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# **WATERWORKS IN PROGRESS**

*Reassessing the Sewerage & Water Board's  
Governance Problems and Potential Paths  
to Long-Term Improvement*

**IN BRIEF**





# WATERWORKS IN PROGRESS

## *Reassessing the Sewerage & Water Board's Governance Problems and Potential Paths to Long-Term Improvement*

### IN BRIEF

#### THE PROBLEMS

The Sewerage and Water Board of New Orleans (S&WB) faces a host of financial, operational and infrastructure challenges. Many of these problems are connected to the utility's [complex governance structure](#), which consists of the laws, rules, policies and procedures that establish the powers, roles and responsibilities of the S&WB and those involved in its operations.

As discussed in BGR's full report, the S&WB's governance structure:

- **Threatens the long-term financial sustainability of the city's water, sewer and drainage infrastructure.** The S&WB independently operates and manages the three systems and their infrastructure; however, the New Orleans City Council controls the fees and taxes that support them. [This misalignment between operational responsibility and funding control](#) has elevated politics in funding decisions. This has resulted in historical underfunding, contributing to today's deteriorated infrastructure and shifting costs to current and future ratepayers. Compounding these problems are the City Council's lack of a formal process to objectively evaluate funding proposals and its tendency to use its control of S&WB funding to hold the utility accountable.
- **Impedes the performance of the drainage system.** The S&WB and the City's Department of Public Works split responsibility for the operations, maintenance and management of the system. The S&WB is responsible for the major drainage system, which includes larger pipes (at least 36 inches in diameter), canals and pumps, while Public Works manages the minor drainage system, consisting of catch basins and smaller pipes that feed into the S&WB's system. [This division of responsibilities](#) contributes to the poor performance of the entire system, discourages a holistic approach to the broader concept of stormwater management and is unusual among peer cities.
- **Hampers coordination of infrastructure work between the S&WB and City government.** [Long-standing coordination struggles](#) have contributed to inefficiencies, enabled the S&WB and Public Works to blame the other for poor performance and diminished public confidence in both.
- **Creates concerns about accountability and the long-term effectiveness of the S&WB's board of directors.** The mayor's role as president of the S&WB's 11-member board of directors can overshadow other board members and blur the lines of public accountability. In addition, the participation of a City Council member on the board creates a conflict of interest. The council member must act in the best interest of the S&WB, which includes ensuring that rates and taxes are set at sufficient levels to properly fund the water, sewer and drainage systems. At the same time, the council member is responsible for overseeing actions personally taken as a board member and representing constituent interests as a member of the full council. These could include a political desire to keep S&WB rates and taxes low. The difficulty finding nine other qualified citizens to voluntarily serve as board members also raises [concerns about the long-term effectiveness of the board](#).

- **Gives the Louisiana Legislature substantial control over S&WB matters.** The S&WB is created in and primarily [controlled by Louisiana law](#). This gives lawmakers with little or no connection to New Orleans control over local water utility issues. It also makes it harder to address problems with governance and other aspects of the S&WB.

## WHY THIS REPORT MATTERS

Given the S&WB's control and management of vital infrastructure systems, the status quo governance structure should not be maintained. Inaction enables these problems to persist and worsen, diminishing the quality of life of citizens and jeopardizing the sustainability of the city.

BGR recognizes the efforts of the S&WB's current board and executive leadership to improve the utility's performance. In recent years, the S&WB has embarked on several planning initiatives to improve its business practices and guide future infrastructure investments. It has also started key capital projects, including the construction of a new electricity substation, to improve long-standing performance deficiencies. However, the S&WB's flawed governance structure makes it difficult for even capable leaders to achieve successful outcomes that the public needs.

## WHAT TO DO ABOUT IT

BGR finds [two potential paths forward](#) to improve governance of the water, sewer and drainage systems. Each offers significant benefits over the current governance structure, but also introduces complications that must be carefully addressed.

**1. Keep, but improve, the S&WB as a State-created, stand-alone utility that operates separately from City government.** This option would maintain the basic governance structure currently in place while introducing targeted reforms that could strengthen the financial sustainability of the water, sewer and drainage systems, as well as improve drainage system performance. While this would be the easier path, challenges would remain to improve coordination between the S&WB and City government and address concerns surrounding the utility's board of directors. In addition, the Louisiana Legislature would retain substantial control over S&WB matters.

**2. Replace the S&WB with a City-created municipal utility.** This option could substantially resolve the problems caused by the S&WB's current governance structure. The reforms identified by BGR to improve the financial sustainability of the water, sewer and drainage systems, as well as improve drainage system performance, would also apply to a municipal utility. Further, this approach could promote effective coordination between a municipal utility and municipal departments, eliminate the S&WB's board of directors and its associated concerns, and shift legislative authority from the Louisiana Legislature to the City Council. However, replacing the S&WB with a municipal utility would require careful planning by City leaders and ultimately approval by the Louisiana Legislature and New Orleans voters. It also raises other considerations, including the City's competency, fiscal capacity, and overall readiness to move forward with such a significant undertaking.

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## RECOMMENDATIONS

**To determine an ultimate governance path for the S&WB, BGR recommends that the mayor, as the leader of City government and president of the S&WB's board of directors, use this report to further study how an improved S&WB or a new municipal utility can address current governance problems and select a path forward that significantly improves upon the status quo. The mayor should coordinate these efforts with the City Council and the S&WB, as well as seek public input.**

As that process unfolds, BGR urges City and S&WB policymakers, with the assistance of the Louisiana Legislature as needed, to implement several reforms that could yield significant improvements regardless of whether the S&WB remains a stand-alone water utility or is replaced by a municipal utility.

To strengthen the **financial sustainability** of the water, sewer and drainage systems, the City Council should:

- Create a formal process to objectively evaluate funding proposals for the three systems. At a minimum, the council's process should provide for independent expert analysis of funding requests, offer opportunities for public comment, and establish clear timelines, requirements and criteria for evaluating and approving proposals.
- Develop, with the assistance of the council's Utilities Regulatory Office, a comprehensive oversight process that relies on accountability mechanisms, instead of funding control, to improve performance. This process should include, among other things, a review of strategic and financial plans and reports, updates on operations, and regular monitoring of system performance. It should also enable the council to maintain objectivity and act with transparency.

To improve the **performance of the drainage system**, the mayor and City Council should:

- Work with the S&WB to verify the existence and size of the funding shortfall for the entire drainage system and develop a new funding source, such as a [stormwater fee](#).
- Once a sufficient source of recurring funding has been secured, transfer responsibility for the maintenance and repair of subsurface drainage from the Department of Public Works to the S&WB. This would give the S&WB, which already maintains the most complex parts of the drainage system, full control of the entire system to address pressing deficiencies. It would also not preclude an eventual transfer of drainage system responsibilities to a municipal utility.

To help achieve **effective coordination** for infrastructure work, the administrations of the S&WB and the City should:

- Enhance their existing practices and processes to improve workflow, which could include implementing a shared information management system. Either the S&WB or a municipal utility would need to effectively coordinate with other City departments and agencies, particularly concerning street and subsurface work.