



VIA EMAIL

November 28, 2023

**Officers**

Merritt Lane  
Chair

Steven W. Usdin  
Vice Chair

Anne P. Baños  
Secretary

Louis M. Freeman, Jr.  
Treasurer

Blake J. Stanfill  
Assistant Secretary

Christine Albert  
Assistant Treasurer

**Past Chair**

Norma Grace

**President & CEO**

Rebecca Mowbray  
Samuel Zemurray Chair in  
Research Leadership

**Board Members**

Ryan Adkerson

Elizabeth Boh

Susan G. Brennan

Melanie Bronfin

Vanessa Claiborne

Carlin Conner

Mollye Demosthenidy

Ben A. Dupuy

Perry Eastman IV

Jessie S. Haynes

John Landrum

Ileana Ledet

Gary L. Lorio

Ronald P. McClain

Graham Ralston

Patty Riddlebarger

David Rieveschl

Jennifer Roberts

Douglas M. Stokes

Vera Triplett

Lamar Villere

Charles West

Jonathan A. Wilson

**Honorary Board**

Harry J. Blumenthal, Jr.

Edgar L. Chase III

J. Kelly Duncan

Ludovico Feoli

Hardy B. Fowler

Louis M. Freeman

Richard W. Freeman, Jr.

Ronald J. French

David Guidry

Hans B. Jonassen

Diana M. Lewis

Mark A. Mayer

Anne M. Milling

R. King Milling

Lynes R. Sloss

Sterling Scott Willis

The Honorable Jean Paul “JP” Morrell

The Honorable Helena N. Moreno

The Honorable Joseph I. Giarrusso, III

The Honorable Lesli Harris

The Honorable Freddie King, III

The Honorable Eugene J. Green

The Honorable Oliver Thomas

Members of the New Orleans City Council

City of New Orleans

1300 Perdido Street, 2<sup>nd</sup> Floor West

New Orleans, LA 70112

Re: Improving the City Council’s Evaluation of Sewerage & Water  
Board Funding Proposals

Dear Councilmembers,

The Bureau of Governmental Research (BGR) is writing to express concern that the City Council does not have a formal process to evaluate funding requests from the Sewerage and Water Board of New Orleans (S&WB). The lack of such a process poses significant risk to the operations, maintenance and performance of essential infrastructure.

### A Recent Example of the Process Gap

This week, the City Council will decide whether to “roll forward” property tax rates for the City of New Orleans and several other governmental entities, including the S&WB. As you know, the [Louisiana Constitution](#) requires taxing bodies to lower, or “roll back,” millage rates following a parishwide reassessment to keep the impact revenue neutral. Taxing bodies may then “roll forward” millage rates to reap the additional revenue. This requires a public hearing and a two-thirds majority vote.

On October 18, the S&WB, acting through its board of directors, [voted to ask the council to roll forward](#) its three property taxes dedicated to New Orleans’ major drainage system. The board voted unanimously to support the roll forward request. However, the mayor and City Council member serving on the board were absent for the vote. The S&WB then submitted the request to the City’s Chief Administrative Officer, copying the City Council president. The council president rejected the request.

To our knowledge, the City Council has not publicly discussed or reviewed the S&WB’s roll forward request. As a result, important public dialogue between S&WB and City Council officials regarding the drainage system’s financial needs and the council’s concerns about rolling forward drainage

taxes is missing. More broadly, the council's failure to formally evaluate this funding proposal highlights a persistent governance problem that threatens the sustainability of the city's water, sewer and major drainage systems.

### **A Financial Challenge**

In a May 2023 [report on S&WB governance](#), BGR analyzed how operational responsibility and funding control are misaligned. The S&WB is responsible for operating and maintaining the three systems. The City Council, on the other hand, controls their funding. It sets the S&WB's water and sewer rates and levies the drainage taxes. This misalignment has elevated politics in funding decisions. It has also contributed to historical underfunding and today's deteriorated infrastructure. Consequently, costs to fix problems have shifted to current and future ratepayers.

