Paying for Drainage

Creating Fair, Transparent and Accountable Stormwater Funding for New Orleans

JANUARY
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2025

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BUREAU OF GOVERNMENTAL RESEARCH
1055 St. Charles Ave., Suite 200
New Orleans, LA 70130
Phone 504-525-4152
www.bgr.org
@bgrnola

This report includes photography by Sophia Germer and BGR staff and file photos

Table of CONTENTS

EXECUTIVE SUMMARY

OVERVIEW

The Sewerage and Water Board of New Orleans is developing a new way to pay for the city's drainage system. The utility plans to ask voters, as soon as 2026, to approve a stormwater fee along with a long-term extension of some or all the existing drainage property taxes. To date, the Sewerage & Water Board has not issued a formal proposal, so BGR is not taking a position in this report. Rather, the report offers independent guidance on how the utility can craft fair, transparent and accountable stormwater funding for New Orleans' drainage needs. The new findings and recommendations add to what BGR advised in its 2017 primer on stormwater fees. BGR plans to review any formal proposal the utility ultimately submits to voters and may take a position at that time.

Currently, New Orleans relies mostly on property taxes to pay for drainage. **However, 37% of New Orleans' real estate assessed value is off the tax rolls due to exemptions for government, nonprofit, homestead, and commercial and industrial property.** Meanwhile, the drainage system faces substantial capital and operating needs not addressed by the taxes. For example, Louisiana law prohibits using the current taxes to pay for the maintenance and repair of subsurface drainage, the network of catch basins and small pipes that the Legislature transferred from the City of New Orleans to the Sewerage & Water Board in 2025. And $54 million, or 60%, of current annual drainage tax revenue is set to expire in the next six years – $22 million in 2027 and $32 million in 2031 – unless voters renew two of the three existing taxes. In response to these factors, the Sewerage & Water Board is considering a stormwater fee.

In concept, a fee can increase fairness by charging the owners of all properties that send stormwater runoff into the public drainage system. Hundreds of U.S. cities have adopted stormwater fees, although New Orleans would be the first in Louisiana. For efficient and fair fee administration, cities often base their stormwater fees on a property's impervious surface area. The Sewerage & Water Board is focused on this approach. Impervious area consists of the hard surfaces that do not allow rain to soak into the ground, such as roofs, driveways, walkways, patios and pools. Properties with greater hard surface area generally pay more. However, fee structures usually include ways to reduce the fee with credits for on-site projects that store stormwater and delay its flow into the drainage system.

If carefully crafted, a stormwater fee offers two key advantages over a new property tax, which is based on a property's assessed value:

- All property owners who benefit from the drainage system, including tax-exempt properties, would have to help fund it.
- And with a schedule of credits, a fee can incentivize property owners to control runoff and reduce the strain on the drainage system during storms.

The board of directors of the Sewerage & Water Board, led by the mayor, would initiate a fee proposal. Any proposal would require approvals by the New Orleans City Council, other governmental bodies and, ultimately, New Orleans voters, as shown in the chart.

Winning these approvals will depend on building public understanding of the fee and trust in the utility. Many citizens and officials recognize the underfunding of the drainage system. They also see firsthand the strain that storms are placing on the system. They know investing in drainage is fundamental to living in the city. But public trust in the Sewerage & Water Board is low. Voters and officials have indicated they are willing to consider a fee only if there is a clear plan for achieving results with fairness, transparency and accountability. These concerns take on greater importance as both taxable and tax-exempt property owners face significant costs for property insurance, mortgage interest and maintenance.

SEWERAGE & WATER BOARD'S SUGGESTED PROCESS FOR A DRAINAGE FUNDING PROPOSAL

Source: Raftelis Financial Advisors, presentation to the Sewerage & Water Board's Strategy Committee, June 2025.

PRELIMINARY ESTIMATES OF THE DRAINAGE SYSTEM'S FUNDING GAPS

Developing an accurate picture of the drainage system's financial requirements and clearly justifying all proposed expenditures are initial steps for any drainage funding proposal. That picture should take a holistic view of the challenge of managing stormwater in New Orleans. Careful planning and prioritization are necessary to make the most effective use of available resources.

Currently, the costs of operating, maintaining and making necessary improvements to New Orleans' drainage system – both gray and green infrastructure – are not fully quantified. The utility has provided only preliminary estimates at various public meetings, and the picture is incomplete. The Sewerage & Water Board and the City have shared responsibilities for years to come. Each manages a mix of gray infrastructure (such as street ditches, culverts, catch basins, pipes, canals and pumps) and green infrastructure (rainfall retention projects on public or private property that lighten the burden on the public drainage system).

Even without final cost figures, current funding is clearly insufficient to meet the system's extensive capital and maintenance needs. Preliminary data from the Sewerage & Water Board and the City indicate that the drainage system has significant annual funding gaps:

- **The Sewerage & Water Board has less than $7 million a year from existing taxes to finance approximately $800 million in major drainage capital needs.** These needs cover repairs and upgrades to its major assets – pumping stations, canals and large drainage

pipes. Financing the capital program and meeting other operating needs for major drainage could cost $23 million to $33 million a year. This gap would expand if the Sewerage & Water Board loses existing property tax revenue.

- **Adding in unfunded maintenance and repair costs for subsurface drainage, traditional drainage needs (from catch basins to pumping stations) could require a total of $35 million to $60 million a year in new local funding.** This implies the Sewerage & Water Board should be spending approximately $125 million to $150 million a year on its gray infrastructure, compared to the $90 million budgeted for 2025.
- **Green infrastructure and the City's remaining street drainage functions also lack funding.** The City estimates the current portfolio of Sewerage & Water Board and City green infrastructure projects will require $822,000 a year to maintain. The City has new green infrastructure projects in construction or design. Some are in line for funding authorized by the November 2025 City bond proposition that voters approved. Others will require millions of dollars in new capital funding. As the City installs new projects, it expects annual maintenance costs to rise. The City's remaining street drainage functions include maintaining ditches and culverts (open drains under roads or bridges that allow water to flow from one side to the other) scattered citywide.

CRAFTING A TAX-AND-FEE STRUCTURE

While other U.S. cities typically impose only a stormwater fee, the Sewerage & Water Board suggests that stable and sufficient funding for New Orleans' drainage needs will likely require both a fee and extension of some or all of the current 14.26 mills of property taxes. The utility continues to study what combination of property taxes and fees it will propose to the public. It is also considering a fee credit for drainage property taxes paid by single-family residential properties.

PRELIMINARY ESTIMATES OF ANNUAL DRAINAGE FUNDING GAPS IN NEW ORLEANS

Identifying an Unmet Funding Gap of $35 Million to $60 Million a Year for Sewerage & Water Board, Plus Green Infrastructure and the City of New Orleans' Ditches and Culverts

$100 to $110 million goal

Current recurring revenue of $77 million a year in property taxes restricted to major drainage works

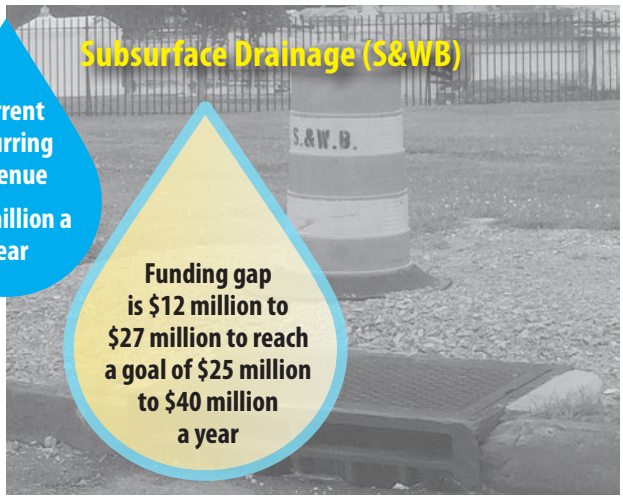
Funding gap is $23 million to $33 million a year

Recurring revenue drops to $55 million a year if one tax expires in 2027

Gap would increase to $45 million to $55 million a year

$23 million left if another tax expires in 2031

Gap would increase to $77 million to $87 million a year



Green Infrastructure

No dedicated local revenue for either City or S&WB green infrastructure. Maintenance need for current projects is $822,000 a year. Annual costs for new projects must still be determined.

City: Ditches and Culverts

No dedicated local revenue. Annual maintenance and repair costs to be determined.

If the Sewerage & Water Board were to seek only new property taxes, it would increase the burden on taxpayers while tax-exempt properties would continue to contribute nothing for the flood protection and other benefits they receive from the drainage system. BGR estimates that covering just the $35 million to $60 million annual funding gap for traditional drainage would require 7.5 to 13 mills of new property tax. This would be a drainage tax increase of roughly 50% to 90% over the current 14.26 mills.

The utility is also not seeking a one-to-one replacement of the property taxes with a stormwater fee. It says that, without the tax component, the fee could be high and politically unappealing to residents and elected officials. A stormwater fee would significantly redistribute the overall cost burden of the drainage system. As an example of this effect, the utility notes that high-value buildings with relatively small footprints, such as office towers and hotels, would contribute much less than they do with drainage property taxes. In evaluating tax-and-fee options, the Sewerage & Water Board must carefully consider the ability to pay alongside the goal of a fair fee based on drainage system usage.

BGR acknowledges that property taxes, to some degree, may remain a baseline funding source because of the magnitude of system costs. Also, if the $22 million property tax gets closer to expiring in 2027 and no stormwater fee is in place, the utility may be forced to seek its renewal for revenue stability. Further, combining a user fee with a tax can mitigate the impacts of a decline in one revenue stream. Taxes can also help provide stability for financing large capital projects. However, without more detailed information on the Sewerage & Water Board's proposal, BGR cannot evaluate possible approaches to rebalancing or replacing drainage taxes with a new fee.

Any spending plan must be closely connected to achieving results in better stormwater management and lower risk of neighborhood flooding. This is a key question for New Orleanians who have suffered damage or lost business due to neighborhood flooding. It is also an important one for tax-exempt property owners who will be asked to help meet the drainage system's costs for the first time.

BGR notes that keeping the taxes plus a fee complicates the criteria that typically help stormwater fees withstand court challenges. For example, a hybrid tax-and-fee proposal may blur the linkage of the fee to the demand that the property's runoff places on the drainage system. It may also weaken the "voluntary" nature of a fee, in the sense that users can reduce only the fee portion of their bill by controlling runoff. If a tax-plus-fee approach is pursued, it will require careful legal review and public justification by the Sewerage & Water Board and the City. While combining a user charge with a property tax is an established approach for some water and sewer utilities, such as Jefferson Parish, BGR could not find examples of this approach for stormwater management.

The Sewerage & Water Board is pursuing a stormwater fee structure that seeks to balance fairness and ease of administration. It would group single-family residential properties – by far the largest number of parcels in New Orleans – into three tiers based on their impervious surface area. Properties in the "typical" range for impervious surface area would pay the base fee. Single-family residential properties with less impervious area would pay 60% of the base fee. Those with more impervious area would pay 150%. The Sewerage & Water Board continues to refine those break points.

Setting tiers helps to improve equity and affordability over a simple flat fee. The Sewerage & Water Board could consider whether adding tiers and adjusting the percentages of the base fee paid by each tier would enhance fairness and affordability without increasing the administrative burden. The utility would charge all other properties based on how much impervious area they have compared to the typical single-family residential property, called the "equivalent residential unit." A complete evalution will be possible once the utility presents its proposal.

Any credit program needs clear justification. The Sewerage & Water Board is considering fee credit for single-family homeowners against drainage property taxes paid. It should explain what effects this will have on fee revenue and other fee payers. In addition, more detail is needed on other credits based on a property owner's work to reduce runoff. A well-designed credit system reinforces the link between the amount of the fee and the quantity of stormwater discharged from a given property. Experts suggest that large properties seeking fee reductions should have a clear stormwater management plan, performance metrics and periodic inspections for any onsite projects to reduce runoff and lower their fees.

PROVIDING PUBLIC TRANSPARENCY AND ACCOUNTABILITY

In addition to a fair fee structure and revenue distribution, the Sewerage & Water Board and the City should take steps to ensure public transparency and accountability. These steps range from community engagement and input during the proposal review to effective administration of the fee once approved. Current Louisiana law on stormwater fees offers little guidance in these areas.

Planning for transparent administration. This concern extends to fee credits, billing, any income-based assistance programs, revenue distribution, customer service, an appeals process, and public information.

Addressing them will likely require transparent co-

ordination between the City and the Sewerage & Water Board. The utility favors placing the stormwater fee on the property tax bills that the City issues and collects. BGR supports this general approach. It would link billing to the property owners who benefit from the drainage system. It would let them see their total payment for drainage in one place. However, the City and the utility must devise a cooperative agreement to guide administration, including a dedicated fund for fee revenue and reporting and oversight structures that support performance. Such an agreement can help build public confidence that the fee will be managed effectively.

Accountability for financial and system performance. Public reporting should track both financial accountability and drainage system performance outcomes. The utility and the City can ask the Legislature to enhance City Council's funding approval and oversight processes. They can also ask for an advisory committee of citizens to enhance that oversight, as other cities have done.

CONCLUSION AND RECOMMENDATIONS

A stormwater fee for New Orleans holds the potential to fill critical funding gaps in the drainage system. It could supplement the existing drainage taxes to improve traditional drainage pumping and green infrastructure for natural stormwater retention. Greater investment will reduce flood risk in New Orleans neighborhoods, a key concern for residents and businesses.

The stormwater fee would offer a fairer way to raise new revenue than increasing property taxes. A fee would be paid by both taxable and tax-exempt properties. And a fee based on impervious surface area, which means hard surfaces such as roofs and pavement, would better align charges with system use.

