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July 8, 2026

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Members of the Public Utility Process Modernization Subgroup (PUMPS)

c/o Andrew Tuozzolo, Mayor's Office

City of New Orleans

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

New Orleans, LA 70112

Re: BGR Research Insights and Observations on SWBNO Governance

Dear PUMPS members:

Thank you for your service to the city of New Orleans as a member of the Public Utility Modernization Process Subgroup (PUMPS), advising the mayor, the City Council, and the Infrastructure Coordinating Council on the transition to local control of the Sewerage and Water Board of New Orleans (SWBNO). Your work will help ensure the sustainability of critical infrastructure and our city's quality of life and prosperity. Like others in New Orleans, the Bureau of Governmental Research (BGR) looks forward to your recommendations on governance, operations, oversight, accountability and other topics important to improving water, sewer, and drainage system performance.

BGR is writing today to provide the attached summary of our independent research that we hope you find relevant and informative. The summary covers (1) core governance problems and reform efforts prior to HB 1243 of the 2026 Regular Session, (2) changes and reform opportunities resulting from HB 1243, and (3) key considerations in pursuing a municipal utility as a long-term governance solution. We would like to present this information to you at an upcoming PUMPS meeting and answer any questions. Please contact me at [rmowbray@bgr.org](mailto:rmowbray@bgr.org) or (504) 717-6394 to arrange a convenient time to talk.

Sincerely,

Rebecca Mowbray

President and CEO

*Samuel Zemurray Chair in Research Leadership*

Bureau of Governmental Research



## Research Insights and Observations on SWBNO Governance for PUMPS Members July 8, 2026

This BGR research summary covers:

- 1) Core governance problems and reform efforts prior to HB 1243 of the 2026 Regular Session
- 2) Changes and reform opportunities resulting from HB 1243
- 3) Key considerations in pursuing a municipal utility as a long-term governance solution

### Core Governance Problems and Reform Efforts Prior to HB 1243 of the 2026 Regular Session

For 15 years, BGR has studied and shined a light on serious problems with the Sewerage and Water Board of New Orleans (SWBNO) governance structure, *i.e.*, the laws and policies that guide decision making for the utility. BGR has shown how fixing those problems is critical to the future of the utility's finances, performance, and accountability.<sup>1</sup>

From 2013 to 2025, the Louisiana State Legislature, mayors and councils, and New Orleans voters made several changes to the structure. The changes ranged from reconfiguring the SWBNO board of directors [multiple times](#)<sup>2</sup> to [consolidating operations of the City's massive catch basin and drainage pipe network](#) with SWBNO's drainage system.<sup>3</sup> BGR supported many of those changes.<sup>4</sup> On balance, they enhanced board governance and elevated management expertise.

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<sup>1</sup> For an illustration of the primary ways in which a water utility's governance connects to its performance, see [Appendix A](#) of BGR, [Waterworks in Progress: Reassessing the Sewerage & Water Board's Governance Problems and Potential Paths to Long-Term Improvement](#), May 2023, p. 42.

<sup>2</sup> For a summary of SWBNO board composition changes from 2014 to 2022, see [Appendix B](#) of [Waterworks in Progress](#), p. 43. Following BGR's report, the only change from 2023 to 2025 occurred with the City Council's board seat under Act 763 of the 2024 Regular Session. Prior law filled the seat either with the chair of the council's public works committee, or a committee member or civil engineer appointed by the chair. Act 763 changed the eligible board member to either the public works chair or an appointee of the council president with a background in engineering, law, or consumer advocacy, selected by the president with the advice and consent of the council.

<sup>3</sup> In BGR's January 2026 report [Paying for Drainage: Creating Fair, Transparent and Accountable Stormwater Funding for New Orleans](#), BGR analyzed the 2025 drainage consolidation on [pages 15-17](#) and potential administrative and oversight improvements for future drainage funding on [pages 25-28](#).

