



BGR Outlook on Orleans

February 1999

The Sewerage and Water Board's Fee Proposal

Introduction

The Sewerage and Water Board of New Orleans has proposed that sewerage user fees be increased by approximately 38 percent over the next three years and that a new drainage fee be levied in 1999. The proposed increase in sewerage fees and the new drainage fee, when combined, represent a 44 percent increase for the typical residential customer. The proceeds from the fee proposals would be used to fund the City's portion of a \$1 billion upgrade of the city's sewerage and drainage systems over the next 20 years.

The two fee proposals were unanimously approved by the Sewerage and Water Board in August of 1998. Before the higher fees can be collected, however, the proposed user charges must also be approved by the City Council of New Orleans and the Board of Liquidation, City Debt. Ordinances to approve the new drainage fee and raise the sewerage fee were introduced into the City Council in September of 1998. When the City and School Board jointly agreed to hold the December 5, 1998 election on a proposed property service charge, the City Council decided to defer action on the Board's proposals until after the December 5 election. As of this time, (February 4, 1999) both ordinances are still pending on the Council's agenda. It is unclear when the City Council will act on the proposed ordinances.

The Board of Liquidation, City Debt, is not expected to act until the City Council has made its decision on the proposals.

Even though the Sewerage and Water Board held three public hearings on the proposed fee increases in August of 1998 (as required by law), there has been little public discussion on the measures now pending before the City Council. Therefore, BGR will devote this issue of Orleans Outlook to an examination of the proposal for a sewerage rate increase and a new drainage fee. In this report, BGR reviews the details of the proposed fees, examines the underlying rationale for the fee increases, and explains how the funds would be used. Without endorsing or rejecting either proposal, BGR presents some of the arguments for and against the proposed revenue measures. Before addressing the two revenue proposals, the report presents a brief agency profile of the Sewerage and Water Board.

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Brief Background on the Sewerage and Water Board of New Orleans

Agency Functions

The Sewerage and Water Board of New Orleans [“The Board”] was created by the Louisiana Legislature in 1899 as a special board independent of City government. Under state law, the Board is charged with the construction, operation and maintenance of water, sewerage and drainage systems for the City of New Orleans. By intergovernmental agreement, approximately 2,550 acres of Jefferson Parish is served by the Board’s drainage facilities, for which Jefferson Parish pays its pro rata share of expenses. The Board also provides water service to the Plaquemines Parish Industrial Park.

Relationship of The Board to the City

While created by state law, the Board is also listed in the *Home Rule Charter of City of New Orleans* as an unattached board within the executive branch. The *Home Rule Charter* specifies that the Board may not be eliminated or merged with another department or board without a public referendum on the proposed change. The *Home Rule Charter* also stipulates that “The powers, duties and functions... are provided by applicable state and municipal law.” The *Home Rule Charter* requires the Board to “...coordinate its repair, maintenance and construction projects with City agencies including the City Planning Commission and the Departments of Public Works and Parks and Parkways in order to minimize disruption of

the City’s streets, sidewalks and other public spaces.”

Governance

The Sewerage and Water Board is governed by a 13-member Board of Directors. The Mayor of New Orleans serves as the President of the Board of Directors which is composed of three representatives of the New Orleans City Council, two representatives of the Board of Liquidation, City Debt and seven citizens appointed by the Mayor and subject to ratification by the City Council. Two of the citizen members are appointed from the city at-large and one from each of the five council districts. The appointed members, who serve for nine year staggered terms, can only be removed for cause. All members serve without pay.

Personnel

The Board employs a staff of approximately 1,500 workers, the vast majority of whom are included in the City’s classified civil service system. The Board appoints the Executive Director, Deputy Director, General Superintendent, Deputy General Superintendent, and Special Counsel who serve at the pleasure of the Board.

Finances

The Board has an annual operating budget of approximately \$100 million. In 1998, the Board’s operating funds were allocated as follows: \$33 million for sewerage functions, \$46 million for water, and \$19 million for drainage functions. The City Council does not review or approve the Board’s operating or capital budgets.

The Board's sewerage and water systems are funded primarily by user fees. Water fees are based on the size of the meter and the amount of water used. Sewerage fees are determined by the size of the meter and a quantity charge multiplied by water use.

The drainage system is funded by revenues from three, six and nine mill ad valorem taxes. After millage adjustments, the three ad valorem taxes now total 22.59 mills per year, which provides approximately \$30 million per year for drainage services.