Hundreds of other cities nationwide have implemented stormwater fees. New Orleans' drainage challenge is several degrees greater. Preliminary estimates just for traditional drainage indicate that $35 million to $60 million a year in new revenue is needed. This need is on top of the current drainage budget of $90 million a year – if voters retain the current taxes that are at risk of expiring in the next few years.

Still, a stormwater fee would be a new cost for property owners. Renters and homeowners are already stressed by high costs of living, including insurance costs. In the nonprofit sector, public and private funding has tightened. While New Orleanians recognize the importance of effective stormwater management, they must be convinced that any drainage funding proposal is well conceived. They want it to be fair, carefully planned and accountable. Above all, it must achieve the desired goals of improving the drainage system's performance and reducing flood risk.

Before issuing a drainage funding proposal for public consideration, the Sewerage & Water Board, in coordination with the City, should:

- **Develop an accurate, comprehensive and public spending plan for new drainage system revenue.** This plan should identify system needs and set funding priorities for the stormwater management responsibilities of both the Sewerage & Water Board and the City. It should look holistically at gray and green infrastructure solutions and their desired results. The plan should consider current revenue sources, including any extension of the existing drainage property taxes. The Louisiana Legislature may need to loosen statutory constraints on spending drainage tax and fee revenue systemwide. A thorough spending plan would build public confidence that the funding will make meaningful investments to improve flood protection and quality of life.
- **Create a plan for effective and transparent management of stormwater fee revenue and seek legislative action, as needed, to support future implementation of the plan.** The plan should explain how the utility will work with the City and the Louisiana Legislature, as needed, to (1) establish a process co-led by the Sewerage & Water Board and the City for devising stormwater management strategies, (2) set up reliable, accurate billing, provide for collections and enforcement, and manage and distribute fee revenue in line with identified financial needs, (3) ensure responsive customer service, (4) provide a clear appeals process, and (5) give the public access to the fee calculation for their property and other essential information. This public information should include an easily accessible dashboard to track (1) fee revenue and spending and (2) drainage system performance. The plan can help inform the utility's broader public education campaign for the stormwater fee, helping to build trust in a new and unfamiliar funding mechanism.
- **Explain and justify the tax-and-fee funding model, compared to alternative approaches to drainage system funding.** Retaining some or all of the existing drainage taxes, in addition to a new stormwater fee, may likely be necessary to meet the enormity of New Orleans' drainage challenges. The Sewerage & Water Board should demonstrate to the public how its proposal is the most effective among alternative approaches, including those that would gradually eliminate the taxes in favor of a fee. It should analyze the legal basis for its approach and how it meets the principles used to defend stormwater fees in court. The Sewerage & Water Board should also justify any fee credits based on prop-

erty taxes paid and explain how they would be administered. Addressing these issues will help the public to consider the merits of the Sewerage & Water Board's proposal.

- **Consider increasing the number of tiers in the stormwater fee structure for single-family residential properties with the goals of enhancing fairness and affordability without increasing the administrative burden.** The use of tiers in a stormwater fee structure can deliver greater equity and affordability compared to a single flat rate. Ensuring the basic fee structure provides adequate residential affordability is an important first step before attempting to craft relief programs. Optimizing the tiers can help limit the burden of the new fee among homeowners with limited incomes and build public trust in the fee proposal.
- **Clarify, with State legislation as needed, how the City Council should review and approve drainage funding requests, including a stormwater fee.** The council's review of future tax and fee funding requests should have at a minimum (1) independent expert analysis of funding requests, (2) opportunities for public comment, and (3) clear timelines, requirements, and criteria for evaluating and approving requests. These procedures can guide the council's initial consideration of a stormwater fee, as well as future adjustments to the fee and the drainage tax levies. An effective review process can help motivate the utility's performance and build public trust in fundng decisions.
- **Clarify, with State legislation as needed, how the City Council should provide oversight of drainage system revenue and performance, including its authority to create a citizen advisory committee to assist in those efforts.** Ongoing monitoring of drainage system performance should cover both Sewerage & Water Board and City functions and at least include (1) regular review of strategic and financial plans and reports, (2) updates on operations, and (3) regular monitoring of system performance, with goals and measurable outcomes. Granting the City Council the authority to create a citizen-led stormwater advisory committee would support the council's oversight of the utility and City departments and offices administering, spending and producing results from the fee. The combination of council and citizen oversight could help sustain public trust and engagement and help support a holistic and effective response to New Orleans' stormwater management challenges in the years ahead.

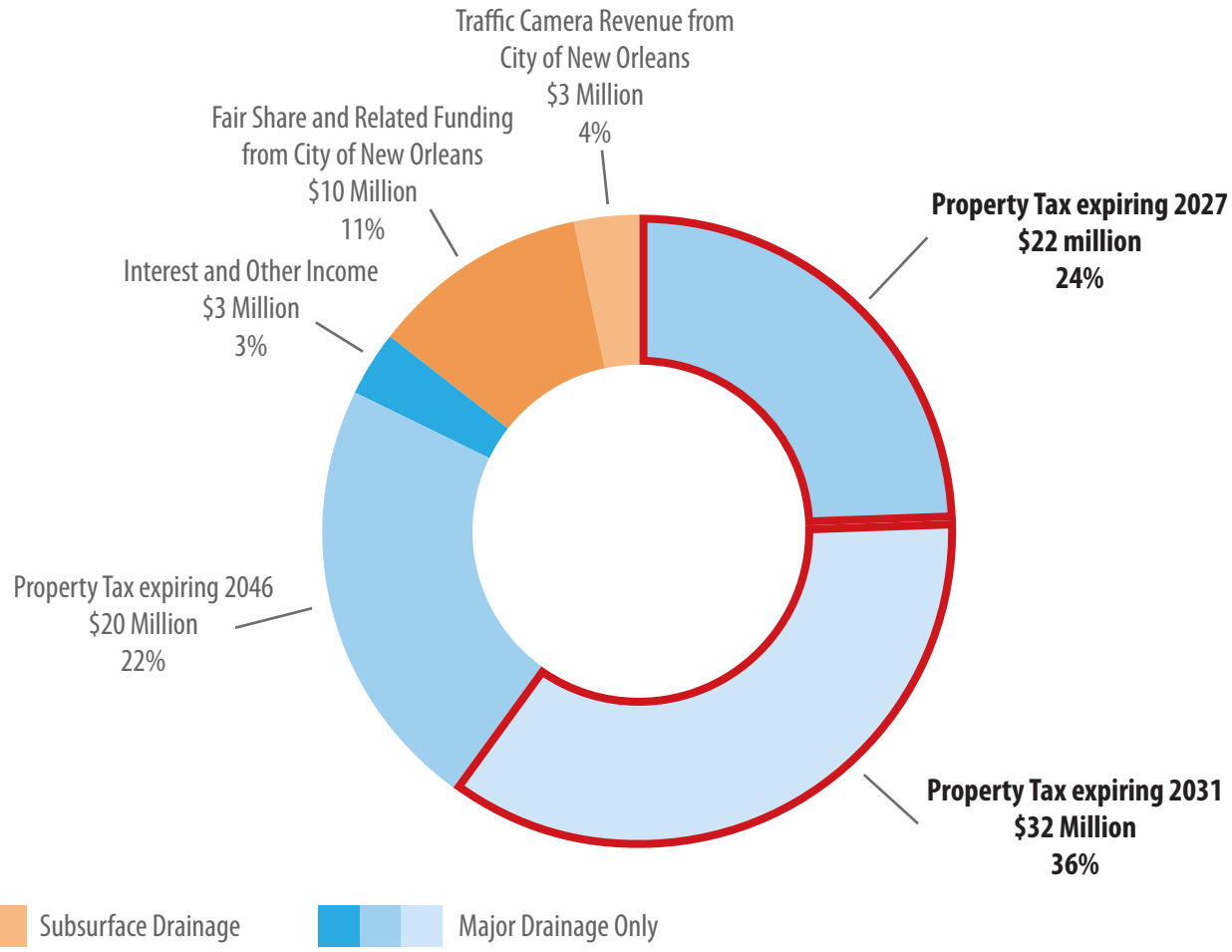
INTRODUCTION

The Sewerage and Water Board of New Orleans is developing a new way to pay for the city's drainage system. The utility plans to ask voters, as soon as 2026, to approve a stormwater fee along with a long-term extension of some or all the existing drainage property taxes. To date, the Sewerage & Water Board has not issued a formal proposal, so BGR is not taking a position in this report. Rather, the report offers independent guidance on how the utility can craft fair, transparent and accountable stormwater funding for New Orleans' drainage needs. The new findings and recommendations add to what BGR advised in its 2017 primer on stormwater fees. BGR plans to review any formal proposal the utility ultimately submits to voters and may take a position at that time.

For decades, New Orleans has relied mostly on property taxes to pay for drainage. But the funds generated from the taxes have been insufficient to meet the drainage system's needs. With each passing year, deferred maintenance continues to mount. Preliminary estimates from the Sewerage & Water Board indicate that traditional drainage alone (from catch basins to pumping stations) could require approximately $35 million to $60 million a year in additional local funding. This range represents a substantial increase over the $90 million budgeted for 2025.

And there is time pressure to develop a funding solution. Approximately 60% of current annual drainage tax revenue, or $54 million, will expire in the next six years if voters do not renew two of the three existing taxes. As shown in Chart A, a tax worth $22 million a year will expire in 2027. Another worth $32 million a year will expire in 2031. The loss of either would undermine the major drainage works – large pipes, canals and pumping stations – that the taxes fund.

CHART A. BREAKDOWN OF $90 MILLION IN ANNUAL RECURRING FUNDING FOR THE NEW ORLEANS DRAINAGE SYSTEM ($ figures budgeted for 2025)



BGR analysis of Sewerage & Water Board and City of New Orleans 2025 adopted budget data.

Beyond these estimates, which the Sewerage & Water Board continues to refine, there is limited information on financial needs for other components of the drainage system, such as the City's ditches and culverts and "green infrastructure" projects. These projects slow the flow of stormwater to lighten the load on the traditional "gray infrastructure" of catch basins, pipes, canals and pumps. The City primarily leads New Orleans' green infrastructure efforts. Expanding and maintaining them will require further funding.

BGR has urged local leaders for several years to consider a stormwater fee as a funding solution for the city's drainage challenges. In concept, a stormwater fee would increase fairness by charging the owners of all properties that send stormwater runoff into the public drainage system. Hundreds of U.S. cities have adopted stormwater fees, although New Orleans would be the first in Louisiana.[1] For efficient and fair fee administration, cities often base their stormwater fees on a property's impervious surface area, and the Sewerage & Water Board is focused on this approach. Impervious area consists of the hard surfaces that do not allow rain to soak into the ground, such as roofs, driveways, walkways, patios and pools. Properties with greater hard surface area generally pay more. However, fee structures usually include ways to reduce the fee with credits for on-site projects that store stormwater and delay its flow into the drainage system.

If carefully crafted, a stormwater fee has two chief advantages over a property tax, which is based on a property's assessed value:[2]

- All property owners who benefit from the drainage system, including tax-exempt properties, would

have to help fund it. BGR finds that 37% of the 2025 assessed value of real estate in New Orleans is tax-exempt.[3]

- And, with a schedule of credits, a fee can incentivize property owners to control runoff and reduce the strain on the drainage system during storms.

The board of directors of the Sewerage & Water Board, led by the mayor, would initiate a fee proposal. Any proposal would require additional approvals by the New Orleans City Council, other governmental bodies and, ultimately, New Orleans voters.

However, members of the public and the City Council are skeptical. The City Council has refused to consider a fee until the utility resolves water and sewer billing problems.[4] A March 2025 survey by the private, citizen-led City Services Coalition shows voters generally align with the council's stance. It found 55% of voters oppose a stormwater fee. About half of those opposed would consider supporting it if the Sewerage & Water Board were to fix its billing, management and customer service problems.[5] The utility has made substantial progress in 2025 on installing more accurate water meters, reaching more than 90% of the city. It has also reduced disputed bills to a fraction of what they were in 2024.[6]

Also this year, many candidates for mayor and City Council in the October 11 election told BGR they would consider a stormwater fee. But they want clearer information on how the fee would be fairly applied with transparency and accountability.[7]

These considerations take on greater importance amid affordability concerns. Both taxable and exempt property owners face significant costs for property insurance, mortgage interest and maintenance. The Sewerage & Water Board's own water and sewer charges are double what they were in 2012.[8] A study found a homeowner at the median income with a mortgage spends about 33% of their monthly income on housing costs, the third-highest ratio among U.S. cities.[9]

In this report, BGR studies ways to strengthen the quality of any future funding proposal and build public understanding and trust. BGR begins with background on the city's drainage system and its funding sources. The analysis then presents available data on funding challenges and risks, followed by an exploration of key components of a funding proposal that can support fairness, transparency and accountability. The report ends with recommendations to help guide the Sewerage & Water Board in crafting its proposal – and assist governmental bodies and voters in making informed decisions.

BACKGROUND

KEY FEATURES OF NEW ORLEANS' DRAINAGE SYSTEM

New Orleans' drainage system is central to the city's sustainability. Most of its land is below sea level, which requires capturing and pumping out stormwater. A perennial target for hurricanes, the city is becoming more exposed as sea levels rise, the land sinks, and the coast erodes. Along with New Orleans' levees, the drainage system protects residents and businesses from flooding. And it supports the city's long-term economic prospects.

Today's drainage system has two basic components: "gray infrastructure" and "green infrastructure." For these and other drainage terms, see the sidebar.