<sup>4</sup> During the past 15 years, BGR has published the following reports and releases on SWBNO governance issues: [Making the Waterworks Work: Fixing the Sewerage & Water Board's Governance Problems](#), October 2011; [The S&WB Infrastructure Bonanza: Is Good Governance Part of the Deal?](#) February 2012; [S&WB Rate Increases and Reform, Hand in Hand](#), October 2012; [BGR Backs Mayor's S&WB Reform Proposals, Suggests Improvements](#), December 2012; [S&WB Reforms: Creating a Strong Nomination Process](#), April 2013; [S&WB Governance Reform: The Next Steps Forward](#), May 2013; [BGR Letter to Members of the Louisiana State Legislature](#), May 2013; [S&WB Should Delay Search for a New Leader](#), August 2013; [On the Ballot: October 19, 2013](#), analyzing a City charter amendment to implement governance changes approved by the Legislature in 2013; [The S&WB: Looking for a Few Good Members](#), January 2014; [City Council Members Should Regulate, Not Govern, S&WB](#), April 2018; [On the Ballot Sewerage & Water Board Governance Change, December 8, 2018](#), analyzing a City charter amendment to implement governance changes approved by the Legislature in 2018; [Waterworks in Progress: Reassessing the Sewerage & Water Board's Governance Problems and Potential Paths to Long-Term Improvement](#), May 2023; [Letter to the New Orleans City Council](#) on improving the City Council's evaluation of SWBNO funding proposals, November 2023; [As State Task Force Considers S&WB Reforms, BGR Advances Governance Recommendations](#), March-April 2024; [Capitol Commentary: Legislature Should Require the City of New Orleans to Carefully Plan the Future of S&WB Governance](#), May 2026.



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During that era, the SWBNO board improved its internal governance by shifting greater control of day-to-day operations and contracting to its executive director. These moves allowed the board to focus more appropriately on higher-level strategy and policy. When BGR revisited SWBNO governance in 2023, the board and SWBNO leadership were well under way with a five-year strategic plan to strengthen financial stability, modernize technology, develop the workforce, and improve customer service, operations, and infrastructure reliability.<sup>5</sup> Major infrastructure investments in a new power complex and “smart” water meters were taking root with City support. They are now installed and operational, making SWBNO’s systems more effective.

But these efforts did not resolve two core problems with the SWBNO governance model, which could derail SWBNO’s ability to confront other challenges, including failures in the pipe network for drinking water. BGR’s 2023 report found:

- **The governance structure misaligned operational responsibility, funding control, and accountability.** On the one hand, State law set up SWBNO as a stand-alone utility with operational responsibility for New Orleans’ water, sewer, and drainage systems. As such, it managed its own budget and workforce. At the same time, State law gave funding control to the City, treating SWBNO like a municipal utility. It charged the City Council with approving all water and sewer rates and drainage property taxes. And the mayor could influence the timing of new funding proposals as *ex officio* board president. Historically, City leaders faced political pressure from constituents to keep rates and taxes low and did not balance that with a parallel duty to adequately fund the systems. And due to its limited oversight powers, the council relied on its control of SWBNO funding as leverage to promote accountability and change.<sup>6</sup> The misalignment fueled recurring cycles of insufficient investment and maintenance, infrastructure deterioration, crisis-driven funding decisions, and a shift of costs to current and future ratepayers.<sup>7</sup> In 2020, for example, the average residential customer paid nearly seven times what was charged in 1970 for water and sewer on an inflation-adjusted basis.
- **The structure did not provide for careful review of system funding proposals and ongoing performance.** Public water utilities generally should seek regular, modest rate adjustments that can support revenue stability. This lets them make continuous investments to meet system needs, while supporting customer affordability. The careful review of funding requests goes hand-in-hand with regular performance oversight. This keeps the approval body informed and the utility focused on efficient and effective operations. It also promotes sound decision making, balances the interests of ratepayers, and builds trust in the utility’s management.<sup>8</sup> State law has given little direction to SWBNO and the City Council on evaluating, planning for, or meeting the financial needs of the water, sewer, and drainage systems. State law has lacked clear guidance for the council’s objective, informed review of funding proposals and SWBNO performance. Without better frameworks for funding review or performance oversight, political considerations have filled the vacuum and shaped council decisions.

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<sup>5</sup> *Waterworks in Progress*, [pp. 11-12](#).

