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BUREAU OF GOVERNMENTAL RESEARCH**COMMENTS TO THE NEW ORLEANS CITY COUNCIL
BUDGET, AUDIT AND BOARD OF REVIEW COMMITTEE**

April 2, 2024

I am Rebecca Mowbray, President & CEO of the Bureau of Governmental Research. I would like to comment on the “recovery district” recommendation of the Governor’s Task Force on the Sewerage and Water Board. This recommendation would suspend the utility’s board of directors for 2 years and install a temporary board created by the legislature.

The recovery district is an attempt to spur immediate improvements in the Sewerage and Water Board, and we have seen customer demands for change. But the district raises some significant concerns.

One is that the district’s new board members would face a steep learning curve. The current board has worked for several years to improve its governance of the utility and plan for the future. That momentum could be lost.

In addition, the district would remove operational control further from City government. This would weaken the council’s oversight and public accountability.

BGR’s governance research points to a different way to improve governance now and support better utility performance. BGR recommends that the City Council work with the Legislature to establish legal authority for:

- (1) a new process for handling and evaluating the utility's funding proposals, and
- (2) a comprehensive framework for ongoing oversight of the utility.

Meanwhile, the City Council should immediately begin planning for changes in the Council Utilities Regulatory Office as the primary vehicle for a new funding review and oversight process. The Council need not wait for the Legislature to begin this process. Acting now will help the Council articulate what it needs in new legal authority. The Council should collaborate with the Sewerage and Water Board to ensure that the new processes are thorough and effective.

BGR detailed these options in our 2023 report [Waterworks in Progress](#), our [March 14 comments to the Task Force](#), and a [follow-up letter to the Task Force](#).

In short, BGR recommends that the Council's funding review process should at least have:

- Independent expert analysis of Sewerage and Water Board funding requests,
- Opportunities for public comment, and
- Clear timelines, requirements, and criteria for evaluating and approving proposals.

A comprehensive oversight process should include, at a minimum:

- Regular review of strategic and financial plans and reports,
- Updates on operations,
- Regular monitoring of system performance, and
- Goals and measurable outcomes.

Implementing both a funding review process and an oversight process will help the City Council to work more effectively on behalf of citizens. The council will be able to move beyond handling specific complaints and receiving reports. It could set standards of behavior and hold the utility accountable for performance. Public utility regulation, where no profit motive exists, should pursue a goal-oriented approach that keeps the utility focused on efficient and effective operations. By developing itself as an oversight body, the council can better promote sound decision making, balance the interests of ratepayers,

and build trust in the utility's management. It will give the Council the tools it needs to create more effective oversight and accountability of the Sewerage and Water Board.

The processes should be authorized by state law but defined in ordinance to facilitate continuous improvement. BGR is happy to serve as a resource. Thank you.