89%	10.89%	10.89%
12/31/92	68,699,004	1,105,696	5,789,535	75,594,235	8.3601%	29.95%	9.95%	21.93%	10.42%
12/31/93	75,594,235	1,287,486	8,471,584	85,353,305	11.1120%	44.39%	11.07%	35.43%	10.64%
12/31/94	85,353,305	1,180,899	-2,682,882	83,851,322	-3.1217%	39.88%	5.87%	43.38%	9.43%
12/31/95	83,851,322	849,793	22,390,520	107,091,635	26.5680%	77.04%	12.73%	61.63%	10.08%
12/31/96	107,091,635	1,437,267	12,894,655	121,423,557	11.9605%	98.22%	13.21%	82.98%	10.59%
12/31/97	121,423,557	724,737	21,841,187	143,989,481	17.9341%	133.77%	4.67%	91.52%	9.73%
12/31/98	143,989,481	12,894	13,756,662	157,759,037	9.5535%	156.10%	11.56%	113.66%	9.96%
12/31/99	157,759,037	-749,516	16,013,013	173,022,534	10.1745%	182.15%	11.76%	138.80%	10.15%
12/31/00	173,022,534	-819,672	5,658,247	177,861,109	3.2780%	191.40%	10.49%	163.85%	10.19%
12/31/01	177,861,109	-1,174,211	-1,677,973	175,008,925	-9.465%	188.65%	10.39%	191.26%	10.21%
12/31/02	175,008,925	-3,605,097	-15,455,327	155,948,501	-8.9231%	162.89%	6.01%	208.77%	9.85%
12/31/03	155,948,501	-4,695,531	36,142,887	187,395,857	23.5304%	224.75%	7.28%	231.24%	9.65%
12/31/04	187,395,857	-4,042,804	19,502,120	202,855,173	10.5204%	258.91%	6.19%	251.75%	9.40%
12/31/05	202,855,173	-4,570,106	7,713,678	205,998,745	3.8459%	272.72%	4.79%	268.59%	9.09%
12/31/06	205,998,745	-5,548,719	28,734,146	229,184,172	14.1391%	325.42%	6.21%	291.49%	8.90%
12/31/07	229,184,172	-6,058,903	8,667,155	231,792,424	3.8324%	341.72%	5.84%	314.34%	8.72%
12/31/08	231,792,424	-6,251,824	-59,122,504	166,418,096	-25.8553%	227.51%	2.39%	324.24%	8.36%
12/31/09	166,418,096	-7,306,708	31,912,755	191,024,143	19.6067%	291.72%	6.26%	350.80%	8.25%
12/31/10	191,024,143	-8,223,289	22,439,431	205,240,285	12.0053%	338.75%	4.23%	369.89%	8.04%
12/31/11	205,240,285	-8,114,890	8,968,361	206,093,756	4.4578%	358.31%	3.07%	384.33%	7.80%
12/31/12	206,093,756	-8,472,301	23,082,600	220,704,055	11.4351%	410.72%	3.99%	403.64%	7.63%
12/31/13	220,704,055	-9,525,020	23,179,014	234,358,049	10.7339%	465.54%	2.81%	417.79%	7.41%

Number of Years Included: 23

CERTIFICATION

The foregoing report presents fairly the actuarial position of the Employees' Retirement System of the Sewerage and Water Board of New Orleans as of January 1, 2014 in accordance with generally accepted actuarial principles applied on a basis consistent with the preceding valuation, except where noted. In our opinion, the assumptions used in preparing the liabilities and estimated costs are reasonably related to the experience of the plan and to reasonable expectations and represent our best estimate of anticipated experience under the plan.

CONEFRY & COMPANY, L.L.C.


Michael A. Conefry, FCA, ASA, MAIA, MSPA
Enrollment Number 11-1235

New Orleans, Louisiana
March, 2014
V201312

EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
GASB #27 DEVELOPMENT OF NET PENSION OBLIGATION (ASSET)
BY CALENDAR YEAR