<sup>6</sup> For more about the pre-HB 1243 limitations on City Council oversight of SWBNO, see *Waterworks in Progress*, [p. 22](#).

<sup>7</sup> See *Making the Waterworks Work*, [pp. 6-8](#), and *Waterworks in Progress*, [pp. 18-22](#).

<sup>8</sup> *Waterworks in Progress*, [p. 22](#).



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BGR concluded that the status quo governance structure in 2023 should not be maintained because of its risks to vital infrastructure systems. **BGR recommended that the mayor lead a study of two possible long-term governance options, with input from the City Council and the public:**

- **Keep, but improve, the S&WB as a State-created, stand-alone utility that functions separately from City government.** This approach would make only limited governance reforms. For example, BGR suggested rebalancing the mayor's power on the board by allowing the president *pro tem*, who is elected by the entire board, to lead board meetings. Another possibility is giving the board, rather than the mayor, the authority to appoint its committees. BGR also suggested the City Council appoint a designee, rather than one of its seven members, to fill the council's seat on the SWBNO board. This appointment could help mitigate the conflict of interest for any council member who must sit on the board he or she oversees as a member of the full council. The adjustments would help, but not eliminate, other governance problems. These include the basic misalignment of operational responsibility, funding control and accountability, and concerns about sustaining effective citizen participation on the utility's board of directors over time. In addition, the Louisiana Legislature would retain substantial legal control.
- **Replacing SWBNO with a municipal utility that functions as part of City government.** This alternative would go the opposite way and fold the utility into City government. A municipal utility would bring about more sweeping governance changes and would substantially resolve the governance challenges BGR identified. It would:
  - Align operational responsibility, financial control, and accountability for water utility functions within City government.
  - Improve coordination with public works and other municipal departments.
  - Eliminate board-level concerns about the mayor's prominent role, the councilmember's conflict of interest, and challenges finding qualified citizens to serve.
  - Move governance control from state to local hands.
  - Provide more traditional checks and balances on utility budgeting and spending as a City department.

**The main challenge with the municipal utility approach is preparing the City to absorb SWBNO's responsibilities, especially as the City continues to work through financial and infrastructure challenges of its own.** BGR will discuss key issues for policymakers to address, such as debt obligations, personnel, and the preservation of revenue sources.