The S&WB's drainage taxes serve as the primary source of funding for the system and are projected to generate \$68.3 million in 2023. The S&WB will use most of the revenue to fund drainage operations. It also must make \$10 million annual payments to the federal government for the S&WB's share of post-Katrina [drainage improvement projects](#). The S&WB indicates it has only \$3.5 million remaining to spend on drainage capital improvements. This is a fraction of the nearly \$1 billion in identified capital improvements needed in the next several years.

During a recent public meeting, S&WB officials stated that rolling forward drainage taxes would generate an estimated \$12.9 million annually. Officials said they would use the revenue to address deferred capital projects. That includes repairing and rehabilitating pump stations and replacing drainage pipes. It also includes improving the system's power supply. The S&WB's goal is to mitigate risks associated with continuing to defer maintenance.

BGR has not analyzed the S&WB's plan for using the additional revenue from rolling forward or taken a position on the funding request. Our concern is that the request has not received a full and fair public evaluation by the council. BGR does not expect the council to develop a full-fledged evaluation process this year. But, given the extensive capital needs of the water, sewer and drainage systems, the council should create one for future S&WB funding proposals.

### **Developing a Process**

Unfortunately, Louisiana and municipal law offer little guidance. They do not say how the S&WB should present a water, sewer or drainage funding proposal to the council. Nor do they say how the council should evaluate a proposal or reach a decision. A new formal process is needed to fill this void.

**BGR recommends that a process for objective review of funding proposals should have at a minimum:**

- Independent expert analysis of S&WB funding requests.
- Opportunities for public comment.
- Clear timelines, requirements and criteria for evaluating and approving proposals.

Creating such a process would have several benefits. It would give the council a standard framework to evaluate all S&WB funding proposals. In addition, the council could tailor its review procedures to each system to promote sufficient funding of critical infrastructure. From the public's perspective, a formal process would help citizens better understand the S&WB's operational and infrastructure needs and the council's rationale for approving or rejecting a funding request. Because Louisiana law gives the City Council authority over S&WB funding, the council may need state legislation to fully implement new procedures.

Resolving this governance gap will also better prepare the council to consider any new funding sources, such as a stormwater fee. The City's administration and the S&WB continue to discuss a possible [stormwater fee proposal](#). BGR has long supported the idea of using a [properly structured stormwater fee](#) to meet the drainage system's needs. Unlike a property tax, a stormwater fee could be applied to tax-exempt properties, creating a broader base of payers to spread out the cost burden. As a first step, S&WB and City officials should verify the drainage funding shortfall. This is something a formal evaluation can address if the council is asked to approve a fee.

**Finally, BGR recommends accompanying any new funding evaluation process with stronger council oversight.** The Council Utilities Regulatory Office should help the council develop a comprehensive oversight process. It should rely more on accountability mechanisms, instead of funding control, to improve the S&WB's performance. Such mechanisms would regularly assess the utility's performance. They would measure its public outcomes against desired goals and track its efforts to improve. Among other things, the council should review the S&WB's strategic and financial plans and reports. It should also receive updates on operations and system performance.

A stronger oversight process should keep the council informed throughout the year and ready to respond to S&WB issues or requests. It also should help the council remain objective and transparent. This would diminish the influence that politics has historically had on S&WB funding decisions. Further, enhanced accountability would help the public understand how the council's decisions affect the operations, maintenance and performance of the three systems.

In sum, the creation of a formal process to objectively evaluate S&WB funding proposals, combined with a stronger framework for council oversight, would improve the sustainability of the city's water, sewer and drainage systems. Thank you for your consideration regarding this matter. As always, we are available to answer any questions you may have.

Sincerely,



Rebecca Mowbray

President and CEO

*Samuel Zemurray Chair in Research Leadership*

Bureau of Governmental Research

cc: The Honorable LaToya Cantrell, Mayor, City of New Orleans  
Gilbert Montañó, Chief Administrative Officer, City of New Orleans  
Ghassan Korban, Executive Director, Sewerage and Water Board of New Orleans