

SEWERAGE & WATER BOARD OF NEW ORLEANS
COMMITTEE ON INFRASTRUCTURE
WEDNESDAY, DECEMBER 3, 2014

9:00 AM

COMMITTEE MEMBERS

Mrs. Kerri Kane, Chair • Mr. Alan Arnold • Dr. Tamika Duplessis • Mr. Joseph Peychaud • Ms. Kimberly Thomas

FINAL AGENDA

ACTION ITEMS

1. Approval of Previous Report

PRESENTATION ITEMS

2. Water Hammer Hazard Mitigation Project
3. Capital Improvement Plan 2015-2024
4. Committee Responsibilities By-Laws Change

INFORMATION ITEMS

5. Topics for Future Discussions
6. 2015 Committee/Board Meeting Schedule
7. Response to Questions
8. Any Other Matters

REFERENCE MATERIALS (In Binders)

- A. Sewerage and Water Board By-Laws
- B. 2014 Operating & Capital Program
- C. Strategic Plan
- D. Tracking Tool for Commitments to the City Council
- E. Bond Rating



SEWERAGE AND WATER BOARD OF NEW ORLEANS

November 5, 2014

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

Dear Directors:

Subject: Recommended Changes to Bylaws Article VI Section 7 Infrastructure Committee

The rules associated with Committees of the Board of Directors of Sewerage and Water Board of New Orleans are defined in Article VI of the Bylaws. Sections 1 through 4 and 12 through 18 are common to all Committees. Section 7 defines the role of the Committee on Infrastructure and Operating Systems.

There are key issues that may be added in order to clarify that defined role: evaluation of the condition of facilities; execution of the annual capital budget and long-term capital improvement plans; and, consideration of green infrastructure and resiliency initiatives.

I recommend that the bylaws related to the Committee on Infrastructure and Operating Systems be modified to specifically address these responsibilities as shown on the attached proposed update to Article VI Section 7.

Cedric S. Grant
Executive Director

BYLAWS OF SEWERAGE & WATER BOARD OF NEW ORLEANS

ARTICLE VI – COMMITTEES

INFRASTRUCTURE COMMITTEE

Section 7:

The Committee on Infrastructure and Operating Systems shall have charge of the affairs of the Board relating respectively to each of the Board's systems of sewerage, water, drainage, power generation and power distribution, and shall act and advise on affairs of these systems, subject to the direction and ruling of the Board. Matters pertaining to sewerage, water, drainage, power generation and power distribution shall be brought before this committee for its consideration including evaluation of the condition of facilities; execution of the annual capital budget and long-term capital improvement plans; and consideration of green infrastructure and resiliency initiatives.

BYLAWS OF SEWERAGE & WATER BOARD OF NEW ORLEANS

ARTICLE VI – COMMITTEES

ALL COMMITTEES

Section 1:

There shall be four (4) standing Committees, to be named respectively: the Executive Committee, the Finance Committee, the Operations Committee, and the Committee on Infrastructure and Operating Systems.

In addition, a Pension Committee is established in accordance with the "Rules and Regulations of the Employees Retirement System of the Sewerage and Water Board of New Orleans."

A Plumbing Conference Committee is established in accordance with the Plumbing Code of the City of New Orleans.

Other Ad Hoc Committees may be formed by the Board or by the President of the Board.

The President of the Board shall appoint the Chairpersons and all members of the foregoing Committees. The President of the Board may appoint the Vice Chairpersons of the three (3) standing Committees. The make-up of the Committees may be re-examined periodically and new appointments made so that all members of the Board may participate in all phases of Sewerage and Water Board operations and administration. Each Board member must be assigned to serve on at least one (1) Committee.

Section 2:

The Executive Committee shall consist of five (5) members made up as follows: the President Pro Tern, who shall Chair the Executive Committee, and the Chairpersons of the other three (3) Committees, and the Chairperson of the Plumbing Conference Committee.

Section 3:

Each of the other standing committees shall consist of five (5) members of the Board, to be appointed by the President. Three (3) members of any standing committee shall constitute a quorum.

Section 4:

In the absence of the Committee Chairperson and the Vice Chairperson at any meeting of a committee, the committee may elect a Chairperson Pro Tern.

Section 12:

Any of the Committees may meet upon regular call of the Chairperson and shall meet upon ruling to that effect by the Board.

Section 13:

All reports of Committees for submission at the regular meeting of the Board shall be in writing and action thereon may be deferred to the subsequent regular meeting of the Board.

Section 14:

Both the President of the Board and the President Pro Tern shall be ex-officio members of each and all committees, both with the right to vote the same as any other member of said committees. Both the President of the Board, and the President Pro Tern, when acting as ex-officio members of a Committee in accordance with the foregoing, shall be true members in every sense and shall be counted towards the establishment of a quorum for the meeting.

Section 15:

Action taken by a Committee of the Board shall be by a majority of those present.

Section 16:

Except in instances where the Board shall declare a matter to be an emergency, all matters to be brought before the Board shall first be considered by a Committee of the Board.

Matters that appear before the Board under its consideration of "New Business" shall be assigned by the President or in his absence the President Pro Tem to the appropriate Committee of the Board.

Section 17:

Whenever there is an absence of a quorum required for a Committee of the Board to meet, the Executive Director shall reschedule the Committee Meeting to the next available date and time at which a quorum can be reasonably anticipated. Absent a quorum, there shall be no meeting of the Committee, however, the members present may, if they so desire, receive information or reports pertaining to matters on the agenda for such meeting.

Section 18:

Items not acted upon by the Committee to which they were originally assigned, due to that Committee not meeting because of a lack of a quorum, may, at the discretion of the President or President Pro Tem be placed temporarily upon the agenda of the Executive Committee. If there is no final action taken on the item by the Board, or if the entire matter addressed thereat is not disposed of, any further action regarding the item shall be considered by the Committee to which the item was originally assigned.