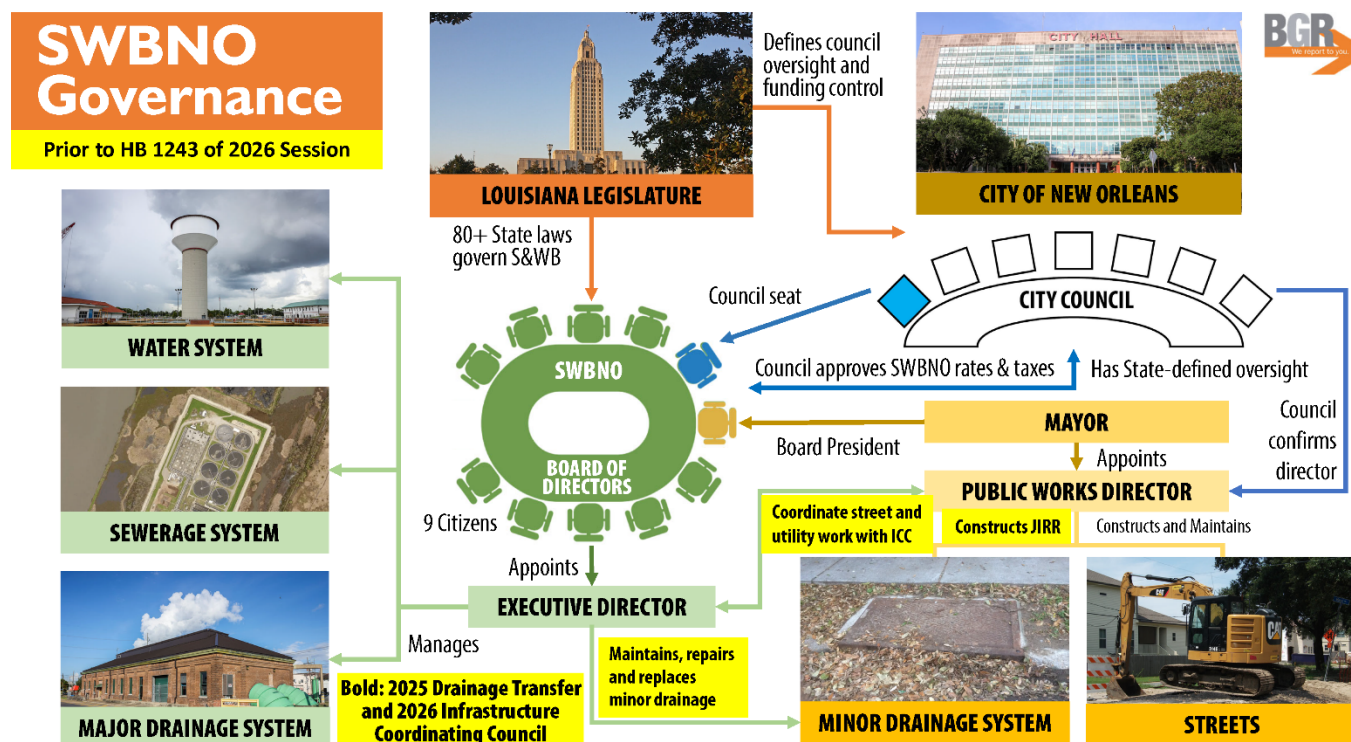
**Also, regardless of which long-term path is chosen, BGR recommended three additional sets of near-term governance improvements.** By early 2026, the Legislature, the City, and SWBNO had made substantial progress on two of the three: (1) the 2025 drainage system consolidation with appropriate funding and (2) greater coordination of City and SWBNO infrastructure work. On the former, additional funding is needed to maintain the minor drainage system, including the city's catch basins. On the latter, the mayor's Infrastructure Coordinating Council is making further progress on project delivery, repair, and maintenance.

What was not accomplished from the near-term recommendations is creating formal processes for the City Council to objectively evaluate funding proposals and provide ongoing performance oversight. These processes are critical to a stand-alone utility or a municipal utility.<sup>9</sup> Effective funding reviews should provide (1) clear timelines, information requirements, and criteria for evaluating and approving proposals, (2) independent expert analysis, and (3) public comment. The City Council, with assistance from its Utilities Regulatory Office, should support that work with robust, ongoing oversight that emphasizes continuous improvement in the utility's performance.<sup>10</sup> This work entails, at a minimum, (1) review of strategic and financial plans and reports, (2) updates on operations, and (3) monitoring of system performance, with goals and measurable outcomes.

## Changes and Reform Opportunities Resulting from HB 1243

Before the 2026 legislative session, BGR updated its [2023 report's governance diagram](#). The highlighted boxes indicate the changes resulting from the 2025 drainage consolidation under SWBNO. The utility now operates the major and minor networks, with the City still responsible for drainage construction related to federally funded Joint Infrastructure Recovery Request (JIRR) projects.<sup>11</sup> SWBNO continues to lack sufficient funding for its new drainage responsibilities.

### BGR Diagram of SWBNO Governance Structure, Prior to HB 1243 of the 2026 Regular Session



<sup>9</sup> BGR found that city councils are the most common approval body, setting water rates in 47 of the 75 largest U.S. cities. For a breakdown of the 75 cities, see Appendix C of *Waterworks in Progress*, p. 44.

