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RATING ACTION COMMENTARY

Fitch Affirms New Orleans, LA's Water and Sewerage Revs at 'BBB+'; Outlook Stable

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Fitch Ratings - Austin - 10 Sep 2026: Fitch Ratings has affirmed the 'BBB+' rating on outstanding Fitch-rated water and sewerage service revenue bonds issued by the city of New Orleans, LA (the city), on behalf of the Sewerage and Water Board of New Orleans (SWBNO). Fitch has also assessed SWBNO's Standalone Credit Profile (SCP) at 'bbb+'.

Fitch's maintenance of the rating on the separately secured water and sewerage bonds (the system) reflects the funds' close financial relationship between and their common governance structure, rate setting process, customer base, billing system and management team.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
New Orleans Sewerage & Water Board (LA) [Water, Sewer]				
New Orleans Sewerage & Water Board (LA) /Sewer Revenues/1 LT	LT	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Stable
New Orleans Sewerage & Water Board (LA) /Water Revenues/1 LT	LT	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'BBB+' ratings reflect SWBNO's anticipated financial performance and the system's operational challenges, including vulnerability to weather events. System leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), has remained relatively stable at about 5.0x since 2021. This supports a financial profile assessment of 'a'. However, long-standing extensive capital needs, a history of more volatile performance, vulnerability to outages and boil water notices and high non-revenue water result in an overall risk profile more aligned with a 'BBB+' rating.

Leverage has been very low since 2021. However, metrics are susceptible to spikes from weather events and unexpected expenditures, which is factored into the rating. Capex increased in 2023 and averaged $288 million over

2023-2025), compared with an average of $173 million in 2021-2022. Capital spending is projected to remain closer to recent levels. The spending will likely require additional borrowings, pushing leverage toward 11.0x in Fitch's Analytical Stress Test (FAST) rating case, without any planned rate adjustments. This would weaken the financial profile assessment to 'bbb', but would not immediately pressure the rating if spending reduced operating risk.

SECURITY

The water revenue and refunding bonds are payable from and secured by net revenues of SWBNO's water utility system. The sewer service revenue and refunding bonds are payable from and secured by net revenues of SWBNO's sewer utility system.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

Essential Service Provider in Stable Service Area

The revenue defensibility assessment reflects SWBNO's role as a monopoly provider of water, sewer and drainage services within the city. The service area generally has stable characteristics, including flat customer growth, income levels well below the national average and above average unemployment. New Orleans' population was estimated at 390,000 before the coronavirus pandemic. It has not rebounded to this level and was about 363,000 in 2025. Despite weaker demographic data, Fitch considers the city's importance as a regional economic center when assessing the service area.

SWBNO has the independent ability to raise rates, subject to city council and New Orleans board of liquidation (BOL) approval. Fitch considers the monthly bill affordable for around 60% of the population. Rates have remained flat since 2020 and no rate adjustments are planned.

Operating Risk - 'bbb'

Very Low Operating Cost Burden, Significant Capital Investment Needed

Fitch assesses SWBNO's operating risk profile at 'bbb', despite a very low operating cost burden related to water production and sewer flows on a per unit basis. Capex has exceeded annual depreciation expense for many years and averaged 364% in 2025. However, each system (water, sewer, and drainage) is vulnerable to outage or failure events. Each requires significant capital investment to address this vulnerability. Challenges related to the capital program, including sustaining sufficient funding, maintenance of system assets, and positioning within the capital cycle, currently limit the operating risk assessment.

The 10-year 2026-2035 capital program totals $2.7 billion, with $1.5 billion in projects identified through 2030. More than $790 million of the 10-year plan is allocated to compliance with the Lead and Copper Rule Improvements (LCRI). SWBNO is in compliance with the LCRI requirement to disclose the composition of its service line inventory and will now work on remediation of identified lead service lines.

Despite recent higher investment, the rate of non-revenue water remains elevated at about 60%, reflecting aging infrastructure and deferred investment. This high level of water loss results in a cost to the system in terms of water treatment and delivery (pumping) costs. With Federal Emergency Management Agency (FEMA) funding, SWBNO continues to detect and repair leaks and replace distribution pipelines. There are also significant costs to the drainage utility that must regularly pump all excess water out of the service area given its low-lying topography.

Financial Profile - 'a'

Recent Stability in Financial Performance, Neutral Liquidity

Leverage has remained stable at about 5.0x since 2021. SWBNO has been able to implement cost control measures that resulted in operating expenses increasing by an average of just 2.6% annually, which slightly exceeded the average annual rate of operating revenue growth of 2.0%. Fitch considers the liquidity profile neutral to the assessment, with a liquidity cushion of 124 days in 2025. Coverage of full obligations (COFO) and Fitch-calculated total debt service coverage both measured 3.2x in 2025.

In the FAST stress case, which Fitch considers the rating case, leverage increases to just over 10.0x by 2028 and continues to rise thereafter. After considering restricted construction funds, rating case leverage would be around 10.0x by 2028. The FAST does not assume any rate increases over the next five years consistent with SWBNO's planning assumptions. The liquidity profile is expected to remain neutral to the assessment over the five-year horizon.

The current 'a' financial profile assessment reflects Fitch's expectation that leverage will remain below 11.0x through 2028, after considering restricted construction funds. However, continued capital needs and associated debt would increase leverage in the later years of the FAST. Fitch recognizes SWBNO continues to pursue grants and principal forgiveness loans. The capital plan also retains flexibility to adjust some projects timing. However, Fitch believes future rate adjustments eventually will be needed to support sustained increased spending and mitigate the increasing leverage trend beyond 2028.

Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Meaningful decline in revenue that is not otherwise offset by rate adjustments or additional system fees;

--Actual and projected leverage of about 13.0x in Fitch's rating case;

--A weakening in the revenue defensibility assessment to 'bbb,' due to a sustained weakening of the service area or rate flexibility.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Sustained capex that improves the execution rate of the system's CIP;

--Successful implementation of rate adjustments in support of upcoming capex needs;

--Leverage consistently below 10.0x in Fitch's rating case.

PROFILE

SWBNO was created by the Louisiana legislature in 1899 as a special board. Recent city and state measures provide for more oversight of SWBNO, but Fitch would not anticipate any operational changes that detract from SWBNO's mission of providing critical infrastructure and related services. SWBNO provides retail service to approximately 136,000 water customers and 133,000 sewer customers in the city, along with managing the city's drainage system.

SUMMARY OF FINANCIAL ADJUSTMENTS

The bond ratings and SCP are based on a consolidated fund analysis of SWBNO's water, sewerage and drainage funds. Although each system issuing separately secured debt, there is a close financial relationship among all three funds as demonstrated by historical intra-fund borrowings and reallocation of costs and assets. The drainage system's debt is secured by a dedicated millage rate, with operations supported by a total of three dedicated millage rates. Fitch excludes self-supporting drainage debt from its analysis, as appropriate.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for New Orleans Sewerage & Water Board, LA (Water, Sewer). However, Fitch recognizes the risks related to extreme wind and flood events, which are incorporated into the rating.

ESG CONSIDERATIONS

SWBNO has an ESG Relevance Score of '4' for Exposure to Environmental Impacts due to the potential for flooding event and historical weather events that have affected operations and financial performance, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

SWBNO has an ESG Relevance Score of '4' for Water & Wastewater Management due to the system's high level of non-revenue water that significantly exceeds industry standards, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision

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APPLICABLE CRITERIA

U.S. Water and Sewer Rating Criteria (pub. 17 Feb 2026) (including rating assumption sensitivity)

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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New Orleans (LA)	EU Endorsed, UK Endorsed

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