Sewerage & Water Board of New Orleans



Water Hammer Hazard Mitigation Project Community Meeting

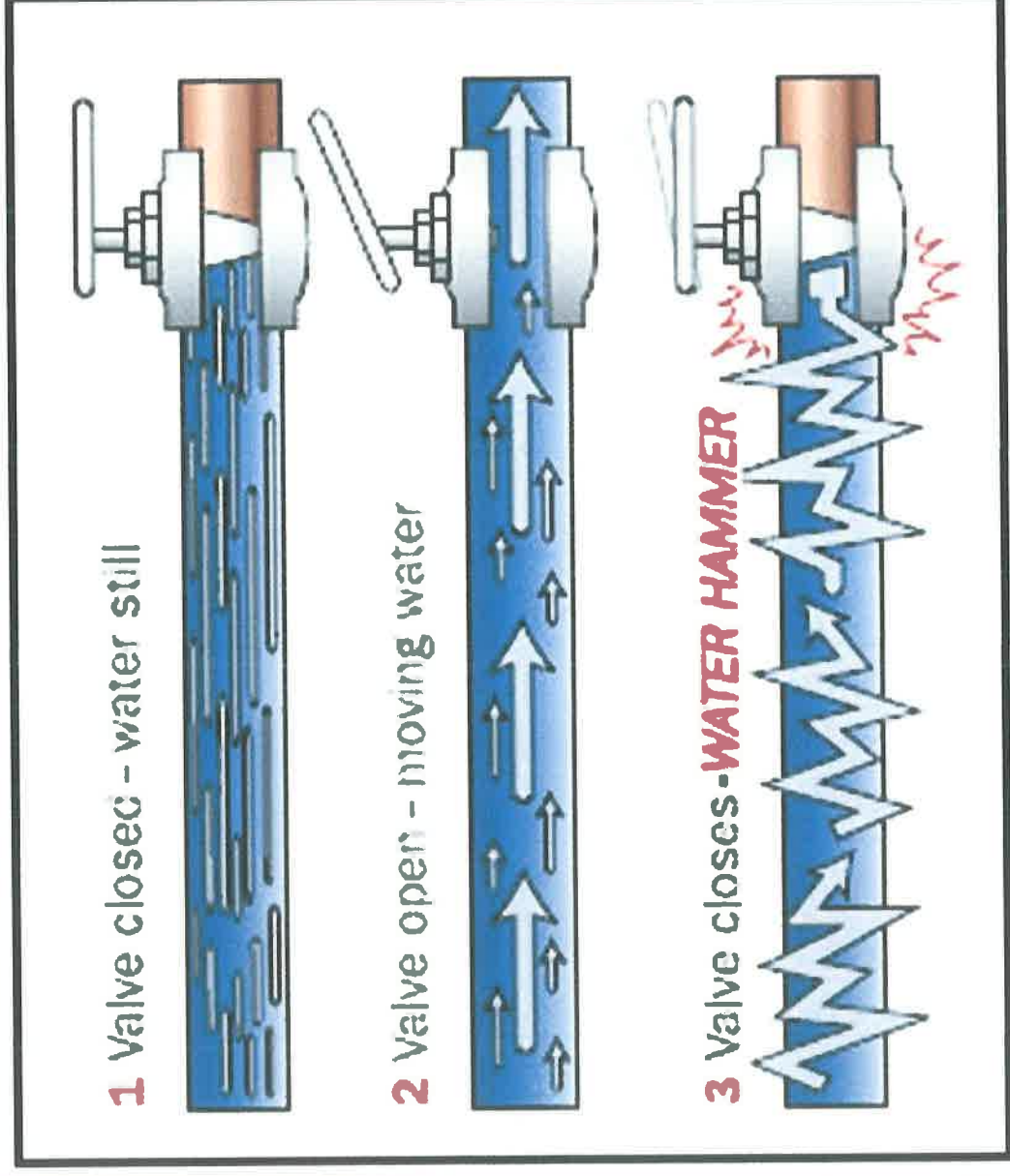
November 20, 2014

Water Hammer Hazard Mitigation Project

- FEMA Proposed Project Funded at \$48 M
 - Designed to help reduce future leaks and losses of water pressure in the water distribution system.
 - Lessen the impact of the loss of power that causes major water hammer events in pipelines.



What is a Water Hammer?



What is a Water Hammer?



What is the impact?

- Shockwaves in the system cause damage.
- Leads to eventual water main breaks.



Why Does It Happen Here?

Water hammer is produced as a result of the types of pumps and valves at the Carrollton WTP.

- Pumps with no speed control
- Valves that slam shut, instead of opening or closing slowly

- Loss of power

- Board has experienced 2 low pressure events on the Board that resulted in Boil water advisories on the of power that resulted in Boil water advisories on the East Bank.

- After Katrina, Board has continued to experience a significant number of commercial power outages