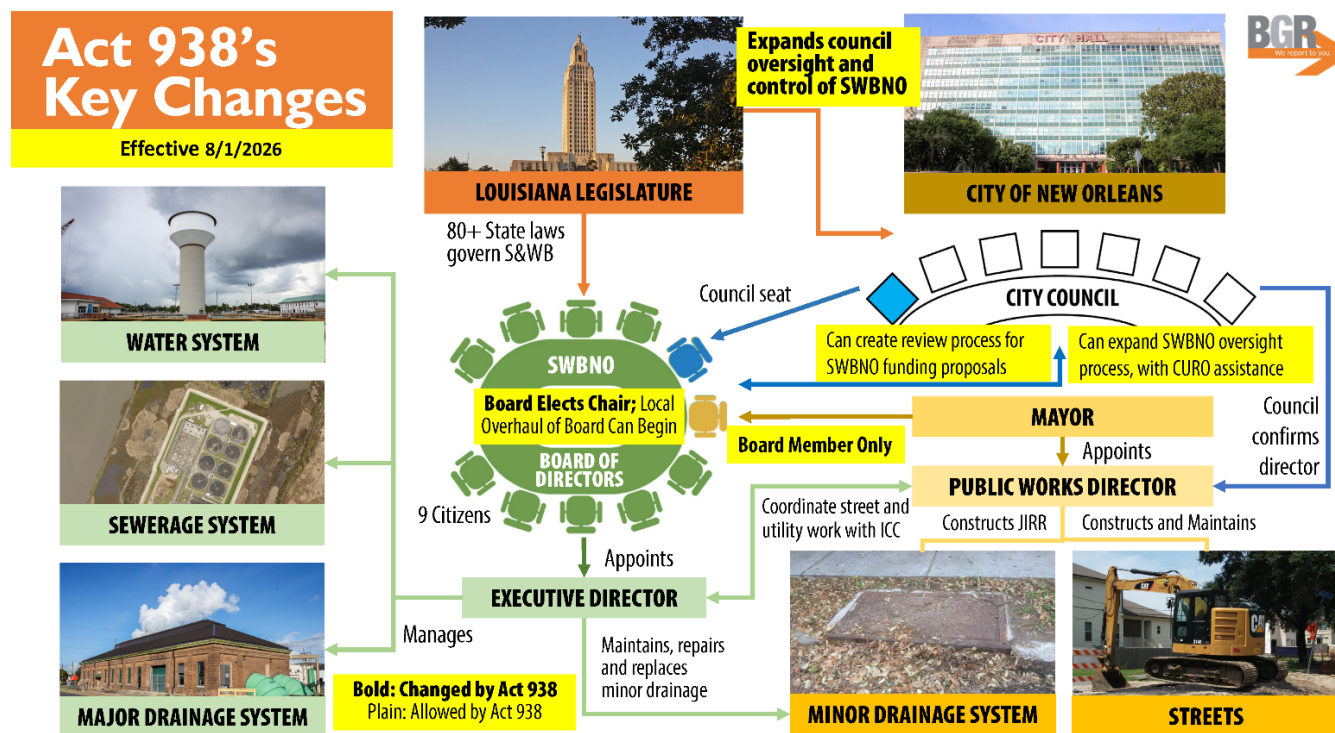
<sup>10</sup> BGR further discussed these approaches in this [2023 letter to the New Orleans City Council](#). BGR discussed several examples of councils that have established rate review and oversight processes in *Waterworks in Progress*, p. 31.

<sup>11</sup> See *Paying for Drainage*, pp. 15-17.

Passage of HB 1243 in the 2026 legislative session (now [Act 938](#), effective August 1, 2026) made a few immediate changes to the SWBNO board of directors. It removed the mayor as *ex officio* president in favor of the board electing its own president, a general governance practice in the spirit of BGR's suggestions.<sup>12</sup> The act also removed specific provisions, mostly passed in 2013, that fix the board composition, board member nomination and selection process, terms and term limits, experience requirements, and related provisions.<sup>13</sup> This clears the way for City leaders, with guidance from PUMPS, to rethink the utility's board governance model. BGR notes that while the board composition is no longer defined in State law, it remains in place because it also appears in the City Charter.<sup>14</sup> New Orleans voters must amend the charter to change or eliminate the board.

More broadly, Act 938 opens new avenues to address the core governance problems: the misalignment of operational responsibility, funding control, and accountability, and weak processes for reviewing system funding proposals and monitoring performance. For example, the act grants the City Council broad authority to provide oversight of the utility's budget, performance and operations. It also gives the council authority to "regulate" rates, fees and charges imposed by the board.<sup>15</sup> How the council chooses to exercise these new powers becomes a key question. PUMPS members should provide careful advice to make sure governance problems are resolved and new ones are not created, and performance improves for the people of New Orleans.