Glossary

Gray infrastructure. The citywide system of catch basins, pipes, canals, and pumping stations. It channels stormwater for disposal in Lake Pontchartrain or the Gulf Intracoastal Waterway in Algiers and eastern New Orleans. The system generally consists of two parts: major drainage and subsurface drainage.

Green infrastructure. Rainfall retention projects on public or private property that store and slow the flow of stormwater to the gray infrastructure and restore groundwater. Examples include storage ponds, park areas that are allowed to flood or which have underground storage tanks, tree planting, bioswales, rain gardens, permeable pavement, and green roofs.

Major Drainage. Large drainage pipes measuring 36 inches in diameter or larger, canals and pumping stations, built and maintained by the Sewerage & Water Board.

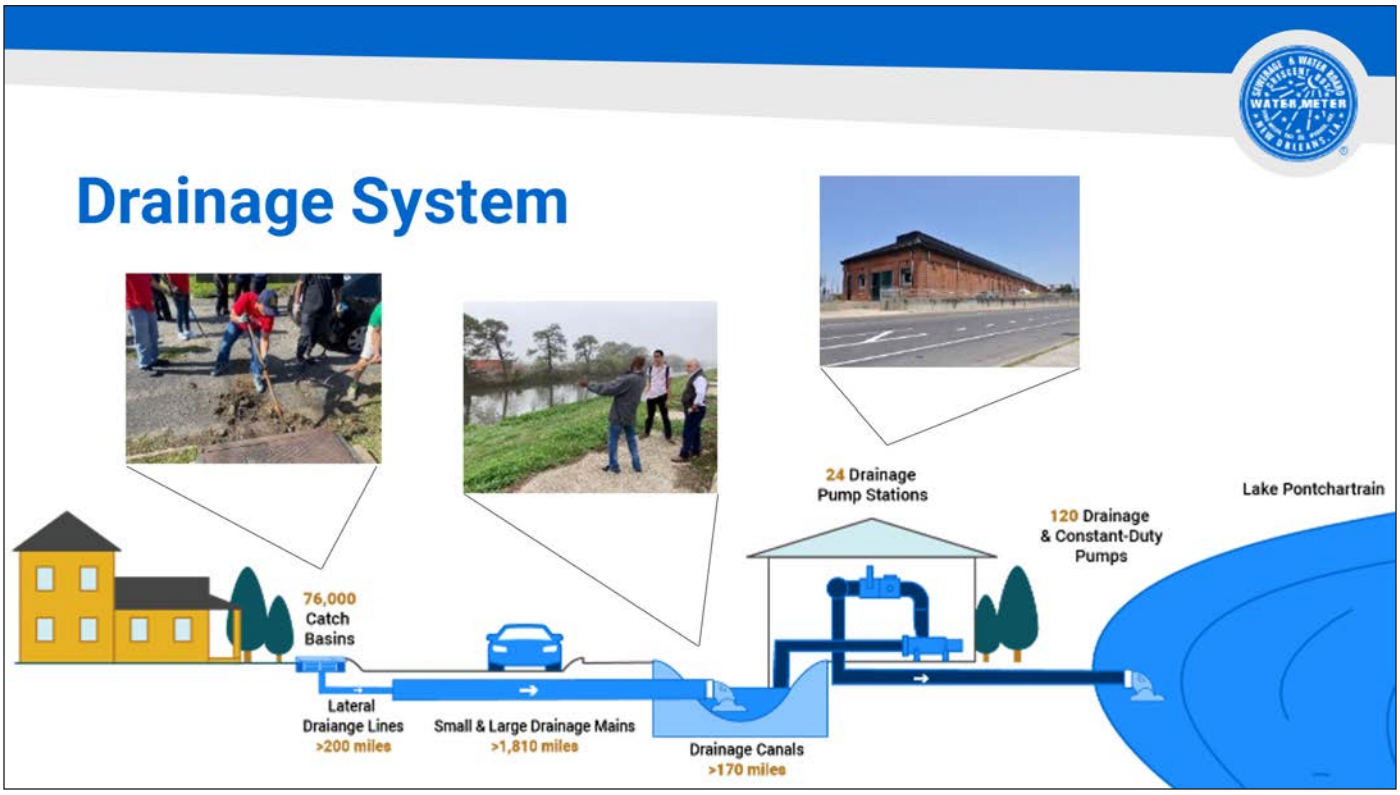
Minor or "Subsurface" Drainage. A citywide network of small pipes (less than 36 inches in diameter), catch basins, and manholes beneath the street grid. This network feeds property runoff into the larger pipes and canals. As defined in the cooperative agreement that transferred responsibility for this drainage from the City to the Sewerage & Water Board, subsurface drainage excludes "ditches, drainage swales, and culverts of all sizes." Ditches and culverts, the tunnel-like structures that channel water under roads and bridges, remain the City's responsibility as part of street maintenance.

Subsidence. The gradual sinking of the land, which can be exacerbated by pumping out stormwater. Sinkage increases the risk of flooding and can damage streets, subsurface infrastructure and buildings.

Gray Infrastructure

When New Orleanians think of drainage, they usually mean gray infrastructure. As shown in Chart B, this network begins at the curb or with roadside ditches where stormwater runoff collects. It then flows into the built system of catch basins, pipes, canals, and pumping stations. The pumps then send the stormwater into Lake Pontchartrain or the Gulf Intracoastal Waterway that runs through Algiers and part of eastern New Orleans. It is a complex feat of human engineering, with parts constructed more than a century ago.

CHART B. SEWERAGE & WATER BOARD STORMWATER FLOW THROUGH "GRAY" DRAINAGE



Note: Small & Large Drainage Mains in the illustration include both the smaller "subsurface" pipes and the larger "major drainage pipes" that channel water to drainage canals and pumping stations. Also, some pumps empty stormwater into the Gulf Intracoastal Waterway in Algiers and eastern New Orleans, instead of Lake Pontchartrain.

Source: Sewerage & Water Board, December 15, 2025.

However, aging pipes and pumps are a maintenance challenge. The limited storage capacity of drainage pipes and canals is easily overwhelmed during heavy rainfall or when equipment fails. When this happens, New Orleanians suffer the consequences through flooded vehicles, homes and businesses and lost economic activity.

Even if the drainage system were properly maintained, it is not equipped to handle today's stronger storms. The current system can handle one inch of rain in the first hour of a storm and half an inch thereafter. At least five storms have exceeded that capacity since December 2023.[10]

A related problem is that pumping water out of the city contributes to subsidence, the gradual sinking of the land.[11] Soils in many areas of New Orleans that are drained swamplands must stay saturated; otherwise, they can decompose and collapse.[12] Sinkage exacerbates the risk of flooding and can damage streets, subsurface infrastructure and buildings. This problem worsens over time.[13]

Green Infrastructure

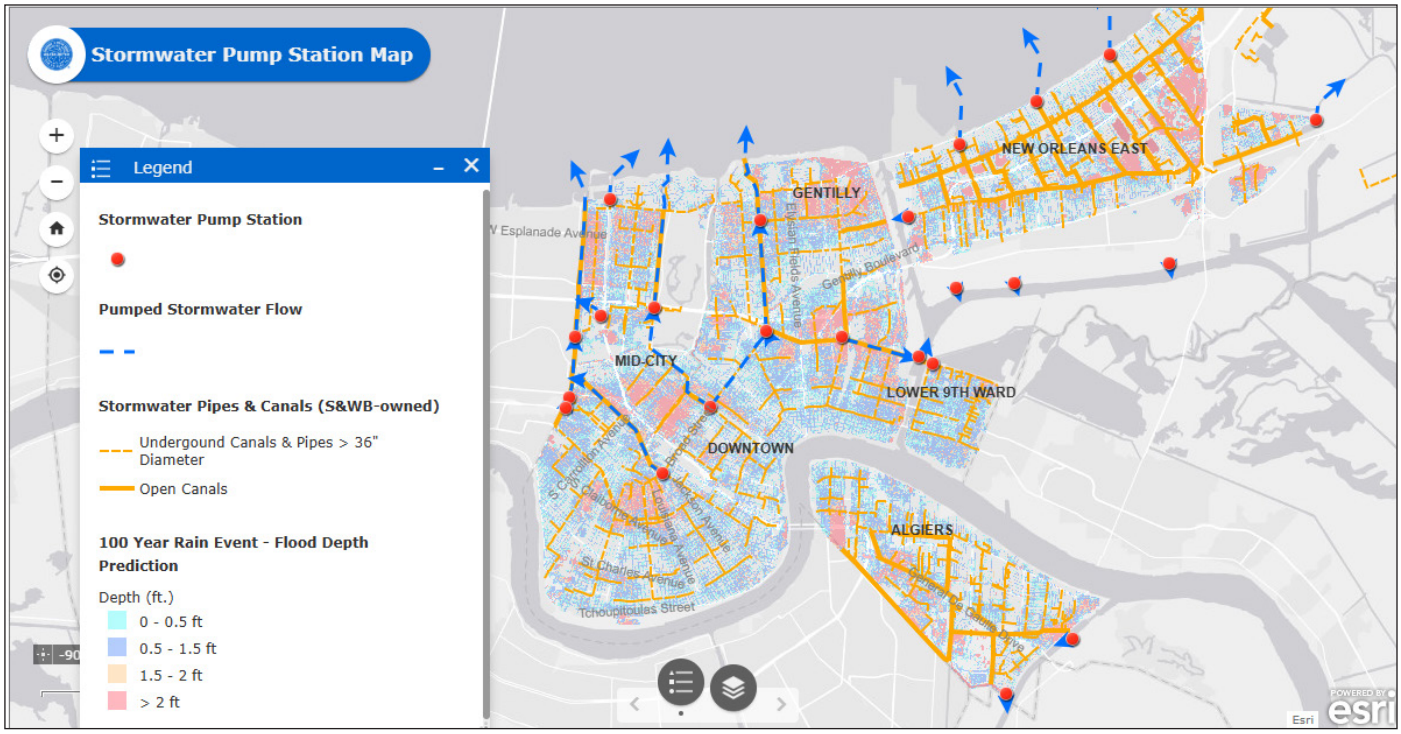
Green infrastructure lightens the load on the pipes and pumps and restores groundwater. It can be installed by public and private property owners.[14] Green infrastructure attempts to re-create features of wetland ecology. In addition to reduced flood risks, its benefits include nurturing wildlife, purifying the air, and improving the quality of life for residents.[15]

The concept has gained momentum since 2013 when a team of urban planners, architects, engineers and other experts published *The Greater New Orleans Urban Water Plan*. The plan examines ways to better manage flood protection and ground subsidence within the levees of Orleans, Jefferson, and St. Bernard parishes. It emphasizes a holistic solution called "living with water."[16] The idea is to shift stormwater management from a traditional "pave, pipe and pump" strategy to a more diversified "slow, store and drain" strategy that uses both gray and green infrastructure. The City and the Sewerage & Water Board have used the regional Urban Water Plan to help inform their green infrastructure projects and secure funding for them.[17]

CHANGES IN STORMWATER MANAGEMENT RESPONSIBILITY IN NEW ORLEANS

When the drainage system took shape in the early 20th Century,[18] the Sewerage & Water Board built the major drainage works – pipes measuring 36 inches in diameter or larger, canals and pumping stations. Chart C shows where they are today. The City replaced most of its open drainage ditches with a vast network of underground pipes (less than 36 inches in diameter), catch basins, and manholes beneath the street grid. This is called subsurface drainage. It feeds property runoff into the larger pipes and canals.

CHART C. THE SEWERAGE & WATER BOARD'S MAJOR DRAINAGE PIPES, CANALS AND PUMPING STATIONS IN NEW ORLEANS



Note: Click here to view this map on the Sewerage & Water Board's website. The minor drainage network is not shown, but it generally aligns with the city's street grid and feeds stormwater to the major drainage works shown here. Click here to view a citywide map of catch basins on the City of New Orleans website.

Source: Sewerage & Water Board, December 15, 2025.

Prior to 1992, the Sewerage & Water Board maintained subsurface drainage on behalf of the City. It cleaned catch basins, flushed pipes, made point repairs, and otherwise kept stormwater flowing to the major pipes and canals. But New Orleans voters in 1992 rejected the renewal of a Sewerage & Water Board property tax that funded that work. As they do today, State laws explicitly prohibited the utility from tapping its other drainage property taxes for subsurface drainage work.[19] The City did not provide a replacement funding source. With no new funding for subsurface drainage, the Sewerage & Water Board transferred maintenance responsibility back to the City. For more than three decades, the City failed to provide consistent funding for catch basin cleaning and pipe repairs. It relied instead on occasional one-time budget appropriations, federal funds, and part of a street repair millage that expired in 2021.[20]

In addition to inadequate funding, split control of

the drainage system weakened performance, worsened flooding, and impeded a holistic approach to stormwater management.[21] In 2011 and 2023 studies of Sewerage & Water Board governance, BGR recommended restoring responsibility for the maintenance and repair of subsurface drainage to the Sewerage & Water Board. It also called on the City and Sewerage & Water Board to develop a sufficient source of recurring funding.

In February 2024, Louisiana's governor created a task force to study the Sewerage & Water Board's most pressing issues, including drainage and billing. Later that spring, as New Orleans struggled with severe storms and flooding, the Legislature worked with the utility and the City to pass several laws to strengthen the utility and facilitate drainage improvements.[22] One of the new laws makes the Sewerage & Water Board responsible for all drainage operations in New Orleans. Drainage operations means both major and subsurface drainage. The City transferred its subsurface drainage operations to the Sewerage & Water Board on January 1, 2025.[23]

NEW OBLIGATIONS – WITHOUT FULL FUNDING

However, the transfer did not come with adequate funding for subsurface drainage maintenance and repair. And the City lacks sufficient funding for the street drainage and green infrastructure responsibilities it has retained.

