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May 31, 2013

Members of the Louisiana State Legislature
State Capitol
Baton Rouge, LA 70804

Dear Legislators:

The Bureau of Governmental Research (BGR) is writing with respect to Senate Bill 47 (SB 47), which seeks to reform the governance of the Sewerage & Water Board of New Orleans.

Over the course of several reports and releases, BGR has made the following recommendations for the key components of that reform:

- Reduce the size of the board from 13 members to nine members. We take as a given that the mayor will serve. We recommend that the remaining eight members consist of: two members of the Board of Liquidation, City Debt, appointed by the mayor on the recommendation of that board; and six citizens appointed by the mayor from nominations by the university presidents, with appointments confirmed by the City Council.
- Limit appointment power to the mayor, rather than expanding it to include City Council members or state legislators.
- Establish a nominating process for the mayor's citizen appointments, administered by a committee consisting solely of seven university presidents. They would collectively meet and submit a list of three nominees for each vacant citizen seat to the mayor. The mayor should not have the power to veto the list of nominees.
- Require that nominees have extensive experience in areas highly relevant to the performance of the S&WB.
- Reduce the terms of board members from nine years to four years, staggering the new terms.
- Impose term limits.

In addition, BGR recommends that reform legislation encourage geographic, racial and gender diversity, rather than requiring nominees to meet multiple layers of specific mandates. The nominating committee

should give due consideration to geography, race and gender in preparing the list of nominees.

BGR has serious concerns about certain provisions that were added to SB 47 yesterday in multiple amendments on the House floor. These provisions would:

- Reallocate the appointment power for four seats from the mayor to state legislators and City Council members.
- Allow those appointments without any nominating process or expertise requirements.
- Make the tenure of the two appointments chosen by at-large council members concurrent with those council members' terms of office.
- Add a sunset provision that eliminates the recent water rate increase when it is no longer needed to support bonds.

BGR is concerned that the reallocation of appointment power will unnecessarily inject new layers of politics into the appointment process. It would involve the City Council indirectly in the management of an entity for which it serves as the regulator. In addition, the rationale for providing appointment power to state legislators is unclear. We believe it is more appropriate that the mayor make the appointments, selecting members from the nominations put forth by the nominating committee BGR recommended above. The S&WB – though created in state law – is a local body that manages local funds. The powers and responsibilities should rest at the local level.

Furthermore, allowing the council members and legislators to make appointments without the benefit of a nominating process or expertise requirements does not lend itself to the creation of a high-performing board. Also, council members' appointees would come and go with election cycles, tending to make them more political. The potential for political appointments runs counter to ratepayers' desire to have the best qualified board to tackle the enormous infrastructure and other challenges facing the S&WB.

BGR recommends limiting appointment power to the mayor, who should select from among the nominations put forth by the nominating committee. It should not expand appointment power to include state legislators or City Council members.

The sunset provision on the 2012 water rate increases could severely disrupt the water system's finances if it ever took effect. Decisions on setting the appropriate level of future rates should be left to the S&WB and the City Council, rather than a statutory sunset provision. Again, these are locally generated funds, and the consequences will be exclusively local.

BGR recommends eliminating the proposed sunset provision.

Thank you for considering our comments on the bill.

Sincerely yours,

Janet R. Howard
President & CEO