FISCAL YEAR ENDING	COVERED PAYROLL (1)	ACTUAL EMPLOYER CONTRIBUTIONS		RECOMMENDED CONTRIBUTIONS		NET PENSION OBLIGATION (ASSET)		ACTUARIALLY RECOMMENDED CONTRIBUTIONS		ANNUAL PENSION COST (10)	CHANGE IN NET PENSION OBLIGATION (11)	BEGINNING OF YEAR NET PENS. OBLIG. (ASSET) (12)	END OF YEAR NET PENSION OBLIGATION (ASSET) (13)		
		AMOUNT		RATE		AMOUNT		YRS						AMOUNT	
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)						
12/31/87	26,583,220	4,452,689	16.750%	4,513,831	16.980%	7.000%	0	14	11.29421	4,513,831	61,141	0	61,141		
12/31/88	26,202,498	4,415,121	16.850%	4,548,754	17.360%	7.000%	4,280	13	10.63104	4,547,282	132,161	61,141	193,303		
12/31/89	25,301,492	4,263,301	16.850%	4,493,545	17.60%	7.000%	13,531	12	10.13937	4,488,012	224,710	193,303	418,013		
12/31/90	27,140,566	4,573,185	16.850%	4,795,738	17.670%	7.000%	29,261	11	9.23515	4,779,736	206,550	418,013	624,563		
12/31/91	28,111,436	4,736,777	16.850%	4,964,480	17.660%	7.000%	43,719	10	8.51016	4,934,809	198,032	624,563	822,595		
12/31/92	29,774,648	5,017,028	16.850%	5,228,428	17.560%	7.000%	57,582	9	7.76867	5,180,124	163,095	822,595	985,691		
12/31/93	30,248,264	5,096,832	16.850%	4,830,648	15.970%	7.000%	68,998	10	8.50931	4,783,809	(313,023)	985,691	672,667		
12/31/94	30,178,052	5,085,002	16.850%	4,916,005	16.290%	7.000%	47,087	9	7.76390	4,876,451	(208,551)	672,667	464,117		
12/31/95	31,952,080	5,383,925	16.850%	4,942,987	15.470%	7.000%	32,488	8	7.00116	4,909,184	(474,742)	464,117	(10,625)		
12/31/96	33,718,695	5,681,600	16.850%	4,913,488	14.572%	7.000%	(744)	7	5.56006	4,914,655	(766,945)	(10,625)	(777,570)		
12/31/97	32,772,094	5,522,098	16.850%	5,701,361	17.397%	7.000%	(54,430)	6	4.91744	5,805,056	282,958	(777,570)	(494,611)		
12/31/98	31,544,198	5,315,197	16.850%	4,694,092	14.881%	7.000%	(34,623)	5	4.23012	4,776,395	(538,802)	(494,611)	(1,033,413)		
12/31/99	31,276,546	5,270,098	16.850%	3,304,993	10.567%	7.000%	(72,339)	4	3.49454	3,528,376	(1,741,722)	(1,033,413)	(2,775,135)		
12/31/00	30,235,213	5,094,633	16.850%	891,032	2.947%	7.000%	(194,259)	3	2.70748	1,721,759	(3,372,874)	(2,775,135)	(6,148,010)		
12/31/01	28,855,551	4,862,160	16.850%	0	0.000%	7.000%	(430,361)	2	1.86532	2,865,599	(1,996,561)	(6,148,010)	(8,144,571)		
12/31/02	28,886,538	2,310,923	8.000%	3,190,807	11.046%	7.000%	(570,120)	10	7.24617	3,744,670	1,433,747	(8,144,571)	(6,710,824)		
12/31/03	28,443,387	3,141,857	11.046%	3,193,339	11.227%	7.000%	(469,758)	9	6.72171	3,721,962	580,105	(6,710,824)	(6,130,718)		
12/31/04	30,165,927	3,386,729	11.227%	4,271,797	14.161%	7.000%	(429,150)	8	6.16054	4,837,806	1,451,078	(6,130,718)	(4,679,641)		
12/31/05	30,050,827	4,255,498	14.161%	4,702,353	15.648%	7.000%	(327,575)	7	5.56008	5,216,428	960,930	(4,679,641)	(3,718,710)		
12/31/06	25,931,584	4,057,774	15.648%	4,073,593	15.709%	7.000%	(260,310)	10	7.24617	4,326,480	268,705	(3,718,710)	(3,450,005)		
12/31/07	26,544,603	4,169,892	15.709%	4,598,587	17.324%	7.000%	(241,500)	10	7.24617	4,833,201	663,309	(3,450,005)	(2,786,696)		
12/31/08	29,466,571	5,104,789	17.324%	7,146,527	24.253%	7.000%	(195,069)	10	7.24617	7,336,034	2,231,245	(2,786,696)	(555,451)		
12/31/09	29,947,906	5,188,175	17.324%	7,591,495	25.349%	7.000%	(38,882)	10	7.24617	7,629,268	2,441,092	(555,451)	1,885,642		
12/31/10	29,670,378	5,140,096	17.324%	8,358,739	28.172%	7.000%	131,995	10	7.24617	8,230,508	3,090,412	1,885,642	4,976,053		
12/31/11	29,774,937	5,564,936	18.690%	9,815,606	32.966%	7.000%	348,324	10	7.24617	9,477,214	3,912,279	4,976,053	8,888,332		
12/31/12	29,074,529	6,287,658	21.626%	9,127,658	31.394%	7.000%	622,183	10	7.24617	8,523,216	2,235,558	8,888,332	11,123,890		
12/31/13	29,706,715	6,023,631	20.277%	11,086,546	37.320%	7.000%	778,672	10	7.24617	10,330,077	4,306,447	11,123,890	15,430,337		

EMPLOYEES' RETIREMENT SYSTEM OF THE SEWERAGE AND WATER BOARD OF NEW ORLEANS
GASB #27 DEVELOPMENT OF NET PENSION OBLIGATION (ASSET)
BY CALENDAR YEAR