Sewerage & Water Board

As shown in Table 1, the Sewerage & Water Board is now generally responsible for the cleaning, maintenance, repair and replacement of subsurface drainage, including catch basins, pipes and manholes.[24] At least initially, the utility must address decades of deferred maintenance. The utility aims to clean one-fifth of the minor drainage network each year and repair broken lines.[25] This will require an estimated $25 million to $40 million a year. However, current recurring revenue totals $13.4 million, leaving about one-half to two-thirds of the need unfunded. The utility's inspections this year have found about half of the lines clogged with debris. As crews fan across the city, the utility is gathering more data to refine its estimated repair costs.

TABLE 1. WHO'S IN CHARGE? CITY AND SEWERAGE & WATER BOARD RESPONSIBILITIES FOR NEW ORLEANS DRAINAGE TODAY

Key Function	Sewerage & Water Board	City of New Orleans
Large pipes (36 inches in diameter or larger), drainage canals, and pumping stations*	✓	
Subsurface drainage, consisting of catch basins, manholes and smaller pipes (less than 36 inches in diameter)	✓	Limited to completing FEMA-funded roadwork
Roadside ditches and culverts that channel water under roads and bridges		✓
Stormwater planning (co-leaders)	✓	✓
Green infrastructure projects	Limited funding and available property	✓

* Excluding the three lakefront pumping stations at the outfall of 17th Street, Orleans Avenue and London Avenue canals. These are managed by the Southeast Louisiana Flood Protection Authority – East. By agreement, the Sewerage & Water Board pays a portion of the cost.

City of New Orleans

Under the utility's agreement with the City, the transferred drainage operations specifically exclude "ditches, drainage swales, and culverts of all sizes."[26] These remain the City's responsibility. Ditches and culverts, the tunnel-like structures that channel water under roads and bridges, are part of City maintenance of the street grid. The City's adopted 2025 budget for street maintenance was about $36 million below its Department of Public Works' desired level of $50 million a year.[27]

In addition, the City kept responsibility for subsurface drainage construction linked to Joint Infrastructure Recovery Request (JIRR) projects.[28] This is the ongoing road program funded by the $2 billion FEMA settlement for roads damaged in the Hurricane Katrina disaster. It constitutes the bulk of the City's current street improvement funding. The City last year asked FEMA to extend the deadline for that work from 2026 to 2028. In December 2025, FEMA approved a six-month extension.[29]

Under the subsurface drainage agreement, the City must "co-lead" any stormwater master planning process with the Sewerage & Water Board to "ensure that any plan has a holistic view of both green and grey infrastructure improvements needed to intense rainfall events."[30] It does not appear that the two entities have established a joint planning process, although they coordinate day-to-day work. The Sewerage & Water Board has its own five-year strategic plan for improvement that runs through 2027.

Currently, the Mayor's Office of Resilience & Sustainability directs the City's own stormwater planning efforts. The office also develops policy for the City's green infrastructure initiatives. The office works closely with various City departments, including Public Works, Parks & Parkways, and Safety & Permits, as well as external agencies such as the Sewerage & Water Board, on project planning and implementation. However, the City's capacity to continue these functions could be affected by significant staff reductions in the resilience office, announced by the incoming mayoral administration shortly before the release of this report. BGR will closely monitor developments.[31]

To date, the City has relied on federal grants to pay for green infrastructure projects. The City won by far its largest green infrastructure grant in 2017. The U.S. Department of Housing and Urban Development granted $141.2 million for the Gentilly Resilience District. This collection of projects in Gentilly is designed to combat flooding and improve the quality of life.[32] The City has also received several federal Hazard Mitigation Grants for projects in the St. Roch, Mirabeau, Pontilly and other neighborhoods.[33]

Some new local funding is on the horizon. On November 15, New Orleans voters authorized the City to issue up to $50 million in new bonds for drainage and stormwater projects.[34] These bonds are repaid with a dedicated property tax. The City Council's adopted list of projects intended to be funded with the new bonds includes substantial local investment into green infrastructure as well as improvements to traditional subsurface drainage. These are City projects, rather than Sewerage & Water Board projects. But they are designed to alleviate stress on the drainage system by slowing the flow of water to the utility's pumping stations.[35]

The City agreed to retain the ongoing maintenance and repair responsibility for its green infrastructure projects. The City's responsibility extends up to the Sewerage & Water Board drainage structure that carries away excess rainfall. It is also responsible for cleaning any sand or other sediments that, due to a failure of green infrastructure elements or perforated drains, enter and impact the drainage system.[36] The Mayor's Office of Resilience and Sustainability has developed maintenance guidelines for the City's green infrastructure as part of its new Green Infrastructure Toolkit.

The Sewerage & Water Board manages a relatively small portfolio of green infrastructure projects. It has less available real estate and access to grant funding than the City does. In 2024, it completed a $2.5 million, five-year initiative for 10 demonstration projects on properties it owns.[37] The Sewerage & Water Board's current 10-year capital plan lists only $8.6 million from federal funding for green infrastructure through the U.S. Environmental Protection Agency. And that will depend on funding availability. While its own ability to undertake green infrastructure projects is limited, the Sewerage & Water Board anticipates encouraging its more than 140,000 private and public customers to retain runoff on their properties and incentivizing this work with credits against a future stormwater fee.[38]

ANALYSIS

The analysis begins with a summary of available data on drainage funding challenges and risks. BGR then explores key components of a funding proposal that can support fairness, transparency and accountability.

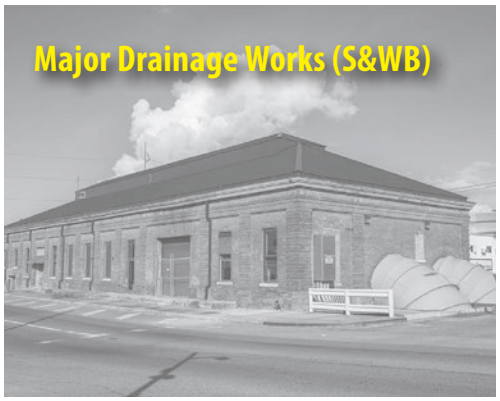
PRELIMINARY ESTIMATES OF DRAINAGE SYSTEM FUNDING GAPS

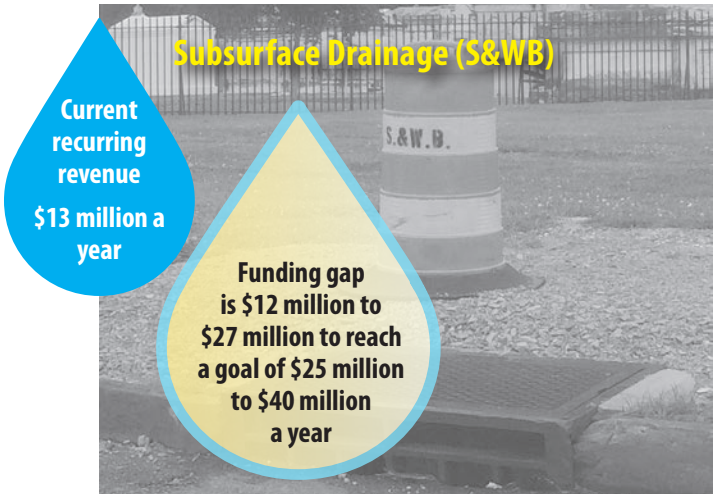
Currently, the costs of operating, maintaining and making necessary improvements to New Orleans' drainage system – both gray and green infrastructure – are not fully quantified. The Sewerage & Water Board has provided only preliminary estimates at various public meetings, and the picture is incomplete. But even without final cost figures, current funding is clearly insufficient to meet the system's extensive capital and maintenance needs. Preliminary data indicate that the drainage system has significant annual funding gaps, as illustrated in Chart D:

- The Sewerage & Water Board has less than $7 million a year from existing taxes to finance approximately $800 million of major capital needs. These needs cover repairs and upgrades to its major drainage assets – pumping stations, canals and large drainage pipes. Financing the capital program and meeting other operating needs for major drainage could run $23 million to $33 million a year.
- Separately, the utility estimates it needs another $12 million to $27 million a year to fix and maintain the subsurface drainage network of catch basins and smaller pipes that feed stormwater to its major drainage system. The Sewerage & Water Board assumed responsibility for that network from the City this year, but it came with only $13.4 million of recurring revenue and more than 30 years of de-

CHART D. PRELIMINARY ESTIMATES OF ANNUAL DRAINAGE FUNDING GAPS IN NEW ORLEANS

Identifying an Unmet Funding Gap of $35 Million to $60 Million a Year for Sewerage & Water Board, Plus Green Infrastructure and the City of New Orleans' Ditches and Culverts





Green Infrastructure

No dedicated local revenue for either City or S&WB green infrastructure. Maintenance need for current projects is $822,000 a year. Annual costs for new projects must still be determined.

City: Ditches and Culverts

No dedicated local revenue. Annual maintenance and repair costs to be determined.

BGR analysis of information provided by the Sewerage & Water Board and the City.

See the Appendix for more information on the preliminary estimates.

ferred maintenance. State law prohibits using the existing drainage taxes for subsurface drainage.

- Combined, the subsurface and major drainage works (from catch basins to pumping stations) could require approximately $35 million to $60 million a year in additional local funding. This implies the Sewerage & Water Board should be spending approximately $125 million to $150 million a year on its gray infrastructure, compared to the $90 million budgeted for 2025.
- Of that current annual funding, $54 million, or 60%, is at risk of loss by 2031. The Sewerage & Water Board must renew or replace a $22 million property tax expiring in 2027. Another $32 million tax could expire in 2031. If these taxes go away, the funding gap will grow.
- The City has not estimated the annual cost of maintaining the drainage and stormwater management functions it has retained, including ditches and culverts scattered citywide.
- Green infrastructure capital plans and future maintenance costs are also not fully determined. The City estimates the current portfolio of Sewerage & Water Board and City green infrastructure projects will require $822,000 a year to maintain. But the City has several new green infrastructure projects in construction or design. Some are in line for funding authorized by the November 2025 City bond proposition that voters approved. Others will require millions of dollars in new capital funding. As the City installs new projects, maintenance costs will rise.

DEVELOPING A CLEAR, HOLISTIC SPENDING PLAN FOR FUTURE DRAINAGE REVENUE

New Orleans' vast drainage needs underscore the importance of careful, holistic planning and prioritization. The public faces other demands for funding, outside of the drainage system. A clear spending plan is essential.

The Sewerage & Water Board has not yet presented its drainage funding proposal to the public, explaining which specific needs it intends to fund and how much each will receive. The Sewerage & Water Board has retained Raftelis Financial Consultants (Raftelis) to prepare a stormwater rate study.[39] To date, they have outlined only broad contours of a funding plan. They will finalize projections of revenue requirements, decide how to distribute those costs across the base of payers, and develop a proposed fee schedule for the utility's review and approval.[40]

The utility and Raftelis believe that stable and sufficient funding to meet New Orleans' drainage needs will likely require both a stormwater fee and an extension of some or all of the current 14.26 mills of property taxes. The Sewerage & Water Board told BGR it continues to study what combination of property taxes and fees it will propose to the public.

Generally, governmental bodies seeking a funding proposal from voters should present a clear spending plan. A careful plan helps voters to make an informed decision. It is also essential to support the fair allocation of any new revenue among funding recipients.

The spending plan is a core concept in BGR's framework for analyzing ballot propositions for taxes and other public funding requests, as shown in the box below.

BGR's research on ballot propositions has found that a government asking voters to approve a funding proposal should demonstrate:

- **It has carefully planned how it will spend the funding and provide financial stewardship and accountability for public dollars.**
- **The funding mechanism is an acceptable way to fund the purposes in light of alternatives.**
- **There is evidence indicating the funding would result in effective outcomes for the public.**

The framework considers the efficient and effective use of public resources. BGR developed it over several years of research on government finance and taxation, as well as consultation with government finance experts. The framework emphasizes that government entities must exercise taxing authority judiciously to ensure sufficient funding for the services and infrastructure voters demand. And they must make a compelling case for any new tax or other funding source they propose.

Developing an accurate picture of the drainage system's financial requirements and clearly justifying all proposed expenditures is the first step for any drainage funding proposal.[41] That picture should reflect a holistic approach to the challenge of managing stormwater in New Orleans.[42] As discussed earlier, the Sewerage & Water Board and the City each have important roles and responsibilities for years to come. For example, property owners who rely on City management of ditches, culverts and green infrastructure may face the consequences if a stormwater fee covers only the Sewerage & Water Board's costs and the City provides no other funding for that work. Managing rainfall and the flow of runoff effectively will depend on sufficient funding throughout the system, no matter who is in charge.

High-quality spending plans, which should be in writing, go beyond a simple budget of sources and uses of new revenue. BGR's past *On the Ballot* reports, available at bgr.org, have generally found that strong plans:

- Address clearly identified goals
- Justify how the proposed uses of public dollars are high priorities
- Explain important assumptions behind cost projections
- Seek efficiencies in current operations or capital investments
- Avoid creating unnecessary surpluses of revenue
- Meet legal or other obligations that shape future spending

This list is not exhaustive, but it illustrates the information voters should have available to evaluate the case for new funding.

For example, current State laws place constraints on spending drainage tax revenue and stormwater fee revenue. As noted earlier, the existing drainage millages cannot be used for subsurface drainage work. The stormwater fee law that caps the portion of fee revenue that can be spent on drainage operations and maintenance at 40%. The rest must go to capital purposes, such as system improvements, debt financing or a replacement reserve.[43]

In developing a spending plan, the utility can study such concerns and identify any legislative action needed to support funding flexibility.