**BGR Diagram of SWBNO Governance Structure, Effective August 1, 2026**



<sup>12</sup> La. R.S. 33:4073, as amended by Act 938 of the 2026 Regular Session, effective August 1, 2026. As an example of a recommended practice for board members to elect the board chair, see the [Governance Guidelines of the National Association of Corporate Directors](#), p. 6.

<sup>13</sup> La. R.S. 33:4071, as amended by Act 938 of the 2026 Regular Session, effective August 1, 2026.

<sup>14</sup> Home Rule Charter of the City of New Orleans, [Sec. 5-301](#).

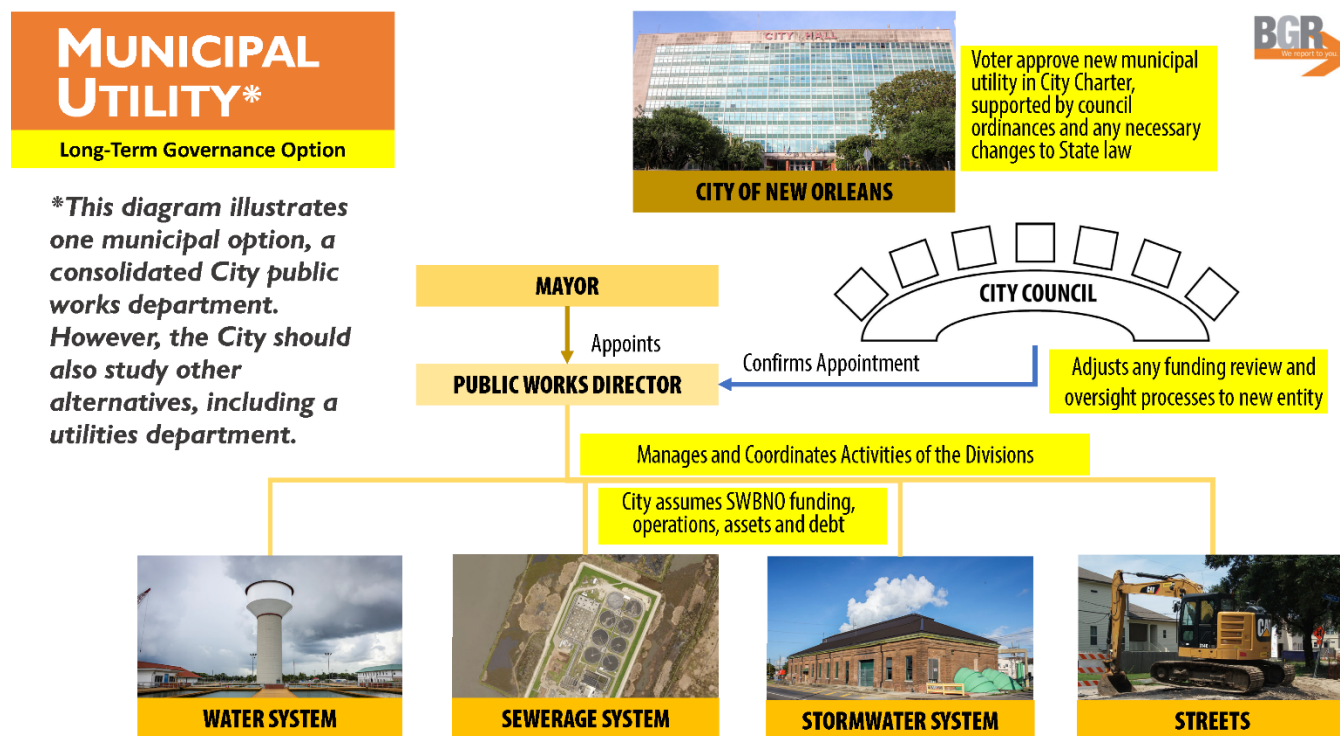
<sup>15</sup> La. R.S. 33:4159.2, as amended by Act 938 of the 2026 Regular Session, effective August 1, 2026.

