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## **BGR MEDIA RELEASE**

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### **BGR Examines the Sewerage and Water Board's Governance Problems**

Today the Bureau of Governmental Research (BGR) releases a new report that connects the flawed governance structure of the Sewerage and Water Board of New Orleans (S&WB) to key problems affecting the city's water, sewer and drainage systems.

Highlights of BGR's report, [\*Waterworks in Progress: Reassessing the Sewerage & Water Board's Governance Problems and Potential Paths to Long-Term Improvement\*](#), include:

- The S&WB's governance structure – basically, the laws and policies that guide decision making for the utility – weakens its finances, its coordination with the City of New Orleans and public accountability for both entities.
- To improve the utility's governance, BGR suggests either strengthening the S&WB as a stand-alone utility that operates separately from City government or replacing it with a municipal utility that functions as part of City government. Both options have complications that require further study, which the mayor should initiate. But inaction poses unacceptable risks to vital infrastructure systems.
- BGR also recommends several near-term solutions to improve financial sustainability, drainage system performance and S&WB-City coordination, regardless of which reform option is ultimately chosen.

BGR's report finds that the S&WB's current governance structure doesn't work effectively because it marries key features of a stand-alone utility with those of a municipal utility. "The result is a complicated web of competing interests and weak accountability that works against long-term performance," BGR President and CEO Rebecca Mowbray said. "The structure is inefficient, ineffective and ultimately to blame for many of the infrastructure problems New Orleanians experience."

The S&WB was created more than 120 years ago by the Louisiana Legislature, operates separately from City government and manages its own budget of more than \$450 million a year. But it depends on the New Orleans City Council for its funding sources, its 11-member board of directors is led by the mayor and includes a council member, and it must coordinate with the City's Department of Public Works on street projects and management of the drainage system.

This hybrid governance structure creates several significant problems with serious consequences for residents:

- It threatens the long-term financial sustainability of the city's water, sewer and drainage infrastructure. While the S&WB is responsible for operating and managing the three systems, the City Council has ultimate control over the user fees and property taxes that support them. This misalignment between operational responsibility and control over funding, combined with the lack of a formal council process for reviewing S&WB rate, tax and fee proposals, has elevated politics in funding decisions. This has resulted in historical underfunding, contributing to today's deteriorated infrastructure and shifting costs to current and future ratepayers.
- The governance structure divides responsibility for the drainage system between the S&WB and the Department of Public Works. The S&WB is responsible for the drainage system's larger pipes, canals and pumps, while Public Works is responsible for smaller subsurface pipes and catch basins. This division of responsibility impedes the performance of the whole system. This was a root cause of the 2017 flood events in New Orleans. It is also unique among 51 peer cities reviewed by BGR.
- The governance structure also hampers effective coordination between the S&WB and City government on infrastructure projects, makes it difficult to hold officials accountable, and raises concerns about the long-term effectiveness of the S&WB's board of directors. And the S&WB is governed by more than 80 Louisiana laws, giving state legislators – who often have little or no connection to New Orleans – substantial control over local water utility issues.

**To address these problems, BGR identifies two potential paths toward better governance: improve the S&WB as a stand-alone utility or replace it with a new municipal utility. BGR recommends that the mayor, as the leader of City government and president of the S&WB's board of directors, use this report to further study these reform options and how they can address current governance problems and select a path forward. The mayor should coordinate these efforts with the City Council and the S&WB, as well as seek public input.**

Strengthening the S&WB would be the easier approach to implement. Targeted reforms could improve the financial sustainability of the water, sewer and drainage systems, as well as improve drainage performance. However, other governance problems would persist, such as coordination challenges between the S&WB and City government and concerns surrounding the utility's board of directors. In addition, the Louisiana Legislature would retain substantial control over S&WB matters.

In the alternative, a municipal utility, which could function as a City department under the mayor's direction, could substantially resolve the governance problems identified in BGR's report. This includes aligning operational responsibility and funding control of water, sewer and drainage infrastructure with City government; taking advantage of the checks and balances approach to the budget process shared by the City's administration and the City Council; and streamlining infrastructure coordination and management. However, creating a municipal utility would be a complicated process and raises additional considerations, such as the City's competency, fiscal capacity and overall readiness to move forward with such an undertaking.

"Either proposed path requires careful planning to maximize its benefits and mitigate its risks, but New Orleans must choose," Mowbray said. "Inaction enables these problems to persist and worsen, diminishing the quality of life of citizens and jeopardizing the sustainability of the city."

**BGR's report also makes several near-term recommendations that can be implemented while an ultimate governance path is being determined.** Implementing some of them may require assistance from the Legislature.

- To strengthen financial sustainability, the City Council should create a formal process to objectively evaluate funding proposals for the water, sewer and drainage systems, and develop a comprehensive oversight process.
- To improve drainage system performance, the mayor, City Council and the S&WB should first work together to verify the existence and size of the funding shortfall for the entire drainage system and develop a new funding source, such as a stormwater fee. Then they should transfer the functions currently carried out by the Department of Public Works to the S&WB. This move would take advantage of the S&WB's management of the most complex parts of the drainage system, while not precluding an eventual transfer of system responsibilities to a municipal utility.
- To help achieve effective coordination for infrastructure work, the S&WB and the City should enhance their existing practices and processes to improve workflow, which could include implementing a shared information management system.

"BGR's report lays the groundwork for governance improvements that can help New Orleans achieve long-term, sustainable improvement for its water, sewer and drainage infrastructure," Mowbray said.

Visit BGR's website to [read more about this report](#).

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*BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, [www.bgr.org](http://www.bgr.org).*