DEFINING RESULTS: WHAT WILL THE DRAINAGE FUNDING PROPOSAL ACHIEVE?

The spending plan closely relates to another core concept in BGR's framework: the potential for effective public outcomes. In the context of New Orleans' drainage system, demonstrating the potential for effective outcomes most notably refers to how the new funding can improve stormwater management and reduce the risk of flooding. This is a key question for New Orleanians who have suffered damage or lost business due to neighborhood flooding. It is also an important one for tax-exempt property owners who will be asked to help meet the drainage system's costs for the first time.

BGR's past *On the Ballot* reports suggest that governmental bodies can offer a variety of evidence supporting the potential outcomes for the public's investment:

- Alignment of the programs or services to be funded with the government's broader strategic goals and objectives and research-based practices
- Measurable returns that citizens can anticipate
- Potential to leverage other funding sources
- Potental to help avoid or reduce future public costs

Voters should understand how broader goals for drainage system performance and flood risk reduction in New Orleans neighborhoods will inform the Sewerage & Water Board's funding proposal. As discussed earlier, the Sewerage & Water Board has developed a 10-year, $800 million drainage capital plan. It has also set a goal of cleaning one-fifth of the subsurface drainage network each year. Beyond that, the utility has broader strategic goals for improving system performance and operations. The City itself has several ongoing drainage studies to reduce neighborhood flood risk, which may identify new green infrastructure solutions.

EVALUATING A TAX-AND-FEE FUNDING MODEL AGAINST ALTERNATIVES

BGR's framework also emphasizes a careful analysis of alternative funding options. This analysis is important to ensure the proposal is raising revenue efficiently and effectively, and to understand the potential impacts on different groups of payers.

To date, the Sewerage & Water Board and Raftelis have raised concerns about both the traditional property tax funding approach and a full replacement of drainage taxes with a stormwater fee.[44]

If the Sewerage & Water Board were to seek only new property taxes, it would increase the burden on taxpayers while tax-exempt properties would continue to contribute nothing for the flood protection and other benefits they receive from the drainage system. BGR estimates that covering just the $35 million to $60 million a year funding gap for traditional drainage would require 7.5 to 13 mills of new property tax.[45] This would be a drainage tax increase of roughly 50% to 90% over the current 14.26 mills.

The utility is also not pursuing a one-to-one replacement of the property taxes with a stormwater fee. It says that, without the tax component, the fee could be high and politically unappealing to residents and elected officials. A stormwater fee would significantly redistribute the overall cost burden of the drainage system. As an example of this effect, the utility notes that high-value buildings with relatively small footprints, such as office towers and hotels, would contribute much less than they do with drainage property taxes. In evaluating tax-and-fee options, the Sewerage & Water Board must carefully consider the ability to pay alongside the goal of a fair fee based on drainage system usage.

BGR acknowledges that property taxes, to some degree, may remain a baseline funding source because of the magnitude of system costs. Also, if the $22 million property tax gets closer to expiring in 2027 and no stormwater fee is in place, the utility may be forced to seek its renewal for revenue stability. Further, combining a user fee with a tax can mitigate the impacts of a decline in one revenue stream. Taxes can also help provide stability for financing large capital projects. However, without more detailed information on the Sewerage & Water Board's proposal, BGR cannot evaluate possible approaches to rebalancing or replacing drainage taxes with a new fee.

For example, The Water Collaborative suggests retaining the taxes initially while the fee is gradually imposed. The group suggests phasing in the stormwater fee initially on tax-exempt properties and then extending it to tax-paying residents and businesses. Over time, as the fee is expanded to residents and businesses citywide, the utility would phase out the taxes in favor of the fee. The public may benefit from a comparison of The Water Collaborative's recommendation to the Sewerage & Water Board's once more information becomes available.

MAKING THE LEGAL CASE FOR A TAX-AND-FEE FUNDING STRUCTURE

A key step with any stormwater fee structure is ensuring that it can be defended in court as a user charge and not a new tax. A stormwater fee, on its own, is a relatively untested concept in Louisiana. Despite the prevalence of fees in hundreds of other U.S. cities, there are no such parishwide fees in Louisiana. And, while combining a user charge with a property tax is an established approach for some water and sewer utilities, such as Jefferson Parish, BGR could not find examples of this approach for stormwater management.[46]

A hybrid tax-and-fee structure complicates the typical defenses advanced by municipalities and utility districts that have adopted a pure stormwater fee. A fee based on some measure of impervious surface area typically establishes a clear link between the property's fee and its demand on the drainage system. Cities reinforce the connection by aligning fee revenue with the cost of the drainage or stormwater service and dedicating the revenue to those purposes. Such a fee also is considered "voluntary" in the sense that it is possible for users to limit their use of the system by reducing the runoff from their property.[47] See the sidebar for key factors considered by courts.

Because it is based on a property's value rather than its impervious area, a property tax may muddy the link between the total amount a property owner pays and the demand the property places on the drainage system. In addition, the Sewerage & Water Board intends to provide a stormwater fee credit to single-family homeowners based

Legal Considerations Common for Stormwater Fees

According to the National Association of Clean Water Agencies, courts across the country have focused on certain common factors in determining that stormwater assessments are user fees:

1. Whether the purpose of the fee is to regulate or collect revenue,
2. Whether the revenue generated is segregated or allocated exclusively to regulating the activity or entity being assessed,
3. Whether the fee benefits those it is imposed upon,
4. Whether the fee is a fair approximation of the cost to the government and the benefit to the individual fee payer or the burden to which they contribute; and
5. Whether the rate is uniformly applied.

* National Association of Clearn Water Agencies, *Navigating Litigation Floodwaters: Legal Considerations for Funding Municipal Stormwater Programs*, 2014, p. 5.

on their drainage property taxes, which does not follow the standard approach for credits. Typically, the incentive is tied to the property owner's work to reduce runoff. For homeowners, a tax-based credit could make the fee burden more equitable by considering their overall financial contributions to the drainage system. However, other taxable and tax-exempt properties would have to pick up a larger share of the new fee revenue. These complexities will need careful legal review and public justification by the Sewerage & Water Board and the City.

The Sewerage & Water Board told BGR that it can implement both a stormwater fee and a drainage tax under current Louisiana law. In the utility's view, it can combine the two to support the drainage system, and it is working diligently to meet all legal requirements.

A COMMON APPROACH TO AN EQUITABLE AND AFFORDABLE STORMWATER FEE

The Sewerage & Water Board is pursuing a common stormwater fee structure called the "equivalent residential unit" method. This structure groups single-family residential properties into tiers based on the size of their impervious surface area. This area consists of the hard surfaces on a property that do not allow rain to soak into the ground such as roofs, driveways, walkways, patios and pools.[48] The utility would then individually measure other properties and charge them based on how their impervious area compares to that of a typical home, called an "equivalent residential unit" basis.

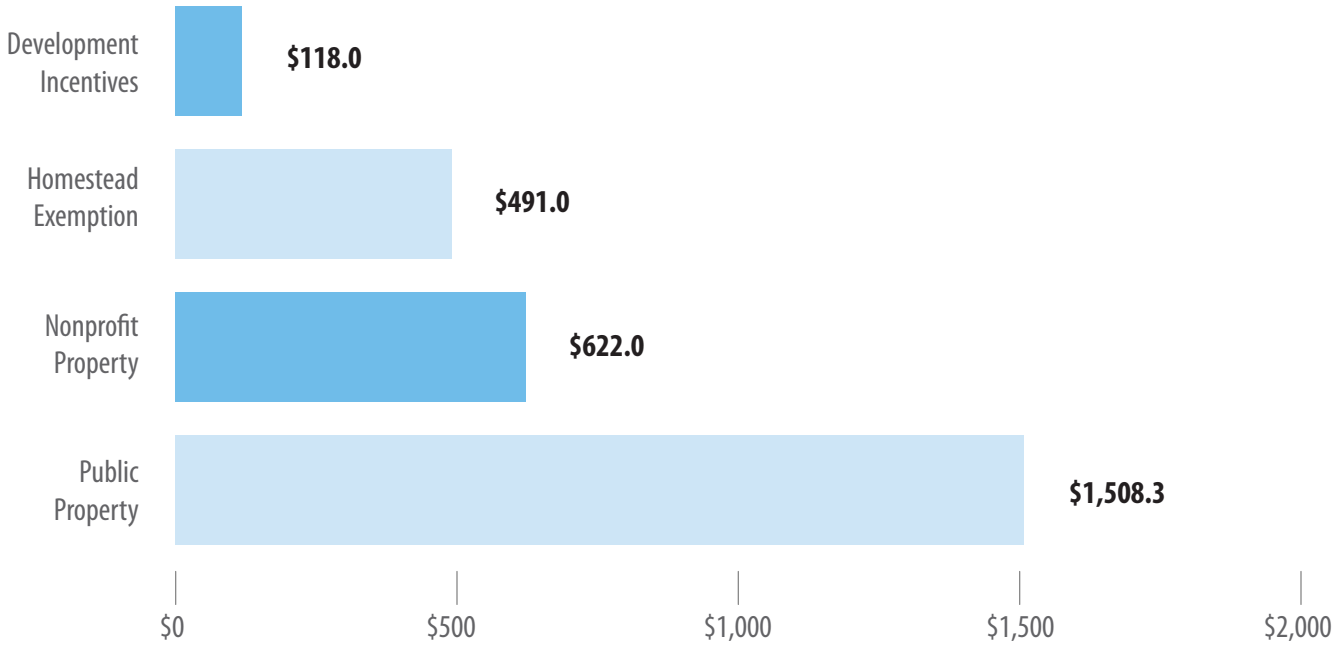
The Sewerage & Water Board is considering three tiers for single-family residential properties. Properties in the "typical" range for impervious surface area would pay the base fee. Single-family residential properties with less impervious area would pay 60% of the base fee. Those with more impervious area would pay 150%. The Sewerage & Water Board continues to refine those break points.

Generally, this model is a common approach in the U.S. because it strikes a balance between fairness and ease of administration.[49] And any building that produces runoff and places demand on the drainage system is subject to the fee, thus achieving the fundamental objective of broadening the payer base to include tax-exempt buildings. Tax exemptions removed 37% of the drainage tax base in 2025. Chart E shows the breakdown of the $2.74 billion of tax-exempt real estate assessed value among government-owned (public), nonprofit-owned, homestead-exempt, and commercial and industrial exempt property.[50] Fully-exempt homes and other properties that pay no taxes represent 10% of the city's approximately 170,000 real estate parcels.[51] BGR will take a closer look at tax-exempt property in an upcoming report.

The equivalent residential unit method also has a track record for legal defensibility, as indicated in the sidebar

CHART E. BREAKDOWN OF TAX-EXEMPT REAL ESTATE ASSESSED VALUE IN NEW ORLEANS IN 2025, BY EXEMPTION TYPE

($ figures in millions)



BGR analysis of 2025 assessments of tax-exempt property compiled by the Orleans Parish Assessor's Office and 2025 homestead-exempt assessed value for Orleans Parish reported by the Louisiana Tax Commission.

on the right. It falls within the range of stormwater fee structures that BGR recommended in 2017. For a detailed analysis of those structures, see BGR's 2017 report available at bgr.org. A community advocate for stormwater fees in New Orleans, The Water Collaborative, also recommends the equivalent residential unit method.[52]

The Sewerage & Water Board could consider whether more tiers and adjusting the percentages of the base fee paid by each tier can further enhance fairness and affordability without increasing the administrative burden. There does not appear to be a standard practice among cities, indicating their structures are tailored to their housing markets. The sidebar on Raleigh, N.C., and its four single-family residential tiers provides an example. BGR's review of seven other cities with similar fee models found as many as six single-family residential tiers.[53]

The "Ugly Index"

In 2023, the authors of Western Kentucky University's annual *Stormwater Utility Survey* created a metric that captures how well a stormwater fee reflects best practices. The index measures how close or far a given fee structure is to a fee structure that measures and assesses the impervious area of each plot individually. They call the metric the "Ugly Index." A higher score indicates that the fee system is farther away from best practices, and thus less legally defensible. The equivalent residential unit models tend to score low on the Ugly Index, while flat fee systems score much higher.*

* Campbell, Warren, and Emily G. Davis, Western Kentucky Stormwater Utility Survey 2023.

Raleigh's Stormwater Fee

The city of Raleigh, N.C., established a stormwater fee in 2004. It faced a backlog of approximately $100 million in stormwater capital improvements to meet basic flood control, stream stabilization and water quality objectives. It needed to roughly double its annual funding from $6 million to $11.8 million.*

It has a tiered, equivalent residential unit fee structure. It is based on the median square footage of impervious surface area of developed land with only a single-family home. The city determined a median of 2,260 square feet of such impervious area. The city divided parcels of single-family developed land into four tiers of impervious area. The one including the median property pays at the base rate (noted in Table 2), with another tier below and two tiers above.

For other residential properties (from duplexes to large multi-family apartment complexes) and nonresidential properties (commercial, industrial, institutional and other types), the city calculates their fee by dividing their impervious area by the square footage of the equivalent residential unit and then multiplying by the base rate. The city council sets the base rate. The city maintains an online map of property measurements and fee calculations.

The current fee schedule, with the $7.65 monthly base rate, is budgeted to generate $38.9 million in the 2025 fiscal year.**

* City Council of the City of Raleigh, North Carolina, Ord. No. (2003)-537, adopted November 5, 2003.

** City of Raleigh, Stormwater Management Advisory Commission, *Annual Report*, for the fiscal year ended June 30, 2024, p. 15.