FISCAL YEAR ENDING	COVERED PAYROLL (1)	ACTUAL EMPLOYER CONTRIBUTIONS		ACTUARIALLY RECOMMENDED CONTRIBUTIONS		INTEREST ON NET PENSION OBLIGATION (ASSET)		ADJUSTMENT TO ACTUARIALLY RECOMMENDED CONTRIBUTIONS		ANNUAL PENSION COST (10)	CHANGE IN NET PENSION OBLIGATION (11)	BEGINNING OF YEAR NET PENS. OBLIG. (ASSET) (12)	END OF YEAR NET PENSION OBLIGATION (ASSET) (13)
		AMOUNT (2)	RATE (3)	AMOUNT (4)	RATE (5)	RATE (6)	AMOUNT (7)	YRS (8)	AMOUNT (9)				
12/31/87	26,583,220	4,452,689	16.750%	4,513,831	16.980%	7.000%	0	14	11.29421	4,513,831	61,141	0	61,141
12/31/88	26,202,498	4,415,121	16.850%	4,548,754	17.360%	7.000%	4,280	13	10.63104	4,547,282	132,161	61,141	193,303
12/31/89	25,301,492	4,263,301	16.850%	4,493,545	17.760%	7.000%	13,531	12	10.13937	4,488,012	224,710	193,303	418,013
12/31/90	27,140,566	4,573,185	16.850%	4,795,738	17.670%	7.000%	29,261	11	9.23515	4,779,736	206,550	418,013	624,563
12/31/91	28,111,436	4,736,777	16.850%	4,964,480	17.660%	7.000%	43,719	10	8.51016	4,934,809	198,032	624,563	822,595
12/31/92	29,774,648	5,017,028	16.850%	5,228,428	17.560%	7.000%	57,582	9	7.76867	5,180,124	163,095	822,595	985,691
12/31/93	30,248,264	5,096,832	16.850%	4,830,648	15.970%	7.000%	68,998	10	8.50931	4,783,809	(313,023)	985,691	672,667
12/31/94	30,178,052	5,085,002	16.850%	4,916,005	16.290%	7.000%	47,087	9	7.76390	4,876,451	(208,551)	672,667	464,117
12/31/95	31,952,080	5,383,925	16.850%	4,942,987	15.470%	7.000%	32,488	8	7.00116	4,909,184	(474,742)	464,117	(10,625)
12/31/96	33,718,695	5,681,600	16.850%	4,913,488	14.572%	7.000%	(744)	7	5.56006	4,914,655	(766,945)	(10,625)	(777,570)
12/31/97	32,772,094	5,522,098	16.850%	5,701,361	17.397%	7.000%	(54,430)	6	4.91744	5,805,056	282,958	(777,570)	(494,611)
12/31/98	31,544,198	5,315,197	16.850%	4,694,092	14.881%	7.000%	(34,623)	5	4.23012	4,776,395	(538,802)	(494,611)	(1,033,413)
12/31/99	31,276,546	5,270,098	16.850%	3,304,993	10.567%	7.000%	(72,339)	4	3.49454	3,528,376	(1,741,722)	(1,033,413)	(2,775,135)
12/31/00	30,235,213	5,094,633	16.850%	891,032	2.947%	7.000%	(194,259)	3	2.70748	1,721,759	(3,372,874)	(2,775,135)	(6,148,010)
12/31/01	28,855,551	4,862,160	16.850%	0	0.000%	7.000%	(430,361)	2	1.86532	2,865,599	(1,996,561)	(6,148,010)	(8,144,571)
12/31/02	28,886,538	2,310,923	8.000%	3,190,807	11.046%	7.000%	(570,120)	10	7.24617	3,744,670	1,433,747	(8,144,571)	(6,710,824)
12/31/03	28,443,387	3,141,857	11.046%	3,193,539	11.227%	7.000%	(469,758)	9	6.72171	3,721,962	580,105	(6,710,824)	(6,130,718)
12/31/04	30,165,927	3,386,729	11.227%	4,271,797	14.161%	7.000%	(429,150)	8	6.16054	4,837,806	1,451,078	(6,130,718)	(4,679,641)
12/31/05	30,050,827	4,255,498	14.161%	4,702,353	15.648%	7.000%	(327,575)	7	5.56008	5,216,428	960,930	(4,679,641)	(3,716,710)
12/31/06	25,931,584	4,057,774	15.648%	4,073,593	15.709%	7.000%	(260,310)	10	7.24617	4,326,480	268,705	(3,716,710)	(3,450,005)
12/31/07	26,544,603	4,169,892	15.709%	4,598,587	17.324%	7.000%	(241,500)	10	7.24617	4,833,201	663,309	(3,450,005)	(2,786,696)
12/31/08	29,466,571	5,104,789	17.324%	7,146,527	24.253%	7.000%	(195,069)	10	7.24617	7,336,034	2,231,245	(2,786,696)	(555,451)
12/31/09	29,947,906	5,188,175	17.324%	7,591,495	25.349%	7.000%	(38,882)	10	7.24617	7,629,268	2,441,092	(555,451)	1,885,642
12/31/10	29,670,378	5,140,096	17.324%	8,358,739	28.172%	7.000%	131,995	10	7.24617	8,230,508	3,090,412	1,885,642	4,976,053
12/31/11	29,774,937	5,564,936	18.690%	9,815,606	32.966%	7.000%	348,324	10	7.24617	9,477,214	3,912,279	4,976,053	8,888,332
12/31/12	29,074,529	6,287,658	21.626%	9,127,658	31.394%	7.000%	622,183	10	7.24617	8,523,216	2,235,558	8,888,332	11,123,890
12/31/13	29,706,715	6,023,631	20.277%	11,086,546	37.320%	7.000%	778,672	10	7.24617	10,330,077	4,306,447	11,123,890	15,430,337



SEWERAGE AND WATER BOARD OF NEW ORLEANS

May 6, 2014

Finance Committee
Sewerage and Water Board of New Orleans
New Orleans, Louisiana

Dear Directors:

Subject: Proposed Revision to Financial Management Policy

Sewerage and Water Board adopted a comprehensive Financial Management Policy in October 2011 which addressed financial planning, budgeting, accounting, reporting, debt management, reserves management, water and sewer system ratemaking, drainage system ratemaking and property tax setting, and responsibilities for implementation. Staff has reviewed this policy with financial advisors and bond underwriters and recommends these additional elements:

- The Board of Directors will adopt operating and capital budgets that it projects will enable the Sewerage and Water Board to maintain coverage at a minimum of 150% of senior debt service and 125% of senior total debt service.
- The Board of Directors may enter into short-term fixed-rate or variable-rate debt obligations in anticipation of issuing long-term debt obligations; for short-term assets; or for other permitted uses deemed appropriate after consultation with an outside Municipal Advisor.
- Water and sewer system debt obligations may be issued only if the maximum annual aggregate debt service for senior obligations multiplied by 1.25 will not exceed the annual net revenues of the respective system; and the maximum annual aggregate debt service for all obligations multiplied by 1.10 will not exceed the annual net revenues of the respective system.
- The Sewerage and Water Board will maintain an Operating Reserve Fund for water, sewer, and drainage systems, each with not less than 180 days of projected operating expenses.
- The Executive Director will identify to the Board of Directors any and all occasions when the Sewerage and Water Board is not in compliance with this policy and will develop and present a plan to the Board of Directors within sixty days to restore full compliance within one year.
- The Board of Directors will promptly notify the Board of Liquidation City Debt of any changes to this policy as well as any and all occasions when the Sewerage and Water Board is not in compliance with this policy.

Staff recommends amendment of the Financial Management Policy with these additional elements.

Robert K. Miller
Interim Executive Director

SEWERAGE AND WATER BOARD OF NEW ORLEANS
FINANCIAL MANAGEMENT POLICY
OCTOBER 2011 PROPOSED REVISION APRIL 2014

The financial management practices of the Sewerage and Water Board are governed by Louisiana Revised Statutes 33:4071 – 33:4159.10. In compliance with those statutes and to support sound financial management, the Sewerage and Water Board will acquire, control, report, and disburse financial assets according to these policy statements.

I. Financial Planning

- A. The Sewerage and Water Board will annually develop and maintain separate ten-year financial plans that identify the financial resources needed to achieve the objectives of the strategic plan; identify options for creation of resources; identify shortages between what is needed and what may be funded; and, describe the consequences of under-funding.
- B. The capital requirements for the financial plan will be based on management's understanding of all facilities that will be needed during the ten-year planning horizon.
- C. The Sewerage and Water Board will endeavor to provide a reasonable balance between operational objectives and risks with ratepayer impacts.
- D. The financial plans will identify reasonable assumptions for changes in revenues and expenses.
- E. The financial plan will project the statement of changes in revenues, expenses, and net assets and the sources and uses of funds for the next ten years in detail adequate to compute standard financial ratios for liquidity, efficiency, and debt service coverage.
- F. The financial plan will identify the amounts and timing of contemplated rate increases, millage increases, and debt issues.
- G. The financial plan will be updated when conditions materially change.
- H. The financial plan will be reviewed by an outside expert for completeness and reasonableness at least once every five years.