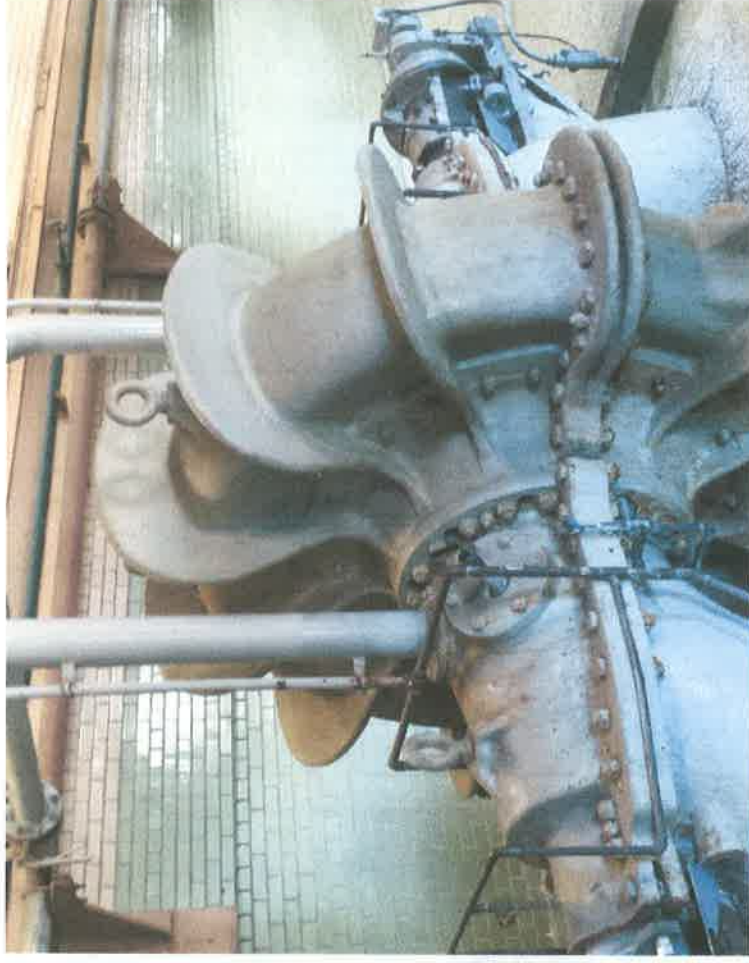
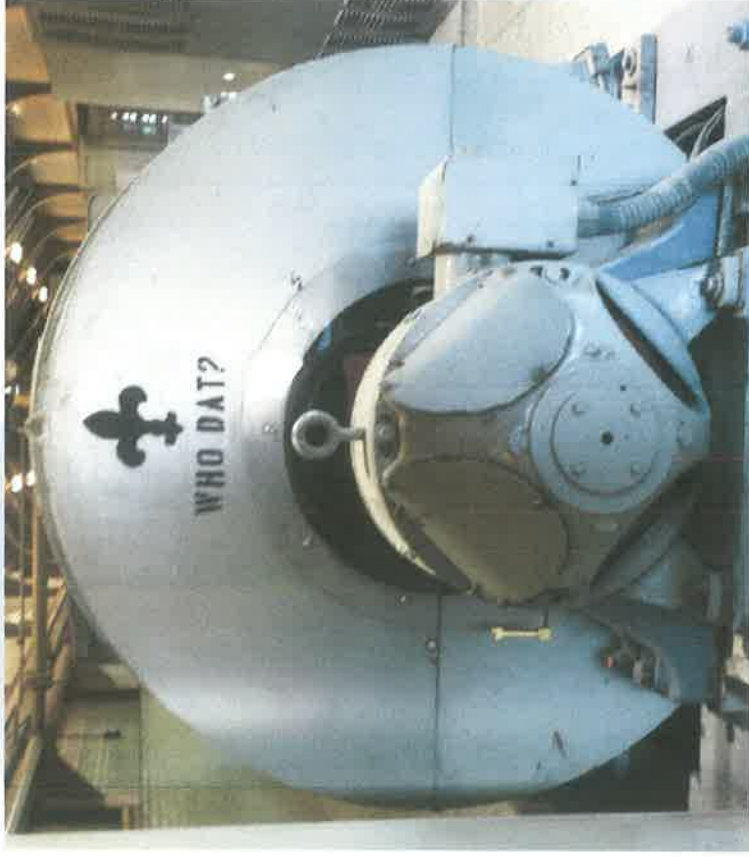
How Do We Stop It?

■ Rehabilitation and upgrades of the pumping system.

- Rehabilitation of New Valves
- Installation of Two Small Water Storage Tanks
- Installation of Two Elevated Water Storage Tanks
- Construction of Two Elevated Water Storage Tanks

Pumps/Motors/Valves

- A complete overhaul of our water distribution system.



Small Water Tanks

■ Construction of Two Off-site Water Tanks

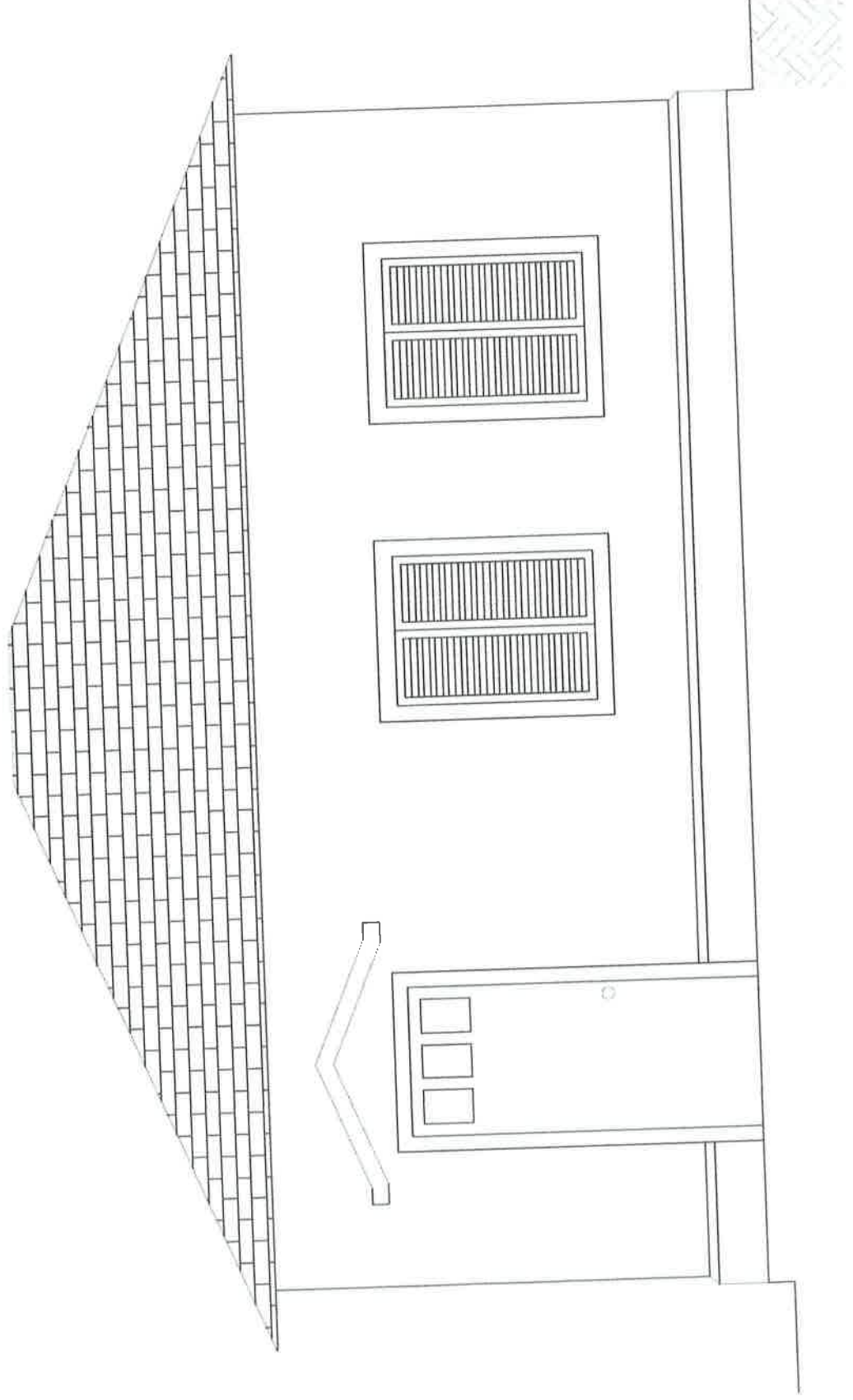
- 2000 gallon pressurized tanks
- Tanks are housed in a building
- Building footprint 24 ft. by 20 ft. by 15 ft.