TABLE 2. SINGLE-FAMILY RESIDENTIAL PROPERTY TIERS IN THE STORMWATER FEE STRUCTURE FOR RALEIGH, NORTH CAROLINA

Tier	Square Feet of Impervious Area	Monthly Fee	Percentage of Base Rate
1	**400 -1000**	**$3.06**	**40%**
2	**1001 – 3870**	**$7.65 (base rate)**	**100%**
3	**3871 – 6620**	**$13.01**	**170%**
4	**6621 - 9500**	**$22.19**	**290%**

Note: Single-family developed parcels with less than 400 square feet of impervious area pay no fee, while those with more than 9,500 square feet are charged at the commercial rate. Rates effective as of July 1, 2024.

Source: City of Raleigh, North Carolina, "Stormwater Utility Fee," webpage accessed July 1, 2025.

In addition to establishing tiers, advances in technology will allow the Sewerage & Water Board to individually measure the impervious area of all properties, including homes, to ensure accuracy and transparency in the fee development process. This is a significant step toward fairness because it avoids the use of estimates.

The impervious area of those parcels is then divided by the square footage of the median impervious area of among single-family residential properties – the "equivalent residential unit." This calculation determines how many multiples of the base rate they must pay. For example, the median stormwater fee for a single-family residential property in the U.S. is $5 per month, or $60 annually. The median equivalent residential unit nationally is 2,900 square feet of impervious area. A shopping center with 58,000 square feet of buildings and paved parking and sidewalks would pay 20 units. Multiplied by the median monthly rate, the stormwater charge would be $100 per month, or $1,200 annually. The Sewerage & Water Board cautions that the national median base fee of $5 per month is an unrealistically low expectation for New Orleans. While other U.S. cities typically impose only a stormwater fee, their needs are not as great as in New Orleans.

FEE REDUCTIONS FOR DELAYING RUNOFF AND OTHER RELIEF

The Sewerage & Water Board may include other equity and affordability tools in the fee structure:

Income-Based Fee Reductions. It is contemplating an income-based affordability program but has not publicly explained how it would work.[54] Without more detail, BGR cannot evaluate the program. However, ensuring the basic fee structure provides adequate residential affordability is an important first step before attempting to craft relief programs.

Fee Credits for Delaying Runoff. The Sewerage & Water Board may award stormwater fee credits to property owners who implement voluntary stormwater management projects to "slow the flow" of their runoff into the public drainage system. Common types of projects eligible for stormwater fee credits in other cities include on-site water storage, permeable pavement, ponds, and rain gardens.[55] Credits come with administrative requirements, such as periodic inspections.

If they are not administered well, credits can provide unnecessary subsidies. In 2017, BGR recommended narrowing any incentive-based credit programs to those that encourage stormwater management practices applicable to New Orleans and that create significant, quantifiable runoff reductions. Experts suggest that large properties seeking fee reductions should have a clear stormwater management plan, performance metrics and periodic inspections for any on-site projects to reduce runoff and lower their fees.[56] Careful planning for large properties is important because a stormwater management feature installed in one area may not address runoff in another area, reducing the effectiveness of the incentive. A well-designed credit system reinforces the link between the amount of the fee and the quantity of stormwater discharged from a given property.[57]

The sidebar provides examples of how Washington, D.C., has implemented both types of programs.

Stormwater Fee Assistance and Credits in Washington, D.C.

As part of its comprehensive stormwater management system, Washington, D.C. has adopted both an income-based assistance program and a credit system.

Property owners pay two stormwater fees. One is imposed by city government to keep trash and other pollutants out of rivers and install green infrastructure, among other purposes.* The current charge is $2.67 per equivalent residential unit. DC Water, an independent water, sewer and stormwater utility similar to the Sewerage & Water Board, imposes another fee on monthly water bills to manage runoff that enters its storm sewers. The fee effective October 1, 2025, is $24.23 per equivalent residential unit. DC Water divides residential property into six tiers based on impervious area, with the base tier ranging from 700 to 2,099 square feet.**

The assistance program provides income-based relief for residential customers and nonprofit organizations who meet income eligibility requirements. The city verifies eligibility. Nonprofit organizations can receive credits up to 90% of the stormwater fee charge.***

The credit system recognizes property owners who improve stormwater retention and reduce demand on the city's drainage system. Owners can either install green infrastructure or remove impervious surfaces on their properties. Property owners receive credits through the creation and utilization of green infrastructure, such as rain gardens, green roofs, rainwater harvesting, permeable pavement, bioretention, and tree planting. As part of the system, the city has created a mechanism for property owners to sell and trade their credits with other property owners.****

* Washington, D.C., Department of Energy & Environment, "Stormwater Fee Background," webpage accessed September 2, 2025.

** DC Water, "Impervious Area Charge," webpage accessed September 2, 2025.

*** DC Water, "Customer Assistance Programs," webpage accessed September 2, 2025.

**** Washington, D.C., Department of Energy & Environment, "Stormwater Retention Credit Trading," webpage accessed September 2, 2025

CHART F. SEWERAGE & WATER BOARD'S SUGGESTED PROCESS FOR APPROVING A DRAINAGE FUNDING PROPOSAL THAT INCLUDES A STORMWATER FEE

Source: Raftelis Financial Advisors, presentation to the Sewerage & Water Board's Strategy Committee, June 2025.

PLANNING FOR TRANSPARENT ADMINISTRATION

In addition to a fair fee structure and revenue distribution, the Sewerage & Water Board and City should take steps to ensure public transparency. These range from community engagement and input during the proposal review to effective administration of the fee once approved.

Public Education and Community Outreach

To persuade voters to approve a stormwater fee, it will be essential to highlight the magnitude of the city's drainage needs. In addition, they must understand the advantages of a stormwater fee structure (or a tax-and-fee hybrid) relative to the current structure funded solely by property taxes. They must also know a comprehensive plan for prioritizing projects is in place.[58]

More than a decade ago, the Greater New Orleans Urban Water Plan emphasized that voters must understand the importance of the drainage needs they will be asked to fund:[59]

> Given the public's current opposition to new taxes and the reluctance of most politicians to impose them, any funding strategies that are eventually put into place will require complementary efforts to both raise awareness of the issues that need to be resolved and to inform the policy makers and voters of the importance and value of sustainable water infrastructure. Without political determination and a broad support base, making the investments that are necessary to bring water systems into the 21st century will pose an insurmountable challenge.[60]

Recent community outreach efforts by The Water Collaborative have shown that citizens are interested in this issue and wish to make their voices heard.[61] Since 2021, The Water Collaborative has hosted meetings, workshops and other community events to engage residents and business owners across the city. Once a stormwater fee proposal is developed, the Sewerage & Water Board and the City will need to determine how they will seek public input. As shown in Chart F, the process outlined by the Sewerage & Water Board for considering a drainage funding proposal that includes a stormwater fee has several opportunities for public comment.

Implementation and Administration

The utility also needs to show that, if voters approve a stormwater fee, administration will be transparent and fair.

In advance of implementing the fee, utilities should notify property owners about the fee. They should explain how it will be calculated and what the anticipated fee for each property will be. One city that follows recommended practices is Houston. When Houston implemented its stormwater fee in 2011, all property owners received an initial notification letter, explaining:

- The square footage of the impervious surface on the property
- The classification of the property
- The type of drainage system on the property
- The annual drainage utility charge (calculated by multiplying the square footage of impervious surface by the applicable rate)
- The monthly or quarterly charge, depending on the billing cycle
- The procedure for property owners to follow if they believe that the charge is in error.[62]

National stormwater fee experts also recommend a transparent appeals process for customers. In most cases, ordinances establishing stormwater fees include a description of the process. There is no single recommended way to structure such a process, and cities have taken different approaches. For example, Houston created a verification and correction system. Portland, Oregon, established an administrative review committee for appeals.[63]

Another important component of fee-based administration is the creation and maintenance of a user-friendly website where all fee-related information is accurate, accessible, and easy for property owners to understand.[64] For example, in Charlotte, the city's Stormwater Service uses aerial photography to identify and measure the impervious area of all property. Property owners can access mapping data through the Stormwater Service website.[65]

Fee Management, Billing and Collection, and Revenue Distribution

The Louisiana law enabling the Sewerage & Water Board's development of a fee proposal offers little guidance on fee management, collection and distribution.[66] It contemplates only that the Sewerage & Water Board would receive the proceeds. This provision does not consider that both the City and the utility have unfunded stormwater management needs. Addressing that gap may require amendments to State law, specific directives in the stormwater fee ballot proposition, a revenue sharing agreement between the City and the Sewerage & Water Board, or some combination of these approaches.

In addition, the public should expect a cooperative agreement involving the Sewerage & Water Board and the City that describes each entity's roles and responsibilities. There should be a clear approach to management and accountability, with a dedicated fund for fee revenue and reporting and oversight structures that support performance. If financial stewardship plans are vague, there is a much greater risk of wasting public resources or failing to address the identified need.

At this point, for example, it is unclear who will bill and collect the fee. The enabling legislation is silent on this important point. The majority of cities with stormwater fees place them on monthly water bills.[67] This can be cost-effective for the utility because it makes use of existing billing data and creates steady cash flow. There is some leverage possible for non-payment. Some cities, such as Raleigh, have the power to shut off water service.[68]

There are significant drawbacks to this approach, however. For instance, while a residential property owner receives the primary benefit of flood protection paid for by stormwater fees, the tenant may have the burden of paying the fee to benefit a location that the tenant doesn't own. Tenants generally cannot make efforts on the landlord's property to reduce impervious ground cover or control runoff, and landlords would lack incentive if the burden of paying stormwater fees falls to their tenants. Moreover, the increase in New Orleans' water and sewer rates since 2012 has reduced affordability of those utilities for lower-income renters.

BGR recommended in 2017 placing New Orleans' fee on the City's annual property tax bills, with billing expanded to include tax-exempt properties paying the fee. The City, which is the tax collector for Orleans Parish, prepares the tax bills, collects the payments and distributes the revenue to the tax recipient bodies as required by law. BGR found several comparable cities that use tax bills, such as Charleston, South Carolina, Mobile, Alabama, and Seattle.[69]

Tax bills would clearly impose the cost of the fee on property owners, the primary beneficiaries of flood protection. Owners would see in one place how much they pay for drainage. Tax bills would show credits to reduce runoff. Stormwater fees can also be enforced along with the property taxes due through the use of property liens.[70]

Raftelis has further suggested that using property tax bills would have the advantage of maintaining current drainage revenue patterns. If the Sewerage & Water

Board is successful in creating a fee credit for drainage property taxes paid, the use of property tax bills will provide those receiving the credit with a simple way to confirm it was actually applied. Monthly utility bills, which are issued and collected by the Sewerage & Water Board, would show the fee but not taxes paid. Property owners may have difficulty reconciling how much they pay for drainage and stormwater management. Water bills could help with transparency, however. The Sewerage & Water Board could add a link to the property owner's stormwater fee account and the performance dashboard to facilitate customer access to that information.

Clarifying Louisiana law for handling fee management, billing and collection, and revenue distribution would help ensure the consistent, prompt and complete distribution of funds to their recipients.

PROVIDING FINANCIAL AND PERFORMANCE ACCOUNTABILITY

Public transparency must go hand in hand with meaningful accountability measures to build public support for the drainage funding proposal. BGR's framework for analyzing tax and other public funding propositions emphasizes having a plan for financial stewardship and accountability. Past BGR *On the Ballot* reports highlight some common themes. The tax recipients themselves should demonstrate a track record of stewardship and accountability for public funds. Their plan for administering the new revenue should demonstrate their capacity to accomplish the spending plans and programs. In addition, an effective plan for stewardship and accountability should include mechanisms for financial and performance oversight and reporting to the public.

BGR highlights several areas that need close attention in developing the drainage funding proposal.

Accountability Tools and Metrics

Basic financial accountability includes regular spending reports and audits to illustrate how the Sewerage & Water Board and the City are using revenue. They should consider creating an easily accessible public dashboard that tracks all revenue and spending and enables residents to see which projects are being completed. Ultimately, though, the best measure of success is improved performance outcomes. The Sewerage & Water Board and the City should be able to point to a more functional drainage system. Possible metrics include improved flood mitigation, a higher percentage of basins cleaned each year, and a reduction in subsidence. A range of metrics could be established in law or in a future agreement between the City and the Sewerage & Water Board to share the revenue.

Creating a Framework for Accountability

In general, public utilities lack the profit incentive of private utilities to motivate their performance. But effective performance can be supported with a cooperative effort between the oversight body and the public utility.[71] This approach focuses on setting standards of behavior and holding the utility accountable for performance.[72] These efforts can keep a public utility focused on efficient and effective operations, promote sound decision making, balance the interests of ratepayers and build trust in the utility's management.

Certainly, the Sewerage & Water Board's own board of directors should provide the first line of review. But external oversight is important to further motivate performance and reinforce public trust.

The City Council has direct oversight of City departments and offices, including their green infrastructure projects, but limited control over the State-created Sewerage & Water Board. BGR's 2023 report on the utility's governance chronicled how it took a decade of legislation to increase council oversight of the Sewerage & Water Board, and how the council still lacks clear mechanisms to fully carry out this function.[73] Historically, BGR has supported greater council oversight of funding and performance, but the City Council has been reluctant to act on its own without specific authority in Louisiana law.

Current law authorizing stormwater fees does little to establish regular oversight by the City Council.[74] This oversight could be funded through the fee. BGR has made recommendations for council oversight structures in its 2023 report, *Waterworks in Progress*, and in its communications to the 2024 governor's task force.[75] An effective City Council oversight structure should be capable of handling both funding reviews and performance monitoring. The objective review of funding proposals should have at a minimum:

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

Performance oversight is continuous and should at least include:

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

Council oversight would supplement other existing reviews, including the Sewerage & Water Board's required audits and the New Orleans Office of Inspector General's audit and investigation powers.