II. Financial Budgeting

- A. The Sewerage and Water Board will prepare annual operating budgets and capital budgets for the water, sewer and drainage systems that align the financial resources to achieve the objectives of the upcoming year's plans, clearly identifying all revenue requirements, planned sources of funds, and financial performance metrics.
- B. The budget document will be consistent with the long-term financial plans and likewise will be based on reasonable assumptions for changes in revenues and expenses.

B.C. The Board of Directors will adopt operating and capital budgets that it projects will enable the Sewerage and Water Board to maintain coverage at a minimum of 150% of senior debt service and 125% of senior total debt service.

C.D. The Board of Directors will bestow authority to spend budgeted funds through a resolution adopting the annual operating and capital budgets.

III. **Financial Accounting**

- A. The Sewerage and Water Board will use a chart of accounts consisting of object codes, organization codes and activity codes that is compatible with the Uniform System of Accounts for Class A Water Utilities published by the National Association of Regulatory Utility Commissioners.
- B. Management will ensure the reasonableness of estimates and assumptions that affect the reported amounts of assets and liabilities.
- C. Investments will be reported at fair value. Gains or losses on dispositions will be determined using the specific identification method. Materials and supplies inventories will be stated at the lower of average cost or market.
- D. Property, plant and equipment are carried at historical cost. The Board will capitalize moveable equipment with a value of \$10,000 or greater, as well as stationary, network and other equipment with a value of \$5,000 or greater and all real estate. The cost of additions to capital includes contracted work, direct labor, materials, and allocable cost. Contributed capital assets will be recorded at their estimated fair value at the date of donation. The Board will apply the straight-line method of depreciation to the estimated useful lives of the various classes of depreciable property.
- E. Annual pension costs will be actuarially computed using the entry age normal cost method.
- F. The accrued liability for various types of claims will be based upon an estimate by management of the eventual loss on the claims arising prior to year-end, including claims incurred but not yet reported as well as estimates of both future payments of losses and related claims adjustment and expense. Estimated expenses and recoveries will be based upon a case-by-case review.

IV. **Financial Reporting**

- A. The Sewerage and Water Board will prepare a Statement of Revenues, Expenses, and Changes in Net Assets, a Statement of Net Assets, and a Statement of Cash Flows on a monthly basis for the water, sewerage, and drainage systems.
- B. The financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.
- C. The financial statements will be prepared on the accrual basis of accounting.
- D. Sewerage and Water Board will publish audited financial statements in a Comprehensive Annual Financial Report that meet criteria for excellence established by the Government Finance Officers Association. The report will include a

discussion of the Board's activities by the Executive Director. The report will also include management's discussion and analysis of the financial results, as well as any other supplemental information needed to ensure understanding by the reader of the financial report. The report will include footnotes that adequately describe the accounting policies and practices.

- E. The monthly financial reports will be distributed on a timely basis with management comments discussing and analyzing the results. The reporting will compare current period results with previous period results as well as budgeted results. Unusual or one-time revenues and expenses will be clearly identified and explained.
- F. The Board will report as a Business Type Activity.

V. Debt Management

- A. The Board of Directors may periodically enter into debt obligations to finance the construction or acquisition of water, sewer or drainage system assets or to refinance existing debt.
- B. The Board of Directors and the Sewerage and Water Board will comply with all covenants and requirements of the Bond Resolutions, and local, state and federal laws authorizing and governing the issuance and administration of debt obligations.
- C. The Board of Directors will not issue long-term debt obligations or utilize long-term debt proceeds to finance current operations of the Sewerage and Water Board.

D. The Board of Directors may enter into short-term fixed-rate or variable-rate debt obligations:

- i. in anticipation of issuing long-term debt obligations;
- ii. for short-term assets; or
- iii. for other permitted uses deemed appropriate after consultation with an outside Municipal Advisor.

G.E. Sewerage and Water Board will not issue long-term debt obligations that involve derivative financial instruments.

D.F. Debt obligations may be secured only by a pledge of the revenues of the Sewerage and Water Board. Water system bonds are secured by a pledge of water revenues. Sewer system bonds are secured by a pledge of sewer system revenues. Drainage system bonds are secured by special ad valorem taxes for drainage purposes.

E.G. Debt obligations may be issued by a competitive sale or by a negotiated sale.

H. Water and sewer system debt obligations may be issued only if:

- i. -the maximum annual aggregate ~~bond-debt~~ service for senior obligations multiplied by ~~one-and-three-tenths~~ 1.25 -will not exceed the annual net revenues of the respective system; and

ii. the maximum annual aggregate debt service for all obligations multiplied by 1.10 will not exceed the annual net revenues of the respective system.

VI. Reserves Management

- A. The Board of Directors has exclusive responsibility to authorize the creation of accounts with depositories for the Sewerage and Water Board.
- B. The Sewerage and Water Board will invest all of its funds in conformance with federal, state, and other legal requirements, including the Bond Resolution covenants for allowable investment securities.
- C. The primary objectives of investment activities shall be, in priority order, safety, liquidity, and yield.
- D. The standard of care to be used shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.
- E. The Sewerage and Water Board will maintain an Operating Reserve Fund for water, sewer, and drainage systems, each with not less than 180 days of projected operating expenses.
- E.F. Reserves will be utilized only for the purposes delineated in the initial creation of the reserve fund, unless authorized by a two-thirds majority vote of the Board of Directors for diversion of reserves during a declared emergency and in conformance with federal, state, and other legal requirements including the Bond Resolution covenants.

VII. Water and Sewer System Ratemaking

- A. The objective of Sewerage and Water Board rates and charges is to recover the cost of service from the customers in each class that cause the cost to be incurred. It is intended that there not be subsidization of water and sewer rates for any class of customers by any other class of customers. The objectives of affordability and economic development are best served by efficient operations and cost-of-service based rates.
- B. A water rate study will be prepared at least every five years based on the American Water Works Association M1 Water Rates Manual. A sewer rate study will be prepared at least every five years based on the Water Environment Federation in the Manual of Practice 27: Financing and Charges for Wastewater Systems. The total revenue requirement will be computed using the cash basis approach. The allocation of costs components will be computed using the base-extra capacity method.
- C. Water and sewer system customer accounts will be grouped into customer classes based upon common characteristics.
- D. Water and sewer rates will be developed based upon the cost of service for each rate block and customer class. Differences between adopted rates and the cost of service will be resolved by reasonable incremental changes.