The Board's capital budget (1999 - 2003) lists total expenditures of \$633.6 million. Of this total, \$204.5 would go for water system capital improvements, \$189.3 would be spent for sewerage system improvements, and \$229.8 would be used for drainage projects. (These figures do not include approximately \$410 million in anticipated federal grants.)

Based on the Board's current user fees and millage rates, the Board will generate only \$190 million for capital projects, leaving a gap of \$443 million in its proposed capital budget. The sewerage fee increase and the new drainage fee have been proposed to fill this gap between desired capital improvements and funds available.

The Board of Liquidation, City Debt, has responsibility for the administration of the Sewerage and Water Board's debt. Drainage debt service payments are supported by ad valorem tax collections, while user fees support the revenue bonds issued for the water and sewerage systems. The Board had \$46.8 million in bonds outstanding as of December 31, 1997. In December 1998, the Board issued an additional \$25 million in sewerage revenue bonds, \$16 million in water revenue bonds, and \$10 million in drainage system bonds.

What are the specific provisions of the two fee proposals?

The New Drainage Service Fee

The ordinance now before the City Council (Calender Number 22,197) would levy a Drainage Service Fee. The new fee, which would be added to the monthly water bill issued by the Board, would be calculated by multiplying the monthly rate for the classification of property times the number of square feet of such property, and dividing the total of the fee by the total number of customers and/or owners of such property. The fee would be phased in over a three year period as indicated in Table 1.

As indicated in the table, all non-profits, churches, hospitals and other governmental entities would pay the proposed drainage service fee. The only properties exempted from the fee would be those owned by the City of New Orleans and the Sewerage and Water Board.

The average residential customer would pay approximately \$6.82 per month, or \$81.84 per year, for the drainage service fee if it is fully implemented.

Further adjustments to the proposed fee, either upwards or downwards, could be made by the Sewerage and Water Board, with the consent of the City Council and the Board of Liquidation.

The drainage service fee is projected to generate \$16.6 million in the first full year of collection. The amount collected is expected to yield \$27.1 million by the third year and each

**Table 1
Drainage Service Fee**

Property Classification	Monthly Rate 1999	Monthly Rate 2000	Monthly Rate 2001 and after
Unclassified	\$ 1.12	\$ 1.53	\$ 1.82
Single/Two Family Residential	0.76	1.04	1.24
Multi-Family Residential	0.97	1.33	1.53
Commercial	1.12	1.53	1.82
Industrial	1.12	1.53	1.82
Institutional			
Church	0.93	1.27	1.51
Government	1.11	1.52	1.81
Hospital	1.14	1.57	1.87
Levee Facilities	1.13	1.55	1.84
Parks without retention	0.48	0.66	0.79
Parks with retention	0.10	0.13	0.16
Port Facilities	1.13	1.55	1.84
Public & Other Schools	0.93	1.27	1.51
Other	1.12	1.53	1.82
Non-Revenue Public Facilities			
City	0.00	0.00	0.00
S&WB	0.00	0.00	0.00
Vacant Land Partially Drained	0.09	0.13	0.15
Vacant land	0.46	0.63	0.75
Vacant Land with Parking	1.12	1.53	1.82
Public Utilities			
Electric	0.96	1.31	1.56
Gas	1.56	1.34	1.59
Railroads	0.73	1.00	1.18
Transit	1.15	1.58	1.18

Source: City of New Orleans Calendar Number 22,197

year thereafter. There is no planned or scheduled expiration date for the proposed drainage fee.

The Sewerage Fee

The second fee proposed (Calendar Number 22, 199) would increase the existing user fees for sewerage services. Sewerage fees are currently collected from approximately 145,000 residential, commercial, and industrial accounts of the Sewerage and Water Board.

A typical residential user with a 5/8 inch meter and using 5,200 gallons of water now pays \$11.17 per month for sewerage services. The typical residential user would pay an additional \$1.19 per month after the first step of the increase went into effect. By the year 2002, the typical customer would pay \$15.42 per month for sewerage services, or \$4.25 more than current rates. The \$4.25 per month in additional fees represents a 38 percent increase.

The sewerage fee would generate approximately \$9.1 million in the first year and rise to a maximum of \$17.4 million in 2002.

What Is The Combined Fiscal Impact of The Two Fee Proposals on The Average Residential Customer?

If both the sewerage rate increase and the new drainage fee are approved, the typical residential customer could see his or her Sewerage and Water Board bill increase by approximately 44 percent over the next three years.