One area in need of legal clarity is how the stormwater fee schedule can be adjusted after it is initially set. For example, the utility may need to raise additional revenue in the future. State law does not set forth a process for requesting or approving an adjustment. In addition, it is unclear whether the law could be interpreted to require a public vote on any adjusted fee schedule.[76] This would contrast with adjustments to water and sewer user charges that establish a basic process and leave the final decision to the City Council.[77] In those cases, as with a stormwater fee, BGR has called for the clearer guidance on the council's review criteria and procedures.

Further, BGR notes that drainage property taxes require an annual levy by the City Council. It is unclear whether and how that council would coordinate that levy with the stormwater fee to fund the drainage system.

Citizen Advisory Committee

Another way to bolster public oversight is a citizen advisory committee. As discussed in BGR's 2023 report, some cities have created these committees to enhance oversight of utility performance and make recommendations on funding requests.[78] For example, El Paso, Texas, requires direct reporting by the utility to the city council. It also has established a consumer advisory committee, which monitored the development of the master plan and provided input from the public.[79] The City of Raleigh, discussed earlier in this report, has a Stormwater Management Advisory Commission. It is appointed by the city council and supported by the city's stormwater department staff.[80] The commission's duties include:[81]

- Reviewing and recommending to the council stormwater management policies, policy changes, long range plans and their budgetary and rate impacts.
- Reviewing and commenting to the council on the annual stormwater management capital improvements program.
- Responding to council and city staff requests for advice on matters related to stormwater services and the stormwater management utility.
- Presenting the council with an annual report of key actions and issues and its annual work program.[82]

There is no similar body established in the Louisiana law governing stormwater fees. Nor does State law explicitly authorize the City Council to create one.

Two existing advisory bodies are limited in their ability to serve in this capacity for stormwater fees:

- The Sewerage & Water Board formed a Customer Advisory Committee with citizen volunteers citywide to provide input on its internal strategic planning efforts and inform its staff on customer needs and priorities.[83] But the committee reports to the utility and its scope is mostly limited to the planning process.
- The outgoing mayor, by executive order, created the Infrastructure Advisory Board in 2019.[84] Four of its members are appointed by the mayor, and three are appointed by Louisiana's governor. It has successfully tracked and offered guidance on the use of funds from the City's 2019 "Fair Share" deal with the State of Louisiana to direct new tourism taxes to infrastructure.[85] Effective with the transfer of subsurface drainage from the City, the Sewerage & Water Board now receives 100% of those infrastructure dollars. It directs a portion of them to the drainage system. While the incoming mayor could consider expanding the advisory board's role to include the stormwater fee, the body lacks staff support from either the Sewerage & Water Board or the City. It has relied on assistance from local businesses to fulfill its duties.

Granting the City Council the authority in State law to create a stormwater advisory committee would support the council's oversight of the utility and City departments and offices administering, spending and producing results from the fee.

CONCLUSION AND RECOMMENDATIONS

A stormwater fee for New Orleans holds the potential to fill critical funding gaps in the drainage system. It could supplement the existing drainage taxes to improve traditional drainage pumping and green infrastructure for natural stormwater retention. Greater investment will reduce flood risk in New Orleans neighborhoods, a key concern for residents and businesses.

The stormwater fee would offer a fairer way to raise new revenue than increasing property taxes. A fee would be paid by both taxable and tax-exempt properties. And a fee based on impervious surface area, which means hard surfaces such as roofs and pavement, would better align charges with system use.

Hundreds of other cities nationwide have implemented stormwater fees. New Orleans' drainage challenge is several degrees greater. Preliminary estimates just for traditional drainage indicate that $35 million to $60 million a year in new revenue is needed. This need is on top of the current drainage budget of $90 million a year – if voters retain the current taxes that are at risk of expiring in the next few years.

Still, a stormwater fee would be a new cost for property owners. Renters and homeowners are already stressed by high costs of living, including insurance costs. In the nonprofit sector, public and private funding has tightened. While New Orleanians recognize the importance of effective stormwater management, they must be convinced that any drainage funding proposal is well conceived. They want it to be fair, carefully planned and accountable. Above all, it must achieve the desired goals of improving the drainage system's performance and reducing flood risk.

Before issuing a drainage funding proposal for public consideration, the Sewerage & Water Board, in coordination with the City, should:

- **Develop an accurate, comprehensive and public spending plan for new drainage system revenue.** This plan should identify system needs and set funding priorities for the stormwater management responsibilities of both the Sewerage & Water Board and the City. It should look holistically at gray and green infrastructure solutions and their desired results. The plan should consider current revenue sources, including any extension of the existing drainage property taxes. The Louisiana Legislature may need to loosen statutory constraints on spending drainage tax and fee revenue systemwide. A thorough spending plan would build public confidence that the funding will make meaningful investments to improve flood protection and quality of life.
- **Create a plan for effective and transparent management of stormwater fee revenue and seek legislative action, as needed, to support future implementation of the plan.** The plan should explain how the utility will work with the City and the Louisiana Legislature, as needed, to (1) establish a process co-led by the Sewerage & Water Board and the City for devising stormwater management strategies, (2) set up reliable, accurate billing, provide for collections and enforcement, and manage and distribute fee revenue in line with identified financial needs, (3) ensure responsive customer service, (4) provide a clear appeals process, and (5) give the public access to the fee calculation for their property and other essential information. This public information should include an easily accessible dashboard to track (1) fee revenue and spending and (2) drainage system performance. The plan can help inform the utility's broader public education campaign for the stormwater fee, helping to build trust in a new and unfamiliar funding mechanism.
- **Explain and justify the tax-and-fee funding model, compared to alternative approaches to drainage system funding.** Retaining some or all of the existing drainage taxes, in addition to a new stormwater fee, may likely be necessary to meet the enormity of New Orleans' drainage challenges. The Sewerage & Water Board should demonstrate to the public how its proposal is the most effective among alternative approaches, including those that would gradually eliminate the taxes in favor of a fee. It should analyze the legal basis for its approach and how it meets the principles used to defend stormwater fees in court. The Sewerage & Water Board should also justify any fee credits based on property taxes paid and explain how they would be administered. Addressing these issues will help the public to consider the merits of the Sewerage & Water Board's proposal.
- **Consider increasing the number of tiers in the stormwater fee structure for single-family residential properties with the goals of enhancing fairness and affordability without increasing the administrative burden.** The use of tiers in a stormwater fee structure can deliver greater equity and affordability compared to a single flat rate. Ensuring the basic fee structure provides adequate residential affordability is an important first step before attempting to craft relief programs. Optimizing the tiers can help limit the burden of the new fee among homeowners with limited incomes and build public trust in the fee proposal.

- **Clarify, with State legislation as needed, how the City Council should review and approve drainage funding requests, including a stormwater fee.** The council's review of future tax and fee funding requests should have at a minimum (1) independent expert analysis of funding requests, (2) opportunities for public comment, and (3) clear timelines, requirements, and criteria for evaluating and approving requests. These procedures can guide the council's initial consideration of a stormwater fee, as well as future adjustments to the fee and the drainage tax levies. An effective review process can help motivate the utility's performance and build public trust in fundng decisions.
- **Clarify, with State legislation as needed, how the City Council should provide oversight of drainage system revenue and performance, including its authority to create a citizen advisory committee to assist in those efforts.** Ongoing monitoring of drainage system performance should cover both Sewerage & Water Board and City functions and at least include (1) regular review of strategic and financial plans and reports, (2) updates on operations, and (3) regular monitoring of system performance, with goals and measurable outcomes. Granting the City Council the authority to create a citizen-led stormwater advisory committee would support the council's oversight of the utility and City departments and offices administering, spending and producing results from the fee. The combination of council and citizen oversight could help sustain public trust and engagement and help support a holistic and effective response to New Orleans' stormwater management challenges in the years ahead.

APPENDIX: NOTES ON PRELIMINARY FUNDING ESTIMATES

This appendix provides further explanation of the preliminary estimates of drainage system funding needs from the Sewerage & Water Board and the City:[86]

- BGR defines recurring as "the portion of a government's revenues that can reasonably be expected to continue year to year, with some degree of predictability."[87]
- The projected future annual cost includes operations, maintenance, direct capital expenditures, and the carrying cost of debt-financed capital projects.
- The preliminary target for the major drainage funding of $100 million to $110 million a year is similar to the spending forecast suggested by a different consultant to the Sewerage & Water Board in 2017. The consultant projected $110.2 million revenue would be required by 2025. BGR discussed those estimates in an appendix to its 2017 report, *Beneath the Surface*.
- The current property taxes for the major drainage works consist of the Sewerage & Water Board's three separate drainage millages, each named after the number of mills originally authorized in State law. Millage adjustments following property reassessments have reduced the actual number of mills levied. The three taxes are:

  (1) The 50-year "six-mill" property tax expiring in 2027 is currently levied at 4.14 mills, which is budgeted for $21.5 million in 2025.

  (2) The 50-year "nine-mill" property tax expiring in 2031 is currently levied at 6.20 mills, which is budgeted for $32.2 million in 2025.

  (3) The 30-year "three-mill" property tax expiring in 2046 is currently levied at 3.92 mills, which is budgeted for $20.4 million in 2025.
- A "roll forward," or increase, of the drainage property taxes remains an option through the 2027 tax year, when the next citywide assessment will be conducted.
- There is also $2.6 million of annual interest and other income.
- The $77 million of current revenue for major drainage covers current operating costs and debt service with little funding left over for capital needs. Operating costs include those specific to the drainage system, such as pumping station operations. They also include allocations of shared costs and services within the Sewerage & Water Board that are split among the water, sewer, and drainage systems (e.g., fleet, personnel and administrative overhead).
- Current funding for subsurface drainage represents recurring revenue budgeted by the City for the Sewerage & Water Board at the start of 2025. The budgeted funds include $10 million in recurring "Fair Share" revenue from the Infrastructure Maintenance Fund, and $3.4 million in recurring revenue from non-school zone traffic cameras. The City also budgeted one-time revenue of $1.8 million from traffic cameras and $3.7 million from American Rescue Plan Act pandemic relief funds. Through June 2025, the Sewerage & Water Board had received only $6.8 million of this $18.9 million total, with delays in receiving traffic camera and Fair Share revenue.

ENDNOTES

1 The East Baton Rouge Parish Metro Council voted in September 2022 to establish a stormwater public utility district, which could authorize a stormwater fee. However, the next month, the council voted to reject the fee proposal following public controversy. Robinson, Perry, "EBR metro council unanimously votes to delete controversial stormwater utility fee," *WAFB-TV*, October 26, 2022.

2 Bureau of Governmental Research (BGR), *Beneath the Surface: A Primer on Stormwater Fees in New Orleans*, February 2017.

3 BGR's review of the Orleans Parish Assessor's exempt property roll and homestead exemptions on the taxable assessment roll shows $2.74 billion of exempt real estate assessed value out of $7.48 billion of total 2025 real estate assessed value.

4 New Orleans City Council, "New Orleans City Council Responds to SWBNO's Proposed Rate Increase," news release, October 28, 2022 See also Castley, Drew, "New Orleanians dissatisfied with quality of life, city government, survey finds," *Verite News*, May 29, 2024. For more about the billing problems, see BGR, *Waterworks in Progress: Reassessing the Sewerage & Water Board's Governance Problems and Potential Paths to Long-Term Improvement*, May 2023, p. 19.

5 City Services Coalition, *Roadmap: Enhancing Delivery of City Services in New Orleans*, March 10, 2025, p. 25.

6 As of September 2025, the Sewerage & Water Board's citywide effort to install "smart meters" for more accurate billing had reached 90% of New Orleans. It billed on actual rather than estimated usage to 98% of its customers, compared to 74% a year earlier. Disputed bills managed by the City Council has dropped from a monthly peak of more than $6 million in November 2024 to an average of less than $500,000 per month this summer. Sewerage & Water Board, Monthly Financial Report, presented to its Board of Directors, November 19, 2025, p. 5.

7 See the responses to question 11 about stormwater fees in BGR's *Candidate Q&A* reports for the mayoral and council elections, all of which are available here on BGR's website.

8 BGR, *Waterworks in Progress*, p. 20.

9 Meadows, Jonah, "N.O. ranks as third-most 'house poor' in nation," *The Times-Picayune | Nola.com*, November 16, 2025.

10 Myers, Ben, "Construction manager warned of delays for Sewerage and Water Board power complex," *The Times-Picayune | Nola.com*, July 17, 2025.

11 Waggonner & Ball Architects, *Greater New Orleans Urban Water Plan: Vision*, prepared for Greater New Orleans, Inc., p. 25.

12 Ibid., pp. 49-64.

13 Hite, Kelly, "Study Finds Uneven Land Sinking Across New Orleans," *Biz New Orleans*, June 30, 2025.

14 This covers a wide variety of rainfall retention features, such as storage ponds, park areas that are allowed to flood or which have underground storage tanks, tree planting, bioswales, rain gardens, permeable pavement, and green roofs. Trust for Public Land, *Eco-Social and Economic Benefits of Parks and Green Infrastructure in New Orleans: Literature Review*, June 2023. For information on storage ponds, see https://iowastormwater.org/green-infrastructure/detention/.

15 Environmental Protection Agency, "Benefits of Green Infrastructure," webpage accessed February 24, 2025.

16 Waggonner & Ball Architects, *The Greater New Orleans Urban Water Plan*, prepared for Greater New Orleans, Inc., 2013.