- E. The water and sewer rate schedules will be written in clear and understandable terminology to ensure that customers can replicate the computations made in the preparation of their bills. The rate schedules will be readily available to all constituents.
- F. Growth-related improvements will be financed, to the extent practicable, by rates and charges to growth-related customers.

VIII. Drainage System Ratemaking and Property Tax Setting

- A. The debt service for instruments used to fund drainage system improvements will be paid from the collection of property tax millages.
- B. Expenses for the operation and maintenance of the drainage system will be paid first from property tax millages not needed for the payment of drainage system debt service. If the property tax millages are not adequate to fully fund the operation and maintenance expenses of the drainage system, then a fee may be implemented to supplement the property tax millages.
- C. The amount of property tax millages will be reviewed on an annual basis to determine their adequacy.

IX. Responsibilities

- A. The Deputy Director, the Finance Administrator, and the Budget Manager are responsible for Financial Planning, subject to the approval of the Executive Director and the Board of Directors.
- B. The Deputy Director and the Budget Manager are responsible for Financial Budgeting, subject to the approval of the Executive Director and the Board of Directors.
- C. The Finance Administrator is responsible for Financial Accounting.
- D. The Finance Administrator, the Deputy Director, and the Executive Director are responsible for Financial Reporting.
- E. The Deputy Director and the Finance Administrator are responsible for Debt Management, subject to the approval of the Executive Director and the Board of Directors.
- F. The Finance Administrator and the Deputy Director are responsible for Reserves Management.
- G. The Finance Administrator is responsible for establishing and maintaining an internal control structure designed to ensure that the funds of Sewerage and Water Board are reported accurately on the financial statements and protected from loss.
- H. The Deputy Director and the Budget Manager are responsible for Ratemaking, subject to the approval of the Executive Director and the Board of Directors.
- I. The Executive Director will identify to the Board of Directors any and all occasions when the Sewerage and Water Board is not in compliance with this policy and will

develop and present a plan to the Board of Directors within sixty days to restore full compliance within one year.

H.J. The Board of Directors will promptly notify the Board of Liquidation City Debt of any changes to this policy as well as any and all occasions when the Sewerage and Water Board is not in compliance with this policy.

**THE SEWERAGE AND WATER BOARD'S 2014 CONTRIBUTION TO THE EMPLOYEES'
RETIREMENT SYSTEM OF SEWERAGE AND WATER BOARD OF NEW ORLEANS**

WHEREAS, the Employees' Retirement System of the Sewerage and Water Board of New Orleans ("Plan") is an actuarially funded qualified government defined benefit plan under the Internal Revenue Code; and

WHEREAS, an annual actuarial valuation report of the Plan was presented as of December 31, 2013; and

WHEREAS, the aforementioned actuarial report reflects an actuarial valuation using the Entry Age Normal Cost Method; and

WHEREAS, the adopted "minimum contribution" for a plan year equals the normal cost plus the amount necessary to amortize the Unfunded Actuarial Liability; and

WHEREAS, the normal cost for plan year beginning January 1, 2014 is \$3,270,464; and

WHEREAS, the net annual charge required for amortization of Unfunded Actuarial Liability over thirty (30) year period beginning January 1, 2014 is \$4,872,508 and

WHEREAS, the total plan contribution as of January 1, 2014 is \$8,142,972 (\$3,270,464 plus \$4,872,508), which percentage contribution 27.411% of the annual participant active payroll of \$29,706,705; and

WHEREAS, the annual employee plan contributions as of January 1, 2014 are \$1,485,335, which percentage contribution is 5.000% of the active payroll; and

WHEREAS, the employer contribution as of January 1, 2014 is \$6,657,637 which percentage contribution is 22.411% of the active payroll; and

WHEREAS, the actuarial report includes the required "amortization" contribution for the Plan to amortize the Unfunded Actuarial Liability of \$62,379,320 over the thirty (30) year amortization period, effective on each valuation date at seven (7 %) percent annual interest; and

WHEREAS, the minimum employer contribution of active payroll of 22.411% for the 2014 plan year over a thirty (30) year period, is hereby recommended and

NOW, THEREFORE, BE IT RESOLVED by the Sewerage and Water Board of New Orleans that the Minimum Employer Contribution of the active payroll shall be 22.411% for the Plan Year beginning January 1, 2014 over a thirty (30) year period.

I, Robert K. Miller, Interim Executive Director,
Sewerage and Water Board of New Orleans, do hereby
certify that the above and foregoing is a true and
correct copy of a Resolution adopted at the Regular
Monthly Meeting of said Board, duly called and held,
according to law, on May 21, 2014.

**ROBERT K. MILLER, INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS**



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 30, 2014
To: Robert Miller, Interim Executive director
From: Steven Klepeis, Risk Manager
Re: Renewal of Auto Fleet liability Insurance for 6/20/14-6/20/15

With regard to the above referenced matter, we requested our broker, Kennedy Financial Group, to solicit quotations for the renewal of our auto liability coverage.

The Kennedy Financial Group contacted twenty-three companies, with the result that many declined and only Genesis Insurance Company and the incumbent Travelers Insurance Company were willing to quote the primary \$1 Million per occurrence limit of coverage, excess of our \$350,000 self-insured retention. Of these two, Genesis presented the more desirable quote, offering to provide the existing coverage for \$130,698 less than Traveler's quote for the same coverage.

With regard to the excess coverage, three companies were initially interested in quoting the \$5 Million coverage limit excess of the primary \$1 Million, but they eventually determined that they could not compete with the incumbent RSUI's quote of \$213,000.

As a result, we recommend purchasing the primary coverage from Genesis for \$500,100 and the excess coverage from RSUI for \$213,000, for a total renewal premium of \$713,000. This amount is \$78,975 less than last year's total renewal premium.