	Current Rate*	Proposed Rate	Percent Change
Sewerage	\$ 11.17	\$ 15.42	38 % increase
Water	13.81	13.81	No change
Drainage	<u>0.00</u>	<u>6.82</u>	
Total	\$ 24.98	\$ 36.05	44% increase

*Note: Does not include \$11.00 per month collected by the City for some sanitation and recycling services.

Debt, may compel the Board and Council to raise water rates in order to prevent a bond default.

It should be noted that a water rate increase of 12 percent was previously approved by the Board and the City Council in 1989, but that increase has not been implemented as of this time. According to the Board's consulting engineers, it will be necessary not only to implement the previously improved 12 percent rate increase in 1999, but an additional 27 percent water rate increase over the next three years will be required. The 39 percent water rate increase has not been publicized by the Board in public discussions or literature regarding the review of the sewerage and drainage fee proposals.

Will Water Rates Stay the Same?

Although the two fee proposals currently before the City Council do not address water rates, it is virtually certain that water rates will also need to be increased over the next several years. According to the Board's consulting engineers (Black & Veatch), rate increases of 12 percent in 1999, nine percent in 2000, nine percent in 2001, and nine percent in 2002 will be required to meet forecast revenue requirements of the Water Department.

If water rates are not raised, the Board will not have the legally required coverage limits for bonds that have already been issued. If the Board and City Council fail to increase water rates, the Board of Liquidation, City

Will Service Improve?

Citizen complaints regarding the Sewerage and Water Board's service seem to have increased in the last few years. Leaks are left unrepaired for inordinately long periods. Canisters placed by the Board to warn motorists of sinking roadbeds caused by underground leaks have become neighborhood landmarks.

In the past, the Board repaired sewerage leaks on a complaint by complaint fashion. Neglect of routine maintenance led to the 1998 *Consent Decree* that requires the Board to address the sewerage collection system in a planned procedure. Board contractors will test with smoke or TV-type equipment in the pipes for breaks and cross connections with drainage pipes. Upon completion of an area survey, the Board will make repairs. Only in one of nine

identified areas has the whole process of identification and repair been made. Two more areas are in testing phases.

Water leaks are still being repaired based on complaints and with operating funds. The Board says that the drought this past summer caused a great deal of subsidence leading to sagging pipes and subsequent leaks. The water pipes can not be inspected from within as is being done with the sewerage pipes; that method would risk contamination of the drinking water.

Complaints about water leaks are not to be discounted. Not only do leaks cause damage to adjacent property, but also customers end up paying for treating wasted water. Already half the water treated is not purchased. The Board can not estimate how much of that unmetered water is a result of leaks, but it appears substantial.

Leaks in drainage pipes are usually the responsibility of the City's Public Works Department. As unlikely as it sounds, under state law drainage millage revenue may not be spent on subsurface drains. The Sewerage and Water Board and the Public Works Department have agreed that pipes less than 36 inches in diameter will be defined as subsurface drains and the responsibility of the City. The Board takes responsibility for the canals and pumping stations. Efforts to ensure more cooperation between the two government agencies continue. The Board's capital program earmarks about two million dollars a year of the new fee income for cooperative work with the Department of Public Works during street repairs.

Why Have the Rate Increase and New Service Fee Been Proposed?

According to the Board, nearly \$1 billion in improvements are needed to upgrade the city's sewerage and drainage systems. Some of the specific factors driving the drainage fee proposal include the following:

Flooding is a Major Problem

New Orleans is the only urban area in the country below sea level, bordered by seawalls and levees. The City receives an average of 58 inches of rain a year and is prone to street flooding on a frequent basis. The May 8 - 9, 1995 flood, the most recent severe flood, caused \$388 million worth of documented damage in Orleans Parish. Through improvements funded by the drainage fee, the system's current capability of removing 1" of rainwater in the first hour of a storm and ½" after that, would be increased to 1" per hour after the first hour. According to the Board, this would increase the drainage capacity to the extent that flooding from a storm as severe as the May 1995 event would be reduced by 60 to 70 percent. Board officials concede that no amount of improvements will ever be able to totally eliminate flood damage in all areas of the City.

Proponents suggest, however, that the revenue from the drainage fee would help build new canals, expand others and add pumping stations to ensure that water is drained from the city as quickly as possible, thereby significantly reducing flood damage and enhancing property values. [Please see Table 2 for a specific list of capital projects that would be funded if the drainage fee is approved].

