



SWBNO Task Force

Summary of Issues and Path Forward

City of New Orleans

October 17, 2018

Summary of Issues to Consider

What we've heard so far...

Funding

- Board has obligation but not authority
- Drainage is historically underfunded due to millage funding
- Looming obligations (SELA)

Coordination

- Drainage system split (City/SWBNO)
- Regional duplication (Other Parishes)

Equity

- property taxpayers fund 100%; based on assessment
- Workforce and small business opportunities unrealized

Mission Creep

- Nobody responsible for groundwater / subsidence
- Green Infrastructure

Summary of Issues Not to be Considered

Things beyond the scope of this group

Summary of the PWSA Restructuring Options

Overview

The restructuring options for PWSA range from modest to extensive, and from public to private. It is fair to assume that each has their unique advantages and disadvantages for Pittsburgh's water and sewer ratepayers. The basic options are detailed below, along with a brief narrative on their attributes. They are not shown in any particular order, other than that similar options are grouped together by letter.

As the Panel reviews these options, it is important for it to separate PWSA's enormous organizational problems from the physical problems of its water and sewer system. They are two different but related issues. The latter will require more money than Pittsburgh's water ratepayers are likely to grant to any restructuring partner until the PWSA's organizational problems – governance, management, staff, systems and procedures – are addressed. Moreover, the quality of the organization – public or private – strongly influences the efficiency and effectiveness of the capital program: high-performing utilities are consistently better asset managers, with consequently lower water and sewer rates for the same level of service. Accordingly, they are more respected stewards of their ratepayers' money. Pittsburgh's water rates *will* increase over the coming decades, but the size of the increases, like the cost of the long-term capital improvement program, are not invariant. The restructuring option chosen by the Panel will make a big difference.

Summary of Issues Not to be Considered

Things beyond the scope of this group

Rebuilding public trust with the S&WB

- Billing/collections
- Customer service
- Critical infrastructure repairs
- Workforce/culture
- Communications