■ Locations

- On Chef Menteur Highway at the site of the existing water storage tank.
- On Stroelitz Street.



Small Water Tank Building



Sewerage & Water Board of New Orleans

<http://swbnola.org>

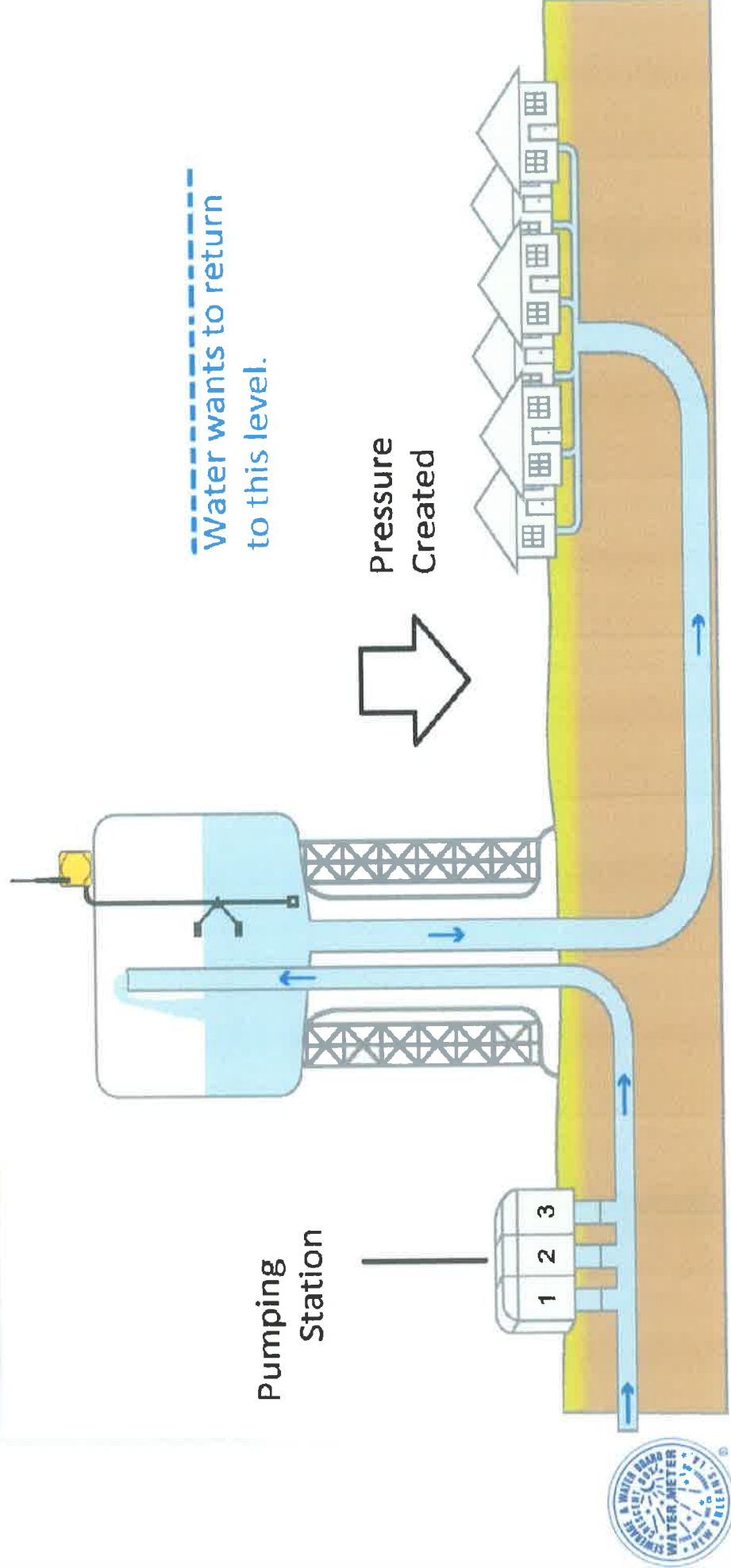
Elevated Storage Tanks

- Construction of Two Water Tanks
 - 2 Million Gallons Each
 - No more than 200 feet high
 - Base is approximately 40 feet in diameter



Elevated Storage Tanks

- Upgrades will allow the SWBNO to continuously provide water to the City



Where Will the Tanks Be?



What Will the Tanks Look Like?

*At the plant near
the intersection
of Leonidas and
Panola Street*

*At the plant in the visitors
parking lot and adjacent to
the Claiborne Ave.*

Eagle St
Sewerage & Water Board of New Orleans



What CAN the Tanks Look Like?



Sewerage & Water Board of New Orleans

<http://swbnola.org>

What CAN the Tanks Look Like?



Sewerage & Water Board of New Orleans

<http://swbnola.org>

When Will It Be Done?