## Key Considerations in Pursuing a Municipal Utility as a Long-Term Governance Solution

Mayor Moreno’s [executive order establishing PUMPS](#) recognizes that the path forward will not be easy – or quick.<sup>16</sup> It appropriately sets clear policy objectives for PUMPS and breaks the work into immediate and longer-term initiatives. **BGR applauds the mayor and her administration for prioritizing council oversight as an immediate initiative, while also setting a longer-term objective in favor of a municipal utility.** The order provides significant flexibility on how to achieve that ultimate goal, whether SWBNO’s functions, assets, responsibilities and operations are “transferred to, consolidated with, or become more fully integrated into the City of New Orleans.”

BGR’s diagram of a possible type of municipal utility – a consolidated public works department – is conceptually clean and well-aligned from a governance standpoint, but it is challenging to achieve. The executive order recognizes the many legal, fiscal, operational, personnel and other issues for PUMPS to consider on page 3. BGR’s *Waterworks in Progress* report likewise identified a lengthy list of considerations.<sup>17</sup> And there are other operational integration challenges as with any merger of entities.

### BGR Diagram of One Municipal Utility Model: A Consolidated Public Works Department



As examples of key considerations in forming a municipal utility:

- Ensuring uninterrupted operations for customers during the transition.

<sup>16</sup> The Hon. Helena Moreno, Mayor of New Orleans, [Executive Order HM 26-04A: Public Utility Modernization Process Subgroup](#), June 1, 2026.

<sup>17</sup> *Waterworks in Progress*, pp. 37-39.



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- Preserving and protecting revenue sources for the water, sewer, and drainage systems.
- Addressing concerns about the City's fiscal capacity and ability to manage the S&WB's functions effectively.
- Detailing any new City costs necessary to create and support the new municipal utility, such as additional funding to maintain the city's streets.
- Assessing any impacts on bondholders and personnel. BGR's initial review and consultation with experts on bond and personnel issues did not reveal any obstacles to folding the functions of the SWBNO into City government.<sup>18</sup>

**If forming a municipal utility is the long-term goal, it's time to start planning.** BGR observes that the process of transferring, consolidating or otherwise **integrating SWBNO into City government is essentially a public sector merger.** It would require several phases of action and approval, supported by continuous internal collaboration and regular public communication. As a starting point for discussion, BGR suggests some key steps in each phase below based on general literature on public and private sector mergers. PUMPS members should explore in more detail how to structure a merger process that offers the best chance of success.

- Short Term (First 12 months)
  - Define the vision and why forming a municipal utility is in the public's interest.
  - Create a merger team of key City and SWBNO staff and expert advisers.
  - Approve a non-binding memorandum of understanding between the City and SWBNO. This "merger plan" with key objectives, terms and conditions, and timelines, similar to a letter of intent in private-sector mergers.
  - Adopt new City Council processes for the review of funding requests for the water, sewer, and drainage systems, and ongoing SWBNO performance oversight.
- Medium Term (Next 12 months)
  - Develop the legally binding merger agreement to govern SWBNO's move into City.
  - Obtain necessary council, legislative, voter and other approvals.
  - Plan for effectively managing the leadership, financial, and operational transition, as well as the combination of City and SWBNO employees and work cultures.
- Long Term (Beyond 24 months)
  - After the legal merger takes effect, carefully integrate SWBNO operations and systems with the goal of avoiding customer disruption.
  - Deploy teams of technical staff and expert advisers to manage the integration of finance, billing, payroll, human resources, information technology, facilities and equipment, among other systems.
  - Deliver an extensive public outreach and education campaign, with new branding, well in advance of the first day of combined operations

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<sup>18</sup> See Appendix D and Appendix E in *Waterworks in Progress*, [pp. 45-46](#).



## Research Insights and Observations on SWBNO Governance for PUMPS Members July 8, 2026

### **Looking Forward**

BGR hopes this summary of our work and discussion of the opportunities ahead can help PUMPS members get off to a strong start. SWBNO governance change will continue to present challenges, as it has for more than a decade. But with legislative and leadership support, it is achievable. BGR appreciates the volunteer efforts of PUMPS members to respond to the challenge. Better governance – whether it relates to board decision making, City Council oversight, or the utility’s fundamental structure and operations – is essential to deliver the performance and services that the people of New Orleans deserve.