Respectfully,

Steven P. Klepeis
Risk Manager

COMMERCIAL INSURANCE POLICY FOR AUTOMOBILE FLEET LIABILITY

WHEREAS, The Sewerage and Water Board of New Orleans Board desires to purchase a Commercial Auto Fleet Liability Insurance policy for its fleet to cover the period June 20, 2014 – June 20, 2015; and

WHEREAS, the Board has maintained Commercial Auto Fleet Liability Insurance policies in effect since 1987; and

WHEREAS, the Board requested its insurance broker, Charles Kennedy, Jr., of The Kennedy Financial Group to secure price quotations for such a policy; and

WHEREAS, the Kennedy Financial Group has obtained an Auto Fleet Liability Insurance quote of \$500,100 from Genesis Insurance Company for the existing coverage of \$1 Million limit per occurrence, excess of our existing \$350,000 self-insured retention; and

WHEREAS, the Kennedy Financial Group has also obtained an Auto Fleet Excess Liability Insurance quote of \$213,000 from RSUI for the existing coverage of \$5 Million limit excess of the primary \$1 Million per occurrence coverage limit;

NOW THEREFORE, BE IT RESOLVED that the Interim Executive Director of the Sewerage and Water Board of New Orleans, is hereby authorized and directed to purchase automobile fleet liability insurance coverage from Genesis Insurance Company and from RSUI through the Board's insurance broker, Charles Kennedy Jr., of The Kennedy Financial Group, for the total premium of \$713,000.

I, Robert Miller, Interim Executive Director,
Sewerage and Water Board of New Orleans, do
hereby certify that the above and foregoing is
a true and correct copy of a Resolution adopted
at the Regular Meeting of the said Board, duly called
and held, according to law, on May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS

	Travelers Expiring	Travelers Renewal	Genesis Option 1	Genesis Option 2	Genesis Option 3	Genesis Option 4
A.M. Best Rating	A+ XV	A+ XV	A++ XV	A++ XV	A++ XV	A++ XV
Primary Limit of Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Self-Insured Retention	\$350,000	\$350,000	\$350,000	\$300,000	\$350,000	\$300,000
Treatment of Allocated Loss Adjustment Expenses	Outside Limit/ Erodes SIR	Outside Limit/ Erodes SIR	Outside Limit/ Does not Erode SIR	Outside Limit/ Does Not Erode SIR	Included within Limit/Erodes SIR	Included within Limit/Erodes SIR
Premium	\$564,225	\$624,798	\$490,100	\$543,600	\$492,250	\$546,000
Wholesale Broker Fee	\$6,000	\$6,000	\$10,000	\$10,000	\$10,000	\$10,000
TRIPRA	included	included	included	included	included	included
Subtotal	\$570,225	\$630,798	\$500,100	\$553,600	\$502,250	\$556,000
Excess Limits of Liability						
RSUI (A+ XIV)						
\$5,000,000 Excess of Underlying	\$221,750	\$235,000	\$213,000	\$213,000	\$223,000	\$223,000
Total Renewal Premiums		\$865,798	\$713,000	\$766,600	\$725,250	\$779,000
Total Expiring Premium	\$791,975					



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: March 31, 2014

To: Robert Miller, Interim Executive Director

Through: Joe Becker, General Superintendent

From: Steven Klepeis, Risk Manager

Re: Recommendation for Award of Contract for Insurance Broker Services

SUMMARY

At the April 20, 2011 Sewerage and Water Board of New Orleans (Board) meeting, the Board directed staff to initiate a Request for Proposals for the procurement of a qualified insurance broker to provide property and casualty insurance marketing and other ancillary services. Staff issued a Request for Proposal on December 11, 2013. A mandatory pre-submittal conference was held December 20, 2013. Four firms submitted proposals by the due date of January 10, 2014. Staff evaluated and ranked the proposals followed by interviews of the four firms March 25-26, 2014.

Staff selection committee recommends that the Board authorize acceptance of the proposal from Eagan Insurance Agency, LLC. (Eagan) in the annual amount of \$59,500. This proposal is renewable annually with no increase in cost for up to five years. Eagan is proposing to comply with the DBE participation goal of 35% utilizing The Kennedy Financial Group of Louisiana, Inc. at approximately 55-60%.

REQUEST FOR PROPOSALS SCOPE OF WORK

An Insurance Broker shall assist the Board in providing the following scope of work to competitively market and appropriately place all lines of insurance with financially responsible insurance companies and provide the ancillary services necessary to support the following exposures:

- General Liability
- Workers Compensation
- Boiler and Machinery
- Real and Personal Property
- Vehicle Fleet Liability and Catastrophic Physical Damage
- Flood
- Umbrella and Other Coverages

Additionally the Insurance Broker shall be responsible for monitoring the Board's loss exposures and recommend appropriate coverage changes or cost containment methods as well as assist in obtaining additional loss prevention and control services. The

compensation for these services is to be on a fee basis, net of commissions.

PROPOSAL EVALUATION CRITERIA

The criteria used to evaluate the Proposals were as follows:

A. Ability to provide the services	25%
B. Competitiveness of proposed fee	10%
C. Background, education, experience	10%
D. Most advantageous methodology	5%
E. Most advantageous cost	10%
F. Depth and quality of representatives	5%
G. Providing relevant references	5%
H. Commitment to customer service	25%
I. Meeting or exceeding all requirements	5%
Total	100%

EVALUATION OF PROPOSALS

Proposals were received from four insurance broker firms:

<u>Insurance Broker</u>	<u>DBE Partner</u>
Arthur J. Gallagher Risk Management Services	Noah W. Lewis & Associates
BRK Insurance Group	The Kennedy Financial Group
Eagan Insurance Agency	The Kennedy Financial Group
Insurance Marketplace of Slidell	Ronald C Guidry Sr. Agency Corp

The proposers committed to meet or exceed the 35% DBE participation goal.

The Proposals were evaluated by a team of Sewerage and Water Board staff consisting of three representatives from the Risk Management, Emergency Management and Legal Departments. The evaluation process was monitored by the Purchasing Manager.

The rank and total scores assigned by the team for each Proposal were as follows:

1. Eagan Insurance Agency	97
2. Arthur J. Gallagher Risk Management Services	79
3. BRK Insurance Group	71
4. Insurance Marketplace of Slidell	46

Eagan Insurance Agency received the highest total score and was found to have the strongest proposal. Their strength was reflected in both the proposal and the interview as follows:

- Excellent experience as reflected with their proposed team and with regard to their familiarity with and placement of large commercial insurance coverage, especially with regard to the insurance needs of public entities.
- Clearly showed a greater command and expertise with particular regard to the issues of flood insurance and the particular requirements of the National Flood

Insurance Program (NFIP) in connection with FEMA, which is and which will be an area of special concern for the Board now and in the coming years.