Table 2
Drainage Projects
(in Millions)

Capacity Improvement Projects		Cost
Authorized Projects		
1. D.P.S. No. 1 Upgrade Phase 1	Suction Bay Work	\$ 18.0
2. D.P.S. No 1 Upgrade Phase 2	Add two 1200 cfs Pumps	15.5
3. Napoleon Avenue Canal	Add a Covered Canal	17.5
4. S Claiborne Manifold (Nashville to Jena)	Add a Covered Canal	10.0
5. S. Claiborne Manifold (Jena to Louisiana)	Add a Covered Canal	11.0
5. Hollygrove Drainage Upgrade	Add a Covered Canal	23.0
6. Pritchard Street Pump Station	Add a 250 cfs Pump Station	5.5
7. Dwyer Road Pump Station	Add a 1050 cfs Pump Station	13.5
8. Dwyer Pump Station Outfall	Add a Outfall Canal	5.0
Design Change Projects		
9. Dwyer Road Inlet Canal	Add an Inlet Covered Canal	15.0
10. Palmetto Canal Obstructions	Remove 3 Obstructions	4.0
Post Authorization Projects		
12. Louisiana Avenue Canal	Add a Canal from Constance to S. Claiborne	20.5
13. Napoleon Avenue Canal	Add a Canal from Constance to S. Claiborne	24.0
14. Jefferson Avenue Canal	Add a Canal from Constance to S. Claiborne	22.0
15. S. Claiborne Canal	Add a Canal from Lowerline to Monticello	25.0
16. Florida Avenue Canal	Widen the Existing Canal to 40' x 15'	65.0
Feasibility Projects		
17. London Canal D.P.S. No. 4W	Add a 1050 cfs Pump Station	18.0
18. Orleans Avenue Canal	Add a 22' x 12' Covered Canal	40.0
19. R.E. Lee Pump Station	Add a 22' x 12' Covered Canal	40.0
20. Harrison Avenue Pump Station	Add a 250 cfs Pump Station	6.0
21. Donner Canal	Widen the Existing Canall	48.0
22. Gen DeGaulle Corridor Add Eton & Huntlee Canals	Widen the Existing Canal	28.0
TOTAL CAPACITY IMPROVMENT PROJECT COSTS		\$ 440.5
Power and Infrastructure Projects		
(All costs fully funded and for 20 year construction)		
23. 60 Hertz conversion	Distribution and plant conversion	\$ 190.0
24. Drainage Canal Replacements in connection w/ NODPW	20,000 linear feet per year	40.0
25. Canal projects not under Corps	1,000 linear feet per year	40.0
26. Pump Station Improvements not under Corps	\$2 Million per year	40.0
27. General Maintenance of the Drainage Collection System	\$1 Million per year	20.0
28. Replacements of Underground cable to pump Stations	\$1 Million per year	20.0
29. Repairs and Maintenance of Concrete Canals and Flumes and Earthen Canals	\$1 Million per year	20.0
Grand Total of Drainage Project Costs		\$ 810.5

Source: Sewerage and Water Board, *Orleans Parish Drainage for the 21st Century, August, 1998*
Note: Capacity improvement project costs include Army Corps of Engineers' matching funds.

The Board's Costs Have Increased, While Revenue Sources Have Been Reduced.

The Board's operating costs have increased over 50 percent since 1986, when the last rate increases were approved. In addition, the Board lost a major revenue source in 1991 when voters refused to renew a four-mill ad valorem tax dedicated to drainage. The four mills had provided approximately \$6 million per year for drainage projects.

The New Drainage Fee Would Place the Board in a Position to Take Advantage of Federal Matching Funds

If the Board is able to raise local funds in the amount of \$110 million through the drainage fee, the Federal Government (through the U.S. Army Corps of Engineers,) will provide \$330 million for drainage projects in New Orleans. If the Board is unable to provide the local match, the federal funds would go to other areas or projects and the City would lose an opportunity to defray a major portion of the capital improvements.

In the case of the sewerage fee increase, the three primary factors driving the proposal are:

A Federal Consent Decree Requires Extensive Repair and Modernization of City's Sewerage Collection System

The Board is required under a 1998 Federal *Consent Decree* to significantly improve the city's sewer collection system in order to meet Environmental Protection Agency (EPA) regulations. The estimated cost of the sewer system

improvements is \$200 million, of which the EPA is expected to provide half of the funds. In addition, the Board agreed to pay a penalty of \$1.5 million over three years and perform a Supplemental Environmental Program of \$2 million over five years titled, "Lincoln Beach Water Quality Improvement Plan."