Power

- Capital improvements
- O&M
- Future plans

Drinking Water System

- Capital improvements
- O&M

Summary of Issues Not to be Considered

Things beyond the scope of this group

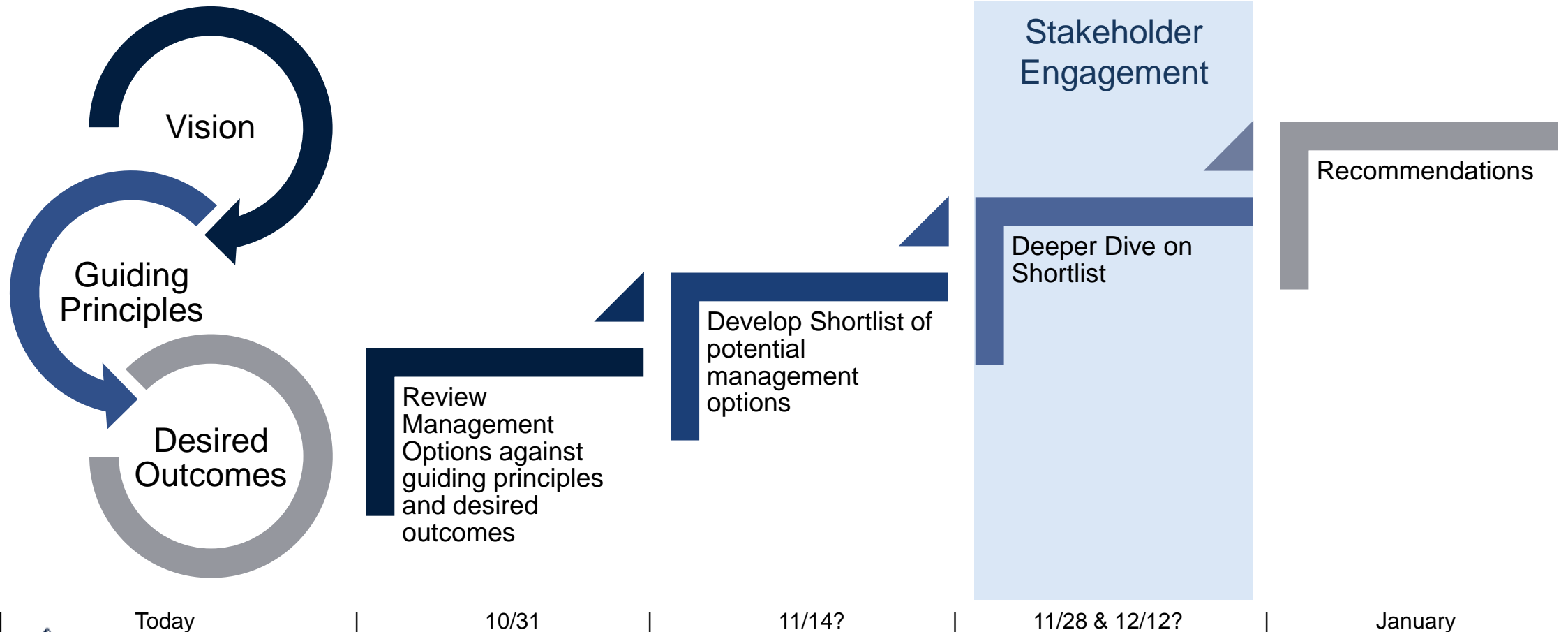
Sewer System

- Capital improvements
- O&M [Veolia runs 2 treatment plants under P3 contract]

Funding mechanisms in place:

- Enterprise funds
- Council-approved rate structure
- Bonds outstanding
- Billing on water usage

Process Outline



Vision

Our recommendations should support a long-term vision

Vision

Our recommendations should support a long-term vision

- **SWBNO:** *“To have the trust and confidence of our customers for reliable and sustainable water services”*
- **San Antonio Water System:** *“To be leaders in delivering responsible water services for life.”*
- **El Paso Water:** *“We are an international model for water resource innovation, respected and trusted by our customers for our leadership in delivering sustainable water services to a thriving El Paso community.”*
- **GLWA:** *“Through regional collaboration, GLWA strives to be the provider of choice, dedicated to efficiently delivering the nation’s best water and sewer services in partnership with our customers.”*
- **SPU:** *“Our customers will see how their utility dollars sustain and improve their quality of life.”*

Guiding Principles

*Our recommended solutions must result
in a system that is...*

Guiding Principles

Our recommended solutions must result in a system that is...

- Equitable
- Affordable
- Transparent
- Reliable
- Independent
- Resilient
- Functional
- Responsive
- Accountable
- Sustainable
- Trusted
- Durable

Desired Outcomes

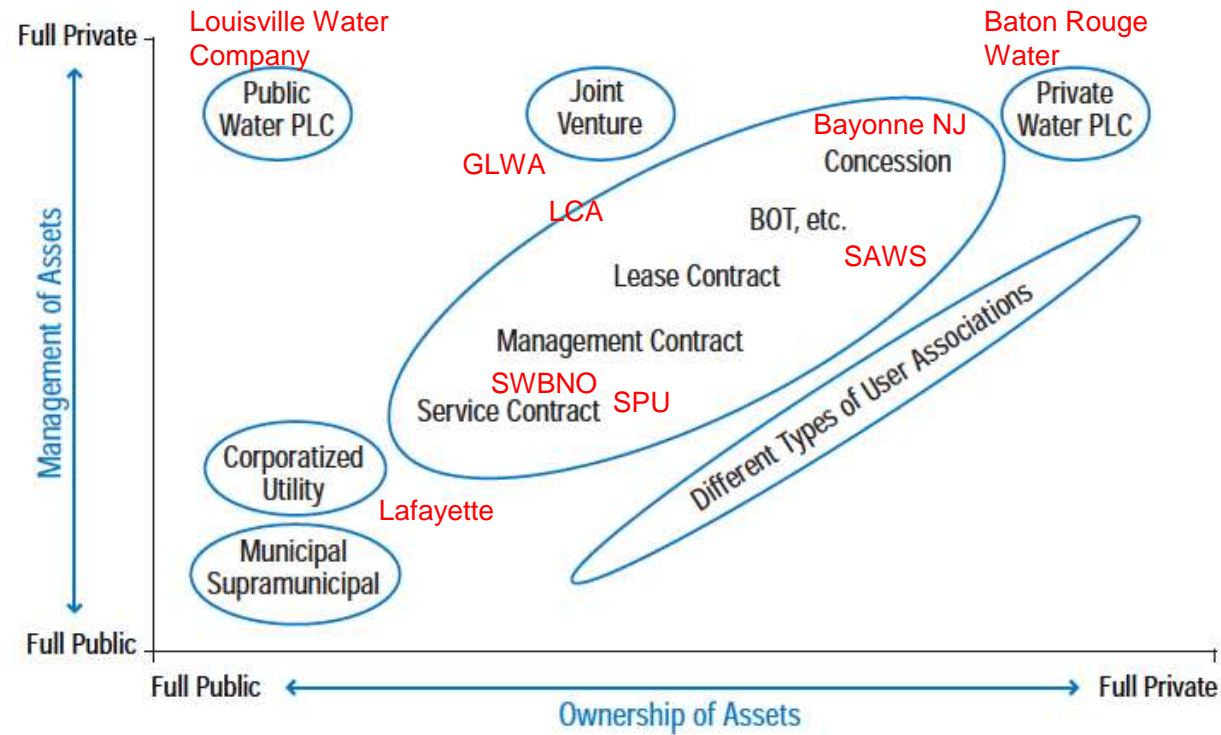
*Our recommended options should
accomplish...*