- Provided brokering services for several years with St. Bernard Parish, a parish which experienced Hurricane Katrina flood and wind devastation comparable to that of New Orleans.
- Provide particular experience in working directly with the rules and procedures involved in that parish's ongoing relationship with NFIP/FEMA.
- Express their knowledge and support capability as regards the ongoing issues of flood insurance

Eagan proposed an annual fee of \$59,500.00, with no graduated annual increases. They cited the fact that their contingency agreements with certain insurers will not affect the stated fee to be charged to the Board, and they specifically acknowledged to the Staff Selection Committee that in accordance with Article 5.0, Remuneration for Services, they understand the stated fee to be the entire payment, that the placement of insurance has to be in policies "net of commission," and that they were not to profit from commissions from any of the Board's policies.

Arthur J. Gallagher Risk Management Services (Gallagher) was ranked second and found to have a strong proposal. Gallagher had strong experience with regard to their familiarity with and placement of large commercial insurance coverage, especially with regard to the insurance needs of public entities. Both the Proposal and the interview showed strong capability to perform the required services. Gallagher proposed a \$70,000 annual fee which will remain flat for three years, after which, and if the scope of work changes, they will seek to renegotiate the fee with the Board to a fair resolution

BRK Insurance Group (BRK) was ranked third and found to also have a strong proposal. BRK had strong experience with regard to their familiarity with and placement of large commercial insurance coverage, especially with regard to the insurance needs of public entities. Both the Proposal and the interview showed strong capability to perform the required services. BRK proposed a beginning annual fee of \$65,000.00, which increases to \$70,000.00 for the two-year period 2015-17, and then an increase to \$75,000.00 for the two-year period 2017-19.

Insurance Marketplace of Slidell was ranked fourth and found to be non-compliant with the requirements for the Request for Proposal. Their experience relating to the nature of the Board's insurance and loss control needs was weak. Additionally they did not propose an annual fee, and instead listed their typical commissions for companies they normally work with.

RECOMMENDATION

Staff selection committee recommends that the Board authorize acceptance of the proposal from Eagan Insurance Agency, LLC. (Eagan) in the annual amount of \$59,500. This proposal is renewable annually with no increase in cost for up to five years. Eagan is proposing to comply with the DBE participation goal of 35% utilizing The Kennedy Financial Group of Louisiana, Inc.

C: Madeline F. Goddard, Deputy General Superintendent
Jason Higginbotham, Director of Emergency Manager
Willie Mingo, Purchasing Director
Alvin Porter, Interim EDBP Director

**RECOMMENDATION FOR AWARD OF CONTRACT
FOR INSURANCE BROKER SERVICES**

WHEREAS, at the April 20, 2011 Board Meeting, the Board directed staff to initiate a Request for Proposals for a qualified insurance broker to provide property and casualty insurance marketing and other ancillary services; and

WHEREAS, the scope of work is to competitively market and appropriately place all lines of insurance with financially responsible insurance companies and provide ancillary services necessary to support the following exposures: General Liability, Workers Compensation, Boiler and Machinery, Real and Personal Property, Vehicle Fleet Liability and Catastrophic Physical Damage, Flood, Umbrella and Other Coverages, including responsibility to monitor the Board's loss exposures and recommend any appropriate coverage changes or cost containment methods as well as to assist in obtaining additional loss prevention and control services; and

WHEREAS, proposals were received from four insurance brokers by the due date of December 11, 2013 followed by interviews of the four firms March 25-26, 2014; and

NOW, THEREFORE, BE IT RESOLVED that the Sewerage and Water Board of New Orleans hereby authorizes the acceptance of the proposal submitted by Eagan Insurance Agency, LLC, with The Kennedy Financial Group, the DBE subconsultants at the proposed participation goal of approximately 55-60%; and

BE IT RESOLVED that the Sewerage and Water Board of New Orleans hereby authorizes the acceptance of proposal's annual amount of \$59,500, renewable annually with no increase in cost for up to five years; and

BE IT FURTHER RESOLVED that the President or President Pro-Tem be authorized to execute, on behalf of the Sewerage and Water Board of New Orleans an agreement with the firm of Eagan Insurance Agency, LLC for insurance broker services.

I, Robert Miller, Interim Executive Director, Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a Resolution adopted at a Regular Monthly Meeting of said Board, duly called and held, according to law, May 21, 2014.

ROBERT MILLER
INTERIM EXECUTIVE DIRECTOR
SEWERAGE AND WATER BOARD OF NEW ORLEANS



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: April 25, 2014

From: Ethel H. Williams *EHW*
Financial Administrator

To: Robert K. Miller, Interim Executive Director

Re: Quarterly Cash Management and Investment Report
As of March 31, 2014

Attn: Anita Simmons

Attached is the above referenced Cash Management and Investment Report, for the quarter ending March 31, 2014. This report reflects the investment activities and trends for the above referenced quarter.

The average Board's daily systems deposit for the quarter totaled \$677,792.80, reflecting an increase of \$17,147.64 from \$660,645.16, compared to last quarter ending December 31, 2013.

Would you place this report on the Finance Committee agenda as an informational item for the May 6, 2014 meeting and full Board.

For further inquiry, please contact me at 585-2356 or Steve Woolridge at 585-2320.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
CASH MANAGEMENT AND INVESTMENT REPORT
MARCH 31, 2014

BOARD FUNDS INVESTED BY:

Board of Liquidation, City Debt

Drainage System Fund 3 Mill Tax
Drainage System Fund 6 Mill Tax
Drainage System Fund 9 Mill Tax
Drainage System Bond Proceeds 9 Mills
Sewerage Service Revenue Bond Account
Water Revenue Bond Account

The Board of Liquidation (BOL) purchases Money Markets. Money Markets are liquid investments that can be cashed in whole or in part without penalty.

Sewerage & Water Board

Customer Deposits
Health Insurance Reserve
Operating Funds:
Water
Sewerage
DOM-Reimbursements
(Misc.-repairs/
Reimbursement for operations
DPS #11
DPS # 6
LAMP-Operating Funds
LAMP-DROP Restricted

Average daily System Fund deposits through Board Cashiers \$677,792.80.

Some reasons for investments:

The average system fund collections increased by \$17,147.64 per day. This is due to an expanded customer base, and an increase in the water and sewer rate increases beginning in January of 2013. The System Water funds' investments are augmented due to water funds healthier state; as of the last quarter in 2011 The Board continues to invest some Water Funds, until these funds are needed.

Customer Deposit and customer refund liability Funds are held in restricted money market investment accounts, where applicable. Health Insurance Reserve is restricted and invested in long term Money Mutual Funds.