Most of the problems requiring correction are the results of years of postponed maintenance of the sewerage system. As a result, ground water has infiltrated collection pipes to such an extent that the treatment system is sometimes overloaded and raw sewerage has been dumped into Lake Pontchartrain. The problem is exacerbated by old and deteriorated cross-connections between the sewerage and drainage systems. In addition, some property owners have illegally tied drainage pipes to the sewerage system, further compounding the problem.

Under the terms of the *Consent Decree*, the Board has agreed to institute several remedial measures to prevent unauthorized discharges. According to the Board, it will be impossible to meet the *Consent Decree* requirements without additional revenue. Monetary fines detailed in the *Consent Decree* could be imposed for every day a specific deadline is not met. In addition, because the City is a signatory to the *Consent Decree*, the Court could order the City to pay the fines.

The Sewerage Rate Increase Will Prevent the Board from Defaulting on Bonds

According to the Board's consulting engineer, (Black & Veatch) the Board will need to increase sewerage revenues by 33 percent in 1999, 4 percent in 2000, 4 percent in 2001, and 4 percent in 2002 to meet forecast revenue

requirements and provide adequate debt service coverage on bonds. Again, if the Board fails to increase sewerage revenues, the Board of Liquidation, City Debt, may compel the Board to raise rates to prevent a bond default.

The Sewerage Rate Increase Will Enable the Board to Take Advantage of Federal Funds

By proceeding with the projects outlined in the *Consent Decree*, the Board will be able to draw on an EPA commitment to provide \$100 million over a 10-year period.

What are Some of the Arguments For and Against the Fee Proposals?

Drainage Fee Arguments For

- ♦ Flood damage should be reduced over 60 percent as a result of the planned improvements.
- ♦ Flood insurance rates should also be reduced in most areas of the City.
- ♦ The drainage fee would provide local matching funds (\$110 million) in order to leverage \$330 million in federal funds to pay for the improvements.
- ♦ The user fee is a fairer method of raising drainage funds than a property tax because most homeowners pay no property tax.
- ♦ Increased drainage capabilities would enhance property values and the City's tax base.

- ♦ New Orleans would continue to enjoy a reputation for better drainage than that found in surrounding parishes.

Drainage Fee Arguments Against

- ♦ State law (R.S. 38:90.17) states that no drainage fee or service charge shall take effect unless first approved by a majority of voters in a public referendum. Notwithstanding this state law, the Board has suggested that the City Council has the authority under the City's *Home Rule Charter* to approve the drainage fee, without a vote of the public.
- ♦ Even with nearly \$800 million in improvements to the City's drainage system, the City will still experience some flooding in major (100 year) storms. The proposed drainage fee is based on estimated runoff, with no "caps" for large tracts of land or exemptions for low-income residents.
- ♦ The ordinance approving the drainage fee now requires residents to pay a "Rate Review Fee" to question the accuracy or correctness of the proposed drainage fee. This is an unfair burden to place on citizens or businesses.
- ♦ The calculations of the drainage fee are based on a 1985 survey of samples of property within each classification rather than actual calculations of each piece of property.
- ♦ The drainage fee will be higher in New Orleans than in adjacent parishes.

Sewerage Fee Arguments For:

- ♦ The sewerage rate increase will avert the Board's default under the *Consent Decree* signed with the Environmental Protection Agency. Noncompliance with the *Consent*

Decree could result in significant monetary fines, court ordered rate increases, and the loss of substantial federal funds.

- ♦ Needed repairs will prevent raw sewerage from polluting Lake Pontchartrain and other waterways in the City and bring the City into conformance with all Clean Water Act requirements.
- ♦ A user fee is a fair, legally tested method of raising revenue and is not difficult to collect or administer.
- ♦ There has been no increase in sewerage rates since 1986, while operating costs have increased 50 percent since that time.
- ♦ With the additional revenue provided through a sewerage rate increase, the Board will meet all debt service coverage requirements and avoid a default on outstanding bonds.

Sewerage Fee Arguments Against

- ♦ While increased sewerage fees may be necessary, the increase could be approved by a separate ordinance each year instead of doing the three-step raises in one ordinance. This would allow the Board and the City Council to carefully monitor the amount of increased revenue necessary to meet the *Consent Decree* obligations.
- ♦ There is no relief provided for low-income customers who may not be able to afford the higher rates.
- ♦ Sewerage fees in New Orleans will be higher than in adjacent parishes.