Desired Outcomes

Our recommended options should accomplish...

- Mitigation of SELA debt
- Consolidation of drainage O&M
- Groundwater assigned to S&WB
- Dedicated drainage fee—everyone pays, with considerations for affordability
- New drainage enterprise fund under S&WB
- Comprehensive implementation plan for green infrastructure (Urban Water Plan)
- Workforce and small business training programs
- Holistic approach: regional MOUs with neighboring parishes and other agencies

Clarifying “Privatization”



Source: *Beyond Privatization: Restructuring Water Systems to Improve Performance*, Wolff & Hallstein, Pacific Institute, December 2005.

Management Options

Alternatives to measure against our vision, guiding principles, desired outcomes, and legal requirements

Management Option	Legal requirements
Status quo (independent city agency)	S&WB enabling legislation—no changes
Municipal utility (consolidation of S&WB into city government)	<ul style="list-style-type: none"> LA Constitution Art. VI, §16 Consolidation requires (1) voter approval, and (2) assumption of debt. State enabling legislation and Home Rule Charter amendments also necessary.
Privately-owned utility	<ul style="list-style-type: none"> La. R.S. 33:4159.10 and Home Rule Charter governs the sale, divesture or transfer of responsibility of any S&WB facility (or portion thereof) to a nonpublic entity valued at more than \$5 million. Requires: (1) Legislative reporting on proposed plan; (2) citywide hearings; and (3) voter approval
Separate stormwater utility/enterprise fund (within S&WB, within City Hall, stand-alone, or public benefit corporation)	<ul style="list-style-type: none"> All options require amendments to state legislation and Home Rule Charter (by vote)

Management Options

Alternatives to measure against our vision, guiding principles, desired outcomes, and legal requirements

Management Option	Legal requirements
Expanded public-private partnerships (beyond wastewater)	<ul style="list-style-type: none"> • La. R.S. 33:4159.10 and Home Rule Charter governs the sale, divesture or transfer of responsibility of any S&WB facility (or portion thereof) to a nonpublic entity valued at more than \$5 million. • Requires: (1) Legislative reporting on proposed plan; (2) citywide hearings; and (3) voter approval; if less than \$5 million, PPP subject only to terms of agreement and board approval
Regional utility (water, sewer, drainage or a combination)	<ul style="list-style-type: none"> • Requires state legislative creation of a regional entity with enumerated powers and jurisdiction; S&WB could lease its operations back to a regional utility • Enabling legislation and Home Rule Charter would require amendment to reflect updated responsibilities and (potentially) governance • Some elements could be accomplished through MOUs
Public benefit corporation	<ul style="list-style-type: none"> • State law provides for the creation of a “public benefit corporation” to “finance the construction, renovation, and operation of public properties and facilities.” LA R.S. 39:1051(B). • Does not trigger privatization requirements because agency continues to be publicly-owned • Enables re-financing options, including ability to partner with private entities to “leverage additional funds not otherwise available to public entities” (with State Bond Commission Approval). La. R.S. 39:1051(E). • City owns/controls agency and appoints board • Requires amendments to state enabling legislation and Home Rule Charter (by vote)