100% of S&WB investments are in Money Markets as a result of higher earnings on Money Markets as opposed to Certificates of Deposits.

Investments at present are with: Capital One, J.P. Morgan Chase and Louisiana Asset Management Pool (LAMP).

Sewerage & Water Board of New Orleans
Cash Management and Investment Report
As of and thru March 31, 2014

The following are investment statistics for 2014:

Board of Liquidation Funds:

Investment Balances	Interest Received
Drainage System Fund 3 Mill	3,437.33
Drainage System Fund 6 Mill	3,669.40
Drainage System Fund 9 Mill	748.79
Sewer Service Revenue Bond Account	82.08
<u>4,627,218.79</u>	<u>7,937.60</u>

S&WB FUNDS:

Customer Deposit Fund	Money Markets	7,466.22
Health Insurance Reserve	Money Markets	2,820.16
Water System Fund	Money Markets	842.32
Sewer System Fund	Money Markets	2,913.92
Drainage Operating Maintenance Fund	Money Markets	4,955.79
Drainage Pumping Station #11	0.00	0.00
Drainage Pumping Station #6	0.00	0.00
LAMP Operating Funds		273.82
LAMP Drop Restricted		586.14
<u>66,913,798.95</u>		<u>19,858.37</u>

Average Investment Activity and Interest Rate

	Average Investment Activity per month	Average interest rate per month
Drainage System Fund 3 Mill	53,891.66	0.5315%
Drainage System Fund 6 Mill	78,500.70	0.3895%
Drainage System Fund 9 Mill	132,221.09	0.0472%
Sewer Service Revenue Bond Account	120,988.12	0.0057%
<u>385,601.57</u>		<u>661.47</u>
Average Investment Activity per month		Average interest rate per month
Customer Deposit Fund	1,366,737.62	0.0455%
Health Insurance Reserve	476,358.03	0.0493%
Water System Fund	423,916.59	0.0166%
Sewer System Fund	712,195.23	0.0341%
Drainage Operating Maintenance Fund	1,084,467.06	0.0381%
Drainage Pumping Station #11	0.00	0.00
Drainage Pumping Station #6	0.00	0.00
LAMP Operating Funds	490,976.88	0.0046%
LAMP Drop Restricted	1,021,498.50	0.0048%
<u>5,576,149.91</u>		<u>1,654.86</u>

Board Funds Invested by: Steve Woolridge

SEWERAGE AND WATER BOARD OF NEW ORLEANS
CHANGE ORDER ANALYSIS SUMMARY FOR FISCAL YEAR 2013

As of April 25, 2014

	<u>Total Active</u> <u>Contracts (\$)</u>	<u>Total Change</u> <u>Orders (\$)</u>	<u>Percentage</u> <u>Contract</u>
WATER			
Construction	\$ 235,855,839	\$ 3,780,914	1.6%
Design	\$ 37,628,420	\$ 7,237,026	19.2%
Total: Water	\$ 273,484,259	\$ 11,017,940	4.0%
SEWERAGE			
Construction	\$ 133,134,002	\$ 4,322,968	3.2%
Design	\$ 14,071,884	\$ 4,952,192	35.2%
Total Sewerage	\$ 147,205,886	\$ 9,275,159	6.3%
DRAINAGE			
Construction	\$ 52,787,510	\$ 1,356,243	2.6%
Design	\$ 28,693,133	\$ 1,953,986	6.8%
Total Drainage	\$ 81,480,643	\$ 3,310,228	4.1%
Total Program	\$ 502,170,788	\$ 23,603,328	4.7%

Sewerage and Water Board of New Orleans

Committee & Regular Board Meeting Schedule

2014 Calendar of Events

MONDAY	MAY 5, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	MAY 6, 2014	9:00 AM	FINANCE COMMITTEE
WEDNESDAY	MAY 7, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	MAY 7, 2014	10:30 AM	PENSION COMMITTEE
FRIDAY	MAY 9, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	MAY 21, 2014	9:00 AM	REGULAR BOARD
MONDAY	JUNE 2, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	JUNE 3, 2014	9:00 AM	FINANCE COMMITTEE
WEDNESDAY	JUNE 4, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	JUNE 4, 2014	10:30 AM	PENSION COMMITTEE
FRIDAY	JUNE 6, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	JUNE 18, 2014	9:00 AM	REGULAR BOARD
WEDNESDAY	JULY 2, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	JULY 2, 2014	10:30 AM	PENSION COMMITTEE
MONDAY	JULY 7, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	JULY 8, 2014	9:00 AM	FINANCE COMMITTEE
FRIDAY	JULY 11, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	JULY 16, 2014	9:00 AM	REGULAR BOARD
MONDAY	AUGUST 4, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	AUGUST 5, 2014	9:00 AM	FINANCE COMMITTEE
WEDNESDAY	AUGUST 6, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	AUGUST 6, 2014	10:30 AM	PENSION COMMITTEE
FRIDAY	AUGUST 8, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	AUGUST 20, 2014	9:00 AM	REGULAR BOARD
WEDNESDAY	SEPTEMBER 3, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	SEPTEMBER 3, 2014	10:30 AM	PENSION COMMITTEE
MONDAY	SEPTEMBER 8, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	SEPTEMBER 9, 2014	9:00 AM	FINANCE COMMITTEE
FRIDAY	SEPTEMBER 12, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	SEPTEMBER 17, 2014	9:00 AM	REGULAR BOARD
WEDNESDAY	OCTOBER 1, 2014	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	OCTOBER 1, 2014	10:30 AM	PENSION COMMITTEE
MONDAY	OCTOBER 6, 2014	9:00 AM	OPERATIONS COMMITTEE
TUESDAY	OCTOBER 7, 2014	9:00 AM	FINANCE COMMITTEE
FRIDAY	OCTOBER 10, 2014	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	OCTOBER 15, 2014	9:00 AM	REGULAR BOARD

NOTE: RECOMMENDATIONS:

JULY - MOVED TO SECOND WEEK DUE TO HOW THE DAYS FALL DURING FIRST WEEK

SEPTEMBER – MOVED TO SECOND WEEK DUE TO HOW THE DAYS FALL DURING FIRST WEEK (LABOR DAY 9/1/2014)

OCTOBER – MOVED TO SECOND WEEK DUE TO HOW THE DAYS FALL DURING FIRST WEEK