Concluding Remarks

Sewerage Rate Increase

The case for the sewerage rate increase appears to be fairly straightforward and compelling. The Board has few, if any, real options on this matter. Failure to raise sewerage rates could put the Board and the City in noncompliance with the *Consent Decree* signed with EPA and/or default on existing bonds. The user fee approach is fair, legally tested, and easily administered. The only question on the sewerage fee proposal appears to be if the entire rate increase (38 percent) needs to be approved at one time or if the steps could be approved each year while the City Council monitors compliance with the *Consent Decree*.

New Drainage Fee

The case for the new drainage fee is more problematic. State law clearly provides that any drainage fee of this type requires that citizens have an opportunity to vote on the proposition before the new fee could be collected. In conformance to the state law, a similar drainage fee to the one now proposed was placed before the voters in 1985 and defeated. The Sewerage and Water Board now contends that the City Council, under the *Home Rule Charter*, has the regulatory authority to set and revise fees without a vote of the people.

Even though the Sewerage and Water Board contends the City Council has the authority to approve the new drainage fee, Board officials have stated that if the City Council approves the fee, they will immediately file a friendly lawsuit to test the legality of the drainage fee and the Council's ability to impose such a fee without a vote of the people.

The desirability of a new fee should be contemplated apart from the legal issue, which can not be resolved without a court ruling. The decision on whether to support the drainage fee should be based on the documentation of the need for the improvements and an analysis of costs and benefits to New Orleans residents and businesses. The City Council's decision will rest primarily on the level of additional flood protection people are willing to fund. Once the Council makes a decision on how much money is needed, the legal issue of who has the authority to levy such a fee will need to be resolved by the courts

Because the proposed drainage fee is based on anticipated runoff and the size and classification of one's property, there will undoubtedly be complaints about the fairness of the fee from customers occupying large properties. Large tract properties in New Orleans East and Algiers may be disadvantaged, particularly with no "cap" on the fee as currently proposed. There are, however, significantly lower rates proposed for vacant and partially drained property. But as with the sewerage and water service charges, a fee tied to the protection offered may be a fairer means of paying for protection from flood damage than a property tax. With only property tax revenue funding drainage services, many homeowners and others exempt from the property tax pay nothing.

As with the sewerage fee, the Council has options: to impose the drainage fee to a lesser extent than requested, or reserve the right to permit increases by a separate ordinance each year instead of doing the multiple steps in one ordinance. If the amount of federal funds to be provided is cut back over the next few years, and the City chooses not to proceed with the

drainage projects on its own, that decision could reduce the need for funds.

In the case of both ordinances before the City Council, BGR is only pointing out options available, not advocating any specific approach.

If the legal issue is not resolved in the Board's favor, the Council would also have the option to pass the new drainage fee subject to voter approval, as was done in 1985.

Clarify Water Rates

Finally, BGR believes the Board has been less than forthcoming regarding the almost certain need for water rate increases in the near future. The consulting engineer's October 1998 letter to the Board recommended water rate increases, totaling 39 percent over four years as necessary to meet water revenue requirements. The Board considers the recommendations as based on a "worse case" scenario of possible new Environmental Protection Agency requirements. The release in December 1998 of the new regulations indicated to the Board that almost half the anticipated new treatment plant construction may not be necessary. The Board, nevertheless, should provide the public with information on any projected water rate increase so that citizens can fully evaluate the fiscal impact of potential rate increases for water, sewerage and drainage. The Board should also provide more specific information to the public about the size and timing of rate increases that are necessary to prevent default on outstanding bonds. ❧

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The Sewerage and Water Board's Fee Proposals

Quick View

- ◆ In this issue of *BGR Outlook On Orleans*, BGR reviews the arguments for and against two fee proposals presented by the Sewerage and Water Board and now before the New Orleans City Council for review.
- ◆ The Sewerage and Water Board proposed a new drainage service fee in August that, if approved, would cost the average residential customer \$6.82 per month.
- ◆ Arguments for the new fee include the opportunity to increase drainage capacity using 75 percent matching federal funds and the fact that as a user charge, there are no required exemptions as there are for the property taxes dedicated to drainage.
- ◆ Arguments against the drainage fee proposal include the additional cost to now-exempt homeowners, and the state law requiring that a drainage charge must first win voter approval before going into effect.
- ◆ A proposed 38 percent increase in sewerage fees is also before the City Council for consideration. Some increase in the sewerage charge appears necessary to meet terms agreed to in a 1998 *Consent Decree* with the Environmental Protection Agency.
- ◆ No change in the water rates have been proposed, but BGR suggests some increase will probably be necessary in the near future to cover bond debt requirements and to meet just-announced EPA guidelines for treating water.