- All projects are currently in design.
- Construction scheduled to begin in Fall 2015, after completion of SELA.
- Completion Estimated Early 2018



Other Projects

- FEMA Hazard Mitigation Grant \$ 150 M
 - Power Plant Generator 4, Turbines 3 & 5, structural improvements; emergency fuel storage; power distribution network; instrumentation & controls; raw water pumps
- FEMA Public Assistance +\$50 M
 - Power Plant Turbine 4, Steam A & B pumps, boiler preheaters, ducts, elevators & miscellaneous pumps; Panola Pump Station



Questions?





Sewerage & Water Board of New Orleans



Re-Building the City's Water Systems for the 21st Century

<http://swbnola.org>



Sewerage & Water Board of New Orleans Committee & Board of Director's Meeting Schedule

2015

THURSDAY	JANUARY 1, 2015	HOLIDAY	NEW YEAR'S DAY / OFFICE CLOSED
MONDAY	JANUARY 5, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	JANUARY 6, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	JANUARY 7, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	JANUARY 7, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	JANUARY 9, 2015	9:00 AM	EXECUTIVE COMMITTEE
MONDAY	JANUARY 19, 2015	HOLIDAY	MLK DAY / OFFICE CLOSED
WEDNESDAY	JANUARY 21, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	FEBRUARY 2, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	FEBRUARY 3, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	FEBRUARY 4, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	FEBRUARY 4, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	FEBRUARY 6, 2015	9:00 AM	EXECUTIVE COMMITTEE
TUESDAY	FEBRUARY 17, 2015	HOLIDAY	MARDI GRAS/ OFFICE CLOSED
WEDNESDAY	FEBRUARY 18, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	MARCH 2, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	MARCH 3, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	MARCH 4, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	MARCH 4, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	MARCH 6, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	MARCH 18, 2015	9:00 AM	BOARD OF DIRECTOR'S
WEDNESDAY	APRIL 1, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	APRIL 1, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	APRIL 3, 2015	HOLIDAY	GOOD FRIDAY / OFFICE CLOSED
MONDAY	APRIL 6, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	APRIL 7, 2015	8:00 AM	FINANCE COMMITTEE
FRIDAY	APRIL 10, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	APRIL 15, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	MAY 4, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	MAY 5, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	MAY 6, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	MAY 6, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	MAY 8, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	MAY 20, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	MAY 25, 2015	HOLIDAY	MEMORIAL DAY / OFFICE CLOSED
MONDAY	JUNE 1, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	JUNE 2, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	JUNE 3, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	JUNE 3, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	JUNE 5, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	JUNE 17, 2015	9:00 AM	BOARD OF DIRECTOR'S

Sewerage & Water Board of New Orleans Committee & Board of Director's Meeting Schedule

2015

WEDNESDAY	JULY 1, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	JULY 1, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	JULY 3, 2015	HOLIDAY	INDEPENDENCE DAY/OFFICE CLOSED
MONDAY	JULY 6, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	JULY 7, 2015	8:00 AM	FINANCE COMMITTEE
FRIDAY	JULY 10, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	JULY 15, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	AUGUST 3, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	AUGUST 4, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	AUGUST 5, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	AUGUST 5, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	AUGUST 7, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	AUGUST 19, 2015	9:00 AM	BOARD OF DIRECTOR'S
TUESDAY	SEPTEMBER 1, 2015	8:00 AM	OPERATIONS/ FINANCE COMMITTEE
WEDNESDAY	SEPTEMBER 2, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	SEPTEMBER 2, 2015	10:30 AM	PENSION
FRIDAY	SEPTEMBER 4, 2015	9:00 AM	EXECUTIVE COMMITTEE
MONDAY	SEPTEMBER 7, 2015	HOLIDAY	LABOR DAY / OFFICE CLOSED
WEDNESDAY	SEPTEMBER 16, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	OCTOBER 5, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	OCTOBER 6, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	OCTOBER 7, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	OCTOBER 7, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	OCTOBER 9, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	OCTOBER 21, 2015	9:00 AM	BOARD OF DIRECTOR'S
MONDAY	NOVEMBER 2, 2015	8:00 AM	OPERATION COMMITTEE
TUESDAY	NOVEMBER 3, 2015	8:00 AM	FINANCE COMMITTEE
WEDNESDAY	NOVEMBER 4, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	NOVEMBER 4, 2015	10:30 AM	PENSION COMMITTEE
FRIDAY	NOVEMBER 6, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	NOVEMBER 18, 2015	9:00 AM	BOARD OF DIRECTOR'S
THURSDAY	NOVEMBER 26, 2015	HOLIDAY	THANKSGIVING / OFFICE CLOSED
FRIDAY	NOVEMBER 27, 2015	HOLIDAY	VETERANS DAY / OFFICE CLOSED
WEDNESDAY	DECEMBER 2, 2015	9:00 AM	COMMITTEE ON INFRASTRUCTURE
WEDNESDAY	DECEMBER 2, 2015	10:30 AM	PENSION COMMITTEE
MONDAY	DECEMBER 7, 2015	8:00 AM	OPERATIONS COMMITTEE
TUESDAY	DECEMBER 8, 2015	8:00 AM	FINANCE COMMITTEE
FRIDAY	DECEMBER 11, 2015	9:00 AM	EXECUTIVE COMMITTEE
WEDNESDAY	DECEMBER 16, 2015	9:00 AM	BOARD OF DIRECTOR'S
FRIDAY	DECEMBER 25, 2015	HOLIDAY	CHRISTMAS DAY / OFFICE CLOSED

NOTE: DUE TO THE LABOR DAY HOLIDAY IN SEPTEMBER, WE ARE ATTEMPTING TO HOLD THE OPERATIONS AND FINANCE COMMITTEES AS A JOINT MEETING.

Presented for your careful consideration by Board Member Alan Arnold

Management responses shown in bold below. October 2014

ANALYSIS OF NET ASSETS ON BALANCE SHEET

all numbers in this request for answers to questions are in thousands

	2004	2009	2013
	1,826,416	2,248,235	2,891,420
Depr	(546,973)	(643,843)	(783,552)
Net	1,279,442	1,604,392	2,107,837
Unrestricted Cash available	3,043	21,159	30,326
Free Cash Flow(exc grants)	58,991	26,051	52,972
% rate of return on assets	4.6	1.6	2.5
Long Term Debt	270,900	228,878	170,255
% of Assets	21.1	14.3	8.1

Of the \$828,395 increase since 2004, how much was contributed capital from Fed, State or other sources?

