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BGR MEDIA RELEASE

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BGR Calls for Major Reforms to Sewerage & Water Board Governance

Today BGR releases *Making the Waterworks Work: Fixing the Sewerage & Water Board's Governance Problems*. The report examines how the agency's governance has contributed to its problems, presents options for reforms, and makes recommendations for change.

Many citizens are aware that the Sewerage & Water Board (S&WB) faces unprecedented infrastructure challenges that will cost billions of dollars to fix. However, they may not realize the extent to which governance has contributed to the S&WB's woes.

The report demonstrates two key problems.

First, unlike most independent water boards, the S&WB has little control over its financial destiny. It has responsibility for massive infrastructure systems, but lacks the powers to raise revenues to support those systems. Those powers instead lie with the City Council. Over the past few decades, the council has on multiple occasions delayed or killed rate increases, despite the S&WB's pressing needs.

Second, elected officials sit on the agency's board, undermining its independence and infusing decision making with politics.

To address these problems, BGR recommends removing all elected officials from the board and giving the S&WB more control over its finances. Specifically, BGR recommends giving the S&WB the authority to increase water and sewerage rates annually by an amount tied to a suitable index or other measure, without City Council approval. Larger increases would still require council approval. BGR is making a similar recommendation for any drainage fees that might be imposed.

BGR is also proposing improvements to the City Council's process for considering larger funding requests. Currently, the City Council lacks a formal review process for such requests and does not monitor the S&WB on a regular basis. To address these weaknesses, BGR is recommending that the City Council develop a comprehensive, ongoing regulatory process designed to keep the City Council informed of the S&WB's performance and needs. This would provide the council with much-needed context for considering funding requests. BGR is also recommending that the council establish a formal process for evaluating specific funding requests.

BGR's report proposes several other changes to the board's structure and responsibilities. These include ending the division of drainage responsibilities between the S&WB and the city, and developing an adequate funding source for drainage. They also include reducing the board's size, shortening the length of members' terms, setting qualifications for board membership, limiting the board's role in contracting decisions, and providing for annual evaluation of top management.

BGR Chairman Sterling Scott Willis described the arrangement under which the S&WB has been operating as "unusual and ineffective."

"The Sewerage & Water Board has had the responsibility for maintaining sewer, water and drainage systems, but not the powers to raise revenue to execute that responsibility," Mr. Willis said. "It's time to change that, and take the opportunity to clean up other governance problems that have been holding the board back for so many years."

The following is the complete text of BGR's recommendations:

To better align the S&WB's responsibilities with funding authority and improve the City Council's decision making:

- The State Legislature should amend state law to authorize the S&WB to increase water and sewerage rates annually by an amount tied to a suitable index or other measure, without City Council approval. State law and the city charter should be amended to allow limited increases for drainage fees.
- The City Council should consider requests for larger increases using a formal review process, which at a minimum should provide for independent analysis of the requests, appropriate opportunities for public comment and clear timelines. The City Council should also adopt a formal process for considering S&WB requests to levy taxes and fees.
- The City Council should develop a comprehensive, ongoing process for regulating the S&WB, which includes reviewing the S&WB's strategic and financial plans and reports, and regularly monitoring the S&WB's performance.

To increase the effectiveness of the S&WB board of directors:

- The State Legislature should amend state law to remove the mayor and City Council members from the board, reducing it from 13 members to nine. The City Council should initiate a corresponding charter amendment.
- The State Legislature should further amend state law to:
 - Reduce the terms of board members from nine years to four years and stagger the new terms.

- Limit members to three consecutive terms.
- Require that seven of the nine members of the board have extensive experience in one or more of the following areas: finance, accounting, business administration, engineering, law, information technology or public health.
- The S&WB's board should limit its role in the agency's contracting primarily to broad issues of policy and oversight. It should establish appropriate policies and goals to guide management's contracting processes, and set goals for the Disadvantaged Business Enterprise (DBE) program. It should monitor management's performance toward those goals and adherence to board policies. It should restrict its review of individual contracts to extraordinary ones, such as significant privatizations.
- The S&WB board should also establish an annual process for evaluating the performance of the executive management, including but not limited to measuring performance against objectives identified in strategic or financial plans adopted by the board.

To improve the upkeep of local drainage:

- The city should transfer responsibility for the maintenance and repair of its subsurface drainage from the Department of Public Works to the S&WB.
- The city and the S&WB should develop a new funding source for subsurface drainage.

BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information call 525-4152 or visit BGR's website, www.bgr.org.