



July 31, 2023

Dear Chairman Thomas and Members of the Public Works Committee:

Please find fiscal year 2022 financial information for the Sewerage & Water Board of New Orleans in response to our annual reporting requirement §4091. Reports of board, Section A. *On or prior to the first day of May of each year, the board shall make to the city council, in writing, a full and detailed report of its acts, doings, receipts, and expenditures, the same to be put in printed form for public distribution, and a synopsis of same, including a statement of receipts and disbursements, published in the official journal of the city.*

In addition to this report, we will share more extensive information in the form of our Annual Comprehensive Financial Report for the year ended December 31, 2022, which has been filed with the Louisiana Legislative Auditor (LLA), once it is posted to the [LLA website](#) and publicly released in early August when.

Regards,

A handwritten signature in blue ink, appearing to read "Ghassan Korban".

Ghassan Korban

SEWERAGE & WATER BOARD OF NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED DECEMBER 31, 2022 AND 2021

2022 Changes in Net Position

The change in net position for the year ended December 31, 2022 was an increase of approximately \$174.2 million, as opposed to approximately \$134.7 million for the year ended December 31, 2021. The Board's total operating revenues decreased by 0.5% to approximately \$274.0 million. Total non-operating revenue (expenses) increased by 30.3% to approximately \$66.6 million primarily due to contributions from other governments increasing by \$13.5 million and additional interest income in 2022. Capital contributions from federal grants and construction of Board property was approximately \$155.5 million resulting primarily from capital additions reimbursable under the FEMA Disaster Public Assistance and FEMA Hazard Mitigation grants of approximately \$62.1 million and \$11.3 million, respectively, and approximately \$38.8 million of capital contributions from the Army Corps of Engineers. The changes in net position are detailed in Table A-3; operating expenses are detailed in Table A-4.

Table A-3				
Sewerage & Water Board of New Orleans				
Revenues , Expenses and Change in Net Position				
	2022	2021	Increase (Decrease)	Increase (Decrease)
Operating revenues:				
Sales of water and delinquent fees	\$ 117,382,185	\$ 118,236,180	\$ (853,995)	-0.7%
Sewerage service charges	150,932,239	150,364,182	568,057	0.4%
Plumbing inspection and license fees	487,140	461,410	25,730	5.6%
Other revenue	5,188,335	6,280,427	(1,092,092)	-17.4%
Total operating revenues	273,989,899	275,342,199	(1,352,300)	-0.5%
Operating expenses (Table A-4)	321,936,241	304,732,630	17,203,611	5.6%
Operating loss	(47,946,342)	(29,390,431)	(18,555,911)	-63.1%
Non-operating revenues (expenses):				
Property taxes	64,202,066	63,405,365	796,701	1.3%
Other taxes	589,220	297,387	291,833	98.1%
Contributions from other governments	20,507,688	6,996,364	13,511,324	193.1%
Federal noncapital grants	28,650	15,843	12,807	80.8%
Interest income	3,353,769	1,423,215	1,930,554	135.6%
Interest expense	(19,938,792)	(13,892,169)	(6,046,623)	43.5%
Bond issuance costs	(456,865)	(6,328,655)	5,871,790	-92.8%
Recovery (provision) for grants	(1,675,728)	(779,631)	(896,097)	114.9%
Total non-operating revenues (expenses)	66,610,008	51,137,719	15,472,289	30.3%
Income before capital contributions	18,663,666	21,747,288	(3,083,622)	-14.2%
Capital contributions	155,524,821	112,943,548	42,581,273	37.7%
Change in net position	174,188,487	134,690,836	39,497,651	29.3%
Net position, beginning of year	2,707,298,281	2,572,607,445	134,690,836	5.2%
Net position, end of year	\$ 2,881,486,768	\$ 2,707,298,281	\$ 174,188,487	6.4%

SEWERAGE & WATER BOARD OF NEW ORLEANS, LOUISIANA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Table A-4				
Sewerage & Water Board of New Orleans				
Operating Expenses				
	2022	2021	Increase (Decrease)	Increase (Decrease)
Power and pumping	\$ 20,266,743	\$ 22,965,240	\$ (2,698,497)	-11.8%
Treatment	28,340,517	26,668,794	1,671,723	6.3%
Transmission and distribution	37,195,201	35,662,527	1,532,674	4.3%
Customer accounts	5,524,061	4,992,999	531,062	10.6%
Customer service	9,975,986	10,350,482	(374,496)	-3.6%
Administration and general	32,655,899	27,751,610	4,904,289	17.7%
Payroll related	62,238,943	53,155,580	9,083,363	17.1%
Maintenance of general plant	28,996,010	27,528,429	1,467,581	5.3%
Depreciation	65,724,568	64,250,898	1,473,670	2.3%
Provision for doubtful accounts	27,024,356	28,278,609	(1,254,253)	-4.4%
(Recovery) provision for claims	3,993,957	3,127,462	866,495	27.7%
Total operating expenses	\$ 321,936,241	\$ 304,732,630	\$ 17,203,611	5.6%

Total operating expenses increased by approximately \$17.2 million or 5.6% compared to 2021. Administration and general costs increased by \$4.9 million due to salary increases including a 5% across the utility cost of living payment made in 2022 to all employees. Power and pumping decreased \$2.7 million with increases in natural gas costs being offset by lower overall costs relative to 2021 due to the lack of major hurricane activity in 2022. Additionally, payroll related fringe benefits increased \$9.1 million due to increases in the costs of pension and other post-employment benefits. Transmission and distribution costs increased \$1.5 million from salary increases while Treatment costs increased \$1.7 million due to increases in the commodity costs of chemicals used in the water purification processes as well as the general salary increases.

2021 Changes in Net Position

The change in net position for the year ended December 31, 2021 was an increase of approximately \$134.7 million, as opposed to approximately \$216.3 million for the year ended December 31, 2020. The Board's total operating revenues increased by 2.5% to approximately \$275.3 million due to increased consumption and billed usage. Total non-operating revenue (expenses) decreased by 21.7% to approximately \$51.1 million primarily due to bond issuance costs associated with 2021 bond refunding of \$6.3 million and higher interest costs upon adoption of a new accounting standard in 2021 whereby eligible interest expenses are no longer capitalized. Capital contributions from federal grants and construction of Board property was approximately \$112.9 million resulting primarily from capital additions reimbursable under the FEMA Disaster Public Assistance and FEMA Hazard Mitigation grants of approximately \$72.1 million and \$14.3 million, respectively, and approximately \$12.7 million of capital contributions from the Army Corps of Engineers. The changes in net position are detailed in Table A-5; operating expenses are detailed in Table A-6.