Essentially all capital improvements made between 2005 and 2013 were funded by contributed capital from federal and state programs.

Of the work completed, how much was repair of damage from the storm at market rate and how much was new construction?

Essentially all capital improvements made between 2005 and 2013 were for construction related to damage following Hurricane Katrina.

The 5 year Capital Budget in 2004 was 1.9 billion. Of the items listed in that budget, which ones have actually been constructed?

Management has not analyzed the 2004-2008 Capital Improvement Plan to determine which projects have been constructed as that plan was made irrelevant by the damage following Hurricane Katrina. Instead, a new capital improvement plan was developed based upon the new needs that existed as a result of the storm.

Isn't a budget supposed to reflect capital needs THAT WILL BE MET in each year or is it just a Capital Needs Statement?

Prior to 2014, management used the Capital Improvement Plan to identify capital needs and the preferred schedule for constructability, noting that funding was not available at that time to fully execute the plan. Beginning in 2014, the Capital Improvement Plan was developed to provide for full funding within the constraints of the program of water and sewer rates adopted for 2013-2020.

Is it the intention of this Board to budget capital needs each year based on greatest need and ability to pay?

It is management's intent to recommend a capital budget each year based upon priority, constructability, and funding availability.

Would it not be helpful if the Board was furnished comparative statistics such as rate of return and debt to equity and other metrics from systems that are similar to ours?

Comparative financial statistics are particularly helpful when establishing water and sewer rates to achieve particular financial objectives. The key financial metrics used between the occasions for establishing water and sewer rates are the debt service coverage ratio and the days of unrestricted cash on hand.

The drainage department would have to be treated separately since at present it is supported only by property taxes. Water and sewer can be treated as a single unit since there are many publicly owned systems that are supported only by fee for service.

ANALYSIS OF MAJOR LIABILITIES OTHER THAN DEBT

	2,004	2,009	2,013
Pension	0	1,855	15,430
Post Ret Health	0	24,474	54,778

The pension plan is presently under scrutiny by the Pension Comm. However the question is why the liability of \$15,430,000 on the Balance Sheet is different from the unfunded liability amount reported in the Actuarial Report? That amount for 2013 is \$62,379,320.

This information will be provided under separate cover.

The Post Retirement Health Benefit plan has had a dramatic increase. The cost curve appears to be out of control. This is a defined benefit plan like the pension plan. In my two years this activity was never reported on by the Finance Comm who must have had the oversight responsibility. I was on the Pension Comm and it was not included in its duties of oversight. This matter needs immediate attention. The questions are too numerous for this report. Isn't the Pension Comm with its employee members better suited to handle this issue?

Post-retirement health benefits are paid on an annual cost basis. The difference between the annual cost basis and the actuarial basis is a non-cash expense recorded as a long-term liability. Changes to the funding for post-retirement health benefits are appropriately considered by the Finance Committee according to the Sewerage and Water Board bylaws. The cost of these benefits is not paid from Pension Fund assets.

A copy of the actuarial report should be furnished to the appropriate committee. Regardless, I request a copy of the report ASAP.

A copy of the actuarial report as of January 1, 2014 has been provided to the Finance and Pension Committees and will be provided to other members of the Board of Directors upon request.

ANALYSIS OF OPERATING EXPENSES

2004

2009

2013

Total	115,938	130,574	144,693
(exc depr&amor)			
major increases			
Adm & Gen	14,978	13,504	17,333
Payroll related	18,794	35,085	34,928

Payroll expenses for other than adm & gen are included
in the costs of the other general department categories

Comparing these line items from the annual report with the OPERATING BUDGET is not possible because different categories are used. Payroll Related is only \$10,573 in the BUDGET.

Of the \$28,785 increase from 2004 to 2013, \$18,561 was due to these two categories or 64.5%. An explanation is requested especially because of the change in the head count.

Until 2007, the Board recognized the cost of providing post-employment medical benefits as an expense when the benefit premiums were due. Adoption of GASB Statement 45 ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS changed how the cost was computed to an actuarial basis, making the numbers reported in the 2004 CAFR no longer comparable to the corresponding numbers reported in 2013.

Personnel head count	1,118	836	871
Payroll			
regular	30,165	29,947	29,706
overtime & other	8,886	15,795	17,319
Total	39,051	45,742	47,025
reg per person av	27	36	34
total per person av	34.9	54.7	53.9
PAYROLL RELATED per emp	16.8	41.9	40.1
Total	51.7	96.6	94.0

There is a sizable difference between the headcount in the 2013 annual report and the Black & Veatch report of April 2014. It states the head count at 1,028. What is the basis of the difference?

The 2013 CAFR report headcount is as of December 31, 2013. The Black & Veatch report headcount is as of the time when their review was performed.

Have we hired 157 new employees since Jan 1 2014?

Sewerage and Water Board has hired approximately 130 employees since January 1, 2014. However, approximately 110 employees have terminated service since that time.

It states 189 additional employees need to be hired to fill vacancies. Is that report an accurate

picture of personnel?

Yes, that is a reasonable estimate.

What part of the 2013 payroll was sick pay, vacation pay, and overtime?

This information will be provided under separate cover.

Please break down the components of PAYROLL RELATED.

This information will be provided under separate cover.

Of the net 247 employees released after the storm, how many had vested pensions and what was the average length of their employment?

Management did not perform an analysis of the pension status and average length of employment for employees who terminated service following Hurricane Katrina.

What was the value of their regular salaries?

Management did not perform an analysis of the value of their regular salaries for employees who terminated service following Hurricane Katrina.

Of the new employees hired since the storm, how many were working for city and brought their retirement vesting rights with them?

Management did not perform an analysis of the employees hired following Hurricane Katrina who had previously worked for the city and brought their retirement vesting rights with them. Note that any employees who joined Sewerage and Water Board after previous service with City of New Orleans also brought their retirement contributions with them.