17 Pedersen, Martin, "David Waggonner on New Orleans and the way forward after Ida," *The Lens*, October 22, 2021. See also, this "Urban Water @10" update on the 10th anniversary fo the plan.

18 In 1902, the Louisiana Legislature merged a pre-existing drainage commission with the Sewerage & Water Board, which it created in 1899. At the time, the commission's "drainage" consisted only of open and covered canals and pumping stations, either built or planned to be built. Street subsurface drainage did not exist; instead, stormwater ran into open ditches maintained by the City. It built subsurface drainage – the network of minor pipes, catch basins and manholes – later when it installed the 20th Century street grid. Sewerage & Water Board, "Opinion/Research on Responsibilities of Board as to Drainage: What Constitutes Drainage; Who is Responsible for Sub-Surface Drainage," memorandum, August 3, 1998, p. 2. See also Agreement Between City of New Orleans, Department of Streets, and Sewerage and Water Board of New Orleans, July 1, 1992. For more history about the development of New Orleans' drainage system, see Richard Campanella's article, "A look back at New Orleans' 300-year-long drainage drama," *The Times-Picayune | Nola.com*, August 22, 2018, and his

subsequent book *Draining New Orleans: The 300-Year Quest to Dewater the Crescent City*.

19 La. R.S. 33:4124, 33:4137 and 33:4147.

20 BGR, *Beneath the Surface: A Primer on Stormwater Fees in New Orleans*, February 2017, p. 7. See also, BGR, *How Has 'Fair Share' Fared? The Impact of the 2019 Deal to Increase Tourism Taxes for New Orleans Infrastructure*, September 2024, p. 25.

21 BGR, *Making the Waterworks Work: Fixing the Sewerage & Water Board's Governance Problems*, October 2011, and *Waterworks in Progress*, May 2023.

22 More than 50 inches of rain fell on New Orleans during from January to July 2024, well above the historical norm of 37.5 inches. Bubnash, Kasey, "It's been an unusually rainy 2024 in New Orleans. Is the wet weather here to stay?" *The Times-Picayune | Nola.com*, July 25, 2024.

23 La. Acts, 2024 Regular Session, No. 763, and Agreement between the City of New Orleans and Sewerage and Water Board of New Orleans for Transfer and Consolidation of Drainage Operations, City Contract No. K24-1402, January 14, 2025, (the "Subsurface Drainage Transfer Agreement").

24 Under the agreement, the City retained responsibility to complete its existing catch basin cleaning contracts, including the $10 million funded by federal American Rescue Plan Act pandemic relief funds. Information provided by the Sewerage & Water Board.

25 The Sewerage & Water Board provided preliminary cost estimates for maintaining subsurface to the Infrastructure Advisory Board at its June 13, 2024 meeting. It affirmed the estimate to BGR in 2025.

26 Subsurface Drainage Transfer Agreement, pp. 2-3. A drainage swale is not defined in the agreement, but it generally means a low-lying area designed to retain rainfall or property runoff. Such features are often considered part of green infrastructure, the broader use of public and private property to reduce flood risk at the neighborhood level.

27 BGR calculated a total of $13.8 million appropriated in the City's adopted 2025 budget for street maintenance, based on the methodology in BGR, *How Has 'Fair Share' Fared?* p. 27. The total consists of $10.5 million from the General Fund and $3.3 million from the Infrastructure Maintenance Fund (IMF). The proposed 2025 budget would have allocated another $5 million of 2025 IMF revenue to the Department of Public Works. However, the City agreed, as part of the consolidation of drainage operations, to redirect that money and all future IMF revenue to the Sewerage & Water Board to support maintenance of the minor drainage system. See discussion at the Infrastructure Advisory Board meeting, December 12, 2024. BGR's Fair Share report recommends the City replenish any revenue it shifts from Public Works' street maintenance to Sewerage & Water Board. BGR, *How Has 'Fair Share' Fared?* p. 7. BGR asked candidates for mayor and City Council in the October 11, 2025, elections how they plan to close the funding gap in street maintenance. Read their responses to our 2025 *Candidate Q&A* surveys here on BGR's website.

28 Subsurface Drainage Transfer Agreement, p. 6.

29 Myers, Ben, "FEMA grants six-month extension for New Orleans road projects: 'We live to fight another day'," *The Times-Picayune | Nola.com*, December 31, 2025. Hammer, David, "New Orleans street repair program quietly blew a $123 million hole in city finances," *WWL-TV*, November 25, 2025.

30 Subsurface Drainage Transfer Agreement, p. 5.

31 Hess, Joni, "More New Orleans City Hall employees laid off as city weathers budget crisis: 'A huge blow'," *The Times-Picayune | Nola.com*, January 7, 2026.

32 However, the City got off to a slow start in spending the grant funding, according to a 2024 federal audit. It also made flooding worse in some areas through installation problems, weed infiltration, gravel washing, and settlement. The City's response to the audit included plans to improve implementation. U.S. Department of Housing and Urban Development, Office of Inspector General, *After More Than 6 Years, The City of New Orleans' National Disaster Resilience Project Activities Had Made Little Impact on Resilience*, Audit Report Number: 2024-FW-1002, March 11, 2024.

33 For more information about these neighborhood projects, see https://nola.gov/next/stormwater-green-infrastructure/topics/projects/.

34 BGR, *On the Ballot: $510 Million New Orleans Capital Bonds, November 15, 2025*.

35 Interview with the Mayor's Office of Resilience and Sustainability, September 10, 2025.

36 Subsurface Drainage Transfer Agreement, p. 6.

37 Sewerage & Water Board, "Green Infrastructure Overview," presented to S&WB Board of Directors' Strategy Committee, March 12, 2024. The $2.5 million also covered community outreach, monitoring and maintenance. This work was considered part of complying with the federal consent decree to upgrade its sewer system, called the Sewer System Evaluation and Rehabilitation Program. Information provided by the Sewerage & Water Board.

38 Information provided by the Sewerage & Water Board.

39 Raftelis Financial Consultants, "Drainage Fee Development Updates," presentation to the Sewerage & Water Board's Strategy Committee, June 18, 2025. The Sewerage & Water Board approved the $1.1 million contract with the firm in December 2022. It is funded from the utility's portion of Fair Share revenue from tourism taxes dedicated to infrastructure. Infrastructure Advisory Board meeting presentation, March 27, 2025.

40 Information provided to the Board of Directors of the Sewerage & Water Board, June 25, 2025.

41 BGR, *Beneath the Surface*, p. 22.

42 BGR, *Waterworks in Progress*, p. 23.

43 La. R.S. 38:90.17(I).

44 Raftelis presentation, June 2025.

45 BGR estimated the tax revenue per mill by using the 2025 taxable assessed value of $5.6 billion, deducting the fees charged by the Orleans Parish Assessor and the City, and assuming a conservative 85% collection rate. A mill is one-thousandth of a dollar.

46 BGR's review of the Western Kentucky University stormwater utility survey did not identify another tax-and-fee approach. Combining a user charge with a property tax is an established approach for some water and sewer utilities. Water utilities in at least five states have used some combination of property taxes and user fees to fund their water and sewerage systems. See Utah Foundation, *Paying for Water*, October 2019. Locally, for example, Jefferson Parish has followed this approach for decades for its water and sewer systems. For more information, see BGR, *On the Ballot: Jefferson Parish Water and Sewer Taxes, March 20, 2021*

47 BGR, *Beneath the Surface*, p. 10.

48 Based on a definition in City of Raleigh, North Carolina, "Impervious Surface," webpage accessed, November 3, 2025. Impervious area can also be described as "the surface area on a parcel of property that prevents or significantly restricts the infiltration of water into the ground." Raftelis presentation, June 2025.

49 BGR, *Beneath the Surface*, p. 15.

50 The exempt real estate assessed value is $2.74 billion out of total Orleans Parish real estate assessed value of $7.48 billion for 2025. BGR analysis of 2025 assessments of tax-exempt property compiled by the Orleans Parish Assessor's Office and 2025 homestead-exempt assessed value for Orleans Parish reported by the Louisiana Tax Commission.

51 Ibid. In 2025, the Louisiana Tax Commission reported 65,720 residential properties with homestead exemptions, of which 6,194 (9%) were fully exempted. In addition, BGR identified 10,305 other exempt parcels. Based on these sources and other data from the Orleans Parish Assessor's Office, BGR identified a total of 170,415 real estate parcels citywide. This figure excludes public service and personal property.

52 The Water Collaborative, "Water Justice New Orleans," webpage accessed November 26, 2025.

53 The cities and their residential tiers included: Charlotte, North Carolina, four; El Paso, Texas, three; Gainesville, Florida., one; Lancaster, Pennsylvania, five; Portland, Oregon, three; Tulsa, Oklahoma, one; and Washington, D.C., six.

54 Raftelis presentation, June 2025.

55 On-site water storage may include underground tanks or other containers.

56 BGR notes that stormwater management plans are already required for new developments, or redevelopments of existing properties, above a certain size. The City adopted its "stormwater code" in 2018, which is part of its building code. New developments or redevelopments that are one acre or more in size, or have 5,000 square feet or more of impervious surface, must manage the first 1.25 inches of stormwater runoff on-site. For more information, see https://www.nola.gov/nola/media/One-Stop-Shop/Safety%20and%20Permits/27702-MCS.PDF.

57 BGR, *Beneath the Surface*, p. 18.

58 Environmental Protection Agency, *Funding Stormwater Programs*, April 2009.

59 *Greater New Orleans Urban Water Plan*, p. 161.

60 Ibid., pp. 162-163.

61 The Water Collaborative, Presentation to the Public Works Committee of the New Orleans City Council, June 2025.

62 See City of Houston Drainage Utility Charge FAQs.

63 See City of Houston's Verification of Drainage Utility Charge and City of Portland's Administrative Review Committee.

64 Austin, Texas, Charlotte, North Carolina, and Raleigh are examples of cities whose stormwater fee websites align with best practices.

65 See Charlotte-Mecklenburg Stormwater Services Data and Apps.

66 La. R.S. 38:90:17.

67 This finding that many cities place fees on water bills

is consistent with BGR's review in its 2017 report, *Beneath the Surface*, and research for this report. For example, cities such as Charlotte, Raleigh, Oklahoma City, San Antonio, and Washington, D.C., place the fee on water bills. For more information on stormwater fee billing and collection, see Water Environment Federation, *User-Fee-Funded Stormwater Management Programs*, 2nd Ed., 2013.

68 City of Raleigh, North Carolina, "Stormwater Fee Frequently Asked Questions," webpage, accessed December 16, 2025.

69 City of Charleston, South Carolina, "Stormwater Service Billing," webpage accessed December 16, 2025,; City of Mobile, Alabama, "City of Mobile Collecting Fees to Strengthen Stormwater Program and Improve Water Quality," August 6, 2018, webpage accessed December 16, 2025; and City of Seattle, "Drainage Rates," webpage accessed, December 16, 2025.

70 Generally, the authority to impose a lien for nonpayment of a fee is expressly provided by law. For example, State law specifically provides that security district parcel fees, which are included on property tax bills in New Orleans, are collected in the same manner as ad valorem taxes. State law also specifically provides that unpaid security district parcel fees are subject to the same penalties and procedures as unpaid ad valorem taxes. See La. R.S. Secs. 33:9091.1 et seq. While State law currently authorizes the S&WB and the City to impose a stormwater fee, it does not expressly grant authority to either to impose a lien for nonpayment of such a fee. See La. R.S. Sec. 30:90.17.

71 Beecher, Janice A., *Economic Regulation of Utility Infrastructure*, prepared for the Lincoln Institute of Land Policy, May 2013.

72 Ibid.

73 BGR, *Waterworks in Progress*, p. 22.

74 La. R.S. 38:90.17, created by La. Acts 1983, No. 696.

75 BGR, *Waterworks in Progress*, p. 40, and read BGR's comments to the task force on our website.

76 La. R.S. 38:90.17(A)(3) states: "No rate and/or service charge shall take effect unless first approved by a majority of the electors of each approving entity at the next regularly scheduled election."

77 La. R.S. 33:4096 and 33:4121.

78 BGR, *Waterworks in Progress*, pp. 30-32.

79 See El Paso Water.

80 For more information, see https://raleighnc.gov/stormwater-management-advisory-commission

81 City Council of the City of Raleigh, North Carolina, Ord. No. (2003)-537, adopted November 5, 2003.

82 For the most recent report, which explains in detail how the city is using the stormwater fee revenue, see City of Raleigh, Stormwater Management Advisory Commission, Annual Report, for the fiscal year ended June 30, 2024.

83 See https://www.swbno.org/Projects/CustomerAdvisoryCommittee

84 City of New Orleans, Office of the Mayor, Executive Order LC 19-02, August 6, 2019.

85 This is generally based on findings and recommendations regarding the Infrastructure Advisory Board in BGR, *How Has 'Fair Share' Fared?*

86 BGR compiled the preliminary estimates from the following sources: Raftelis Financial Consultants, Presentation to the City of New Orleans Drainage Consolidation Working Group, August 21, 2023, and "Drainage Fee Development Updates," presentation to the Sewerage & Water Board Strategy Committee, June 2025. Also, information provided by the Sewerage & Water Board and the City of New Orleans, BGR analysis of the Sewerage & Water Board and City of New Orleans 2025 operating budgets, and BGR Property Tax Dashboards.

87 Government Finance Officers Association, *Achieving a Structurally Balanced Budget*, February 28, 2012.

BUREAU OF GOVERNMENTAL RESEARCH
1055 St. Charles Ave., Suite 200
New Orleans, LA 70130
Phone 504-525-4152
www.bgr.org
@bgrnola