Does civil service give special preference to employees working for the city over other civil service workers in state or public systems?

No.

In general does civil service give preference to civil service workers over those in the private sector if qualifications are similar??

For jobs that are original entry positions, there is no preference given between civil service workers and private sector applications. For jobs that are promotional positions, there are no applications received from outside the civil service system.

Are sick days and vacation earned a function of Civil Service or is discretion allowed to the employer?

The allotment of sick days and vacation days is part of the Civil Service rules and regulations.

Every employee earns a maximum of 13 sick days per year.
What was the total number of sick days cashed in 2013?

This information will be provided under separate cover.

What was the average per employee?

This information will be provided under separate cover.

As stated in the annual report except for a few individuals hired before Jan 1, 1979 all employees earn 13 vacation days per year. Bonus days are earned for length of service up to a maximum of 20 days for 20 years of service. However only a maximum of 45 days can be cashed and only at separation. If that is correct, what is the average amount of vacation days cashed in a year at separation?

This information will be provided under separate cover.

Is this also purely a function of Civil Service regulations or is any discretion allowed?

The limitation on days which may be earned during service and cashed upon termination is part of the Civil Service Rules and Regulations.

In 2013 what was the highest amount of overtime earned by one employee and what was the average and the mean for all employees?

This information will be provided under separate cover.

How many employees (excluding top mgmt) collected no overtime?

This information will be provided under separate cover.

What amount of overtime is attributable to covering vacation, sick days and holidays?

Industry best-practices indicate that utility-wide overtime of approximately 7% to 8% as compared to regular time is for covering vacation, sick days, holidays, and the twenty-first shift of round-the-clock schedules as well as for completion of jobs begun on regular time but completed most efficiently by the same workers.

What amount is attributable to understaffing?

The amount in excess of the 7% to 8% would be attributable to understaffing.

Are essential employees rotated so weekends are not overtime?

Yes.

Of the other expenses, Maintenance of General Plant needs an explanation.
It has increased from \$10,764,000 in 2004 to \$27,647,127 in 2013. Is that a number that is

expected to grow at least at the inflation rate or has much of that been catch up and covered by FEMA reimbursement and will begin a reversal to the mean?

Maintenance of General Plant has increased due to: repair of storm-related damage of existing infrastructure; ongoing age-related maintenance of existing infrastructure; increased costs following Hurricane Katrina; temporary facilities to be maintained such as temporary sewer bypass pump stations; and new facilities to be maintained such as backup power generators and drainage and sewer pump stations. While storm-related damage of existing infrastructure will eventually be completed; the remaining maintenance will continue on an on-going basis.

In conclusion the staffing problem is the most important issue facing the Board now that the capital needs are being addressed. The 2014 Black & Veatch report highlights that fact in its report.

It lists three main problems to solving the problem: 1) Lack of Qualified Candidates 2) Cumbersome Hiring Process 3) Pay Limits and Residency Requirements. My analysis suggests that our current compensation system is a product of the past. To compensate for low salaries the Board adopted a very generous benefits program that pushed the costs into the future just as it did with the Capital Program. Those costs are now damaging the system and will hamper a solution to the staffing problem.

It is imperative that we design a pay system that we can afford without jeopardizing the 10 yr Capital Program. Fairness to the existing loyal hard working employees is important however difficult to define but we must try. It is clear to me that changes to both the pension plan and the post retirement benefits is necessary. That process cannot be done in a piecemeal fashion. It request immediate attention and very careful analysis.

ANALYSIS OF REVENUE AND BUDGET ESTIMATES OF REVENUE

Revenue is going up due to the increase in rates. However the projected increase in the number of customers appears to be high based on available estimates from reliable sources like the Community Data Center of New Orleans. It uses mail addresses and Entergy connections to determine growth patterns. Observers also point out that there is very little in the way of new single housing being created. Most of the action is in renovation. In that case a unit may have already been counted, than goes offline during renovation and then comes back on when finished.

The description and numbers of units is not in the annual report. A five year history and projection is included in the Official Statement for the bond sale which projects a 2% annual increase in both single family and multi family units for the next five years. This projection is critically important to the budget process for estimating future revenues. It also projects commercial units to increase by 2% per yr and industrial is flat. From 2008 to 2013 multi family increased at 1.5% per yr. Commercial units increased 1% per year.

In 2014 YTD we are below budget for revenue. A thorough analysis of the revenue budget process is requested. Outside data sources and organizations will be needed in the process.

This report also is flawed in that it gives a false picture of the market that the S&WB serves. The 2010 census states that approximately 47% of the population estimated at 379,000 in 2013

live in owner occupied housing, therefore 53% are renters.

Management respectfully disagrees that the report is flawed.

The table shows, as a defined term ,106,039 Single Family residents as customers. It lists 4,508 as Multifamily Residential customers. It lists the sales per customer in the single family unit as 51,000 gallons per year. That is an average of 4,250 gal per customer per mth. That is less than the average of 5,300 per mth published in the Official Statement which projects affordably and ranking among regional peers. The cost of that average amount is \$63.52 per month. I live in a 3600 sq. ft. home uptown. My youngest son lives with us while renovating his first time home purchase, an old shotgun double in the Carrollton area. My S&WB bill from Jan-Aug averaged \$80 for the three of us. We do have grass and plants to water. Therefore it is reasonable to assume that an average of 3 persons live in each unit. That suggests that 318,117 people live in the category Single Family Residents. The average multifamily consumption is 147,000 gal. That is 2.9 times greater than the average per address for the single family customer which suggests 8.7 persons live in the 4,508 multi family addresses or 39,219 persons. When that is added to the single family residents the total is 357,336, which is about 20,000 less than the population. The conclusion is that of the 318,117 living in single family units at least 190,800 are living in rental units which equates to 60% of the reported total.

If every rental unit is separately metered, it will also have a separate address for mail and should be separately billed for both S&WB and sanitation. Obviously there are some rental units in a double or other with only one meter for S&WB. That means that the owner is being billed for S&WB and sanitation but in all likelihood the renter has a mailing address and is separately metered for power and directly billed by Entergy. For example does the owner of a shotgun double get 2 sanitation charges if one side is rented and not metered for water?

Rules for billing of sanitation charges are established by the City of New Orleans, which provides information to Sewerage and Water Board on the number of units to be billed.

Since the S&WB is responsible for billing for sanitation how is the situation of two sets of cans handled?

Sewerage and Water Board is responsible for billing the number of sanitation units identified by the City of New Orleans, but is not responsible for determining how many sanitation units are assigned to each dwelling.

In the Black & Veatch report it states that S&WB staff estimate there are 129,000 meters in the system. The total number of customers reported in Official Statement is 120,591. Is water shut off to 8409 meters or is there a large category of units that receive metered water but are not considered customers?

No.

How many units are inhabitable?

Sewerage and Water Board does not currently keep records on inhabitable versus uninhabitable properties.

Of the total how many units have had the water shut off for failure to pay?

There were 20,385 accounts turned off for non-payment in 2013. However, the number of units turned off will be less than that total due to some accounts being turned off more than one time during 2013.

If the water is turned off how long is a resident allowed to occupy the unit if a payment plan is not established?

Sewerage and Water Board does not determine how long a resident may occupy a property after water service has been turned off.

At what point does the health department or other city agency get involved?

No other city agencies are involved in the delinquent account or service turn-off process.

The foregoing may be inaccurate but it helps to more correctly describes the market served than the present description. This distinction is important because it has a bearing on Board policy and creates a more complete description of the customer accounts receivables including the aged accounts that will be written off.

Recognizing that the collection rate is an excellent 98% at present, problems could be developing with the price increases for the next 10 years and the proration of partial collections with sanitation.

There was a 25% increase in 2013 for provision for doubtful accounts.

The Board's stated policy is to write off as uncollectable customer receivables when 3 years is reached.

The finance committee should be closely monitoring that report. I think the report becomes more valuable if the Single Family units that are rental are properly identified. There needs to be special attention given to the accounts of the low income residents in our community for both humanitarian and business reasons.

It is more probable that payment difficulties will occur with renters that we classify as single family residents.

If an account goes into a payment plan, how long does the customer have to repay the outstanding bills?

The typical payment plan is for three to six months. However, each customer's circumstances are evaluated separately and may be extended in certain cases for up to thirty-six months.

How are delinquent fees handled in a payment plan?

Delinquent fees incurred prior to the payment plan are included in the plan. There are no delinquent fees incurred while the customer makes the scheduled payments during the plan. However, if the customer does not make the payments according the schedule, the service is turned off immediately without further notice.

Until the customer begins paying (not inc int) the customer eventually needs to pay MORE THAN the normal monthly bill or the outstanding balance will continue to increase. Can a payment plan continue indefinitely?

No.

If a customer on a payment plan vacates the premise
what recourse does the Board have to collect the balance?

Sewerage and Water Board has the same actions available for collection of delinquent accounts for customers who vacate their resident prior to completion of a payment plan as for customers who vacate their resident without signing a payment plan.

Is the debt reported to credit agencies?

The collection agency retained by Sewerage and Water Board reports delinquent accounts to credit agencies.

Is there any formal collection procedure for bad debts?

Yes. The Service Rules and Regulations govern the process for collection of accounts receivable.

Why wait 3 years to write it off?

The debt remains collectable for up to three years following when the account was last billed.

What percentage of our bad debts come from the Payment program caused by residents who vacate the premise?

Management has not computed statistics on what percentage of bad debts come from customers on payment plans who vacate their residence prior to completion of the payment plan.

The Board's official policy states that it administers its Water Assistance Program for qualifying customers in need of assistance. There are presently 1,400 participants in the program. It is limited to single family residents only. Does that include renters as well as owner occupied residents?

Yes, the Water Help program is available to renters and owner-occupied residents. However, there are not currently 1,400 participants in the program. There have been 384 accounts provided with assistance through this program during January through September 2014.

The Board should be furnished a description of the assistance program and the payment plan details. Additionally, an aged receivables account should be furnished and reviewed periodically by the appropriate committee. I request a copy of those reports.

Extensive information on the Water Help program has been provided to the Operations Committee during 2013 and 2014. Information on accounts receivable balances between 30 and 120 days old and more than 120 days old is provided to the Operations Committee each month.

Has the Board ever done a cost benefit analysis between incurring bad debts among the poorest among us vs increasing the amount of support in the Water Assistance Program?

There has not yet been an adequate length of time since the increased funding of Water Help to determine if it has resulted in a corresponding decrease in bad debts. The increase to Water Help occurred in January 2013 and the delinquent accounts for 2013 will not be written off until January 2016.

As for engineering questions I am clearly unqualified but I have one question that has a large financial component. That pertains to the use of the Carrollton power plant vs. purchased power from Entergy. I recognize that Board's plant is vital to the continuous operation of the system during times of weather and emergency incidents that can interrupt power from Entergy. It costs \$.33 per KW hr just to purchase the fuel to run the Board's power plant to generate power. It costs \$.10 per KW hr to purchase power from Entergy. That equates to \$57,039 for 590,955 hrs for Entergy vs \$128,481 for 336,350 hrs for fuel for the power plant.

I have had discussions with engineers that I respect that claim that mix could be more heavily weighted to Entergy without jeopardizing the integrity of the main function to provide back up for the continuous operation of the system during weather conditions or other emergencies that could negatively impact the system.

To accomplish the goal of a fair, intelligent analysis of this possibility, outside experts would need to be brought to the table to interact with our engineering staff. It seems logical if this was possible our staff would be making proposals to study the issue. It is reasonable to assume that they have done their analysis and have made the decision it is not viable. With great to all involved, differences of opinion on issues like this occur all of the time in many industries. However in many cases after rethinking the issue from a different perspective with help from talented professionals, often positions can change and great rewards can be forthcoming. We are dealing with a large financial reward if that could happen in this issue confronting the S&WB. What have we got to lose by trying?

The reliability of the public power system must be evaluated in conjunction with the needs for uninterrupted power by the Sewerage and Water Board system. While alternatives are evaluated for consideration, cost savings cannot be realistically and meaningfully achieved by trading reliable service for occasional system disruptions and boil water notices.