



JOSEPH I. GIARUSSO III
COUNCILMEMBER - DISTRICT A

Office (504) 658-1010
1300 Perdido Street • Suite 2W80
New Orleans, Louisiana 70112

New Orleans City Council

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New Orleans Sewerage and Water Board
625 Saint Joseph Street
New Orleans, LA 70165

To the Sewerage and Water Board Executive Team:

This letter is written regarding La. Rev. Stat. §33:4091 (“Statute”) under which the Sewerage & Water Board (“S&WB”) is to provide quarterly reports with carefully detailed information to the New Orleans City Council. To be clear, the purpose of this letter is not to re-litigate the long-standing neglect of the utility’s infrastructure or to assign blame. This is a forward-looking exercise.¹

This Council remains, however, unanimously concerned about inefficiencies and inequities in the S&WB. We therefore demand the S&WB comply with its statutory obligations to provide information “as prescribed by the Council.” Putting aside past practice, the most recent March 13, 2018 report (“Report”) fails to abide by the letter and spirit of the Statute. Simply put, the Report’s deficiencies are indefensible and inexcusable.

The Statute’s operational reporting requirements (“Requirement” or “Requirements”) have been on the books for nearly five years – and four years before the August 5, 2017 flood. The first order of business is to restore public confidence in the S&WB. As it currently stands, severe mistrust of the S&WB directly results from terrible customer service, lack of transparency, and poor efforts to engage the public. We strongly urge several recommended improvements to mitigate some of these issues and request information on factors that have contributed to the current state of affairs. The clearest and most orderly way for the Council to re-establish agency credibility is by carefully scrutinizing each Requirement.

¹ This letter will not address contract reporting. Given the enormity and breadth of issues related to operations and the Board’s recent engagement, contracting will be considered at a future date.

This letter will be considered as the measuring stick by which all future reports should be based. The Requirements should be accurately and succinctly addressed.

(1) Standard Industry Metrics for Best Practice.

S&WB is to provide information on standard industry metrics for best practice, including but not limited to (a) percentage of water loss; (b) percentage of water paid; (c) percentage of receivables outstanding, including delinquency schedule; and, (d) customer service improvements.

Remember this Requirement asks for a bare minimum. S&WB could not even comply with that. Its cursory response of March 13, 2018 is limited to:

See attached 2016 Quality Water Report attached hereto as Attachment C, which provides a state of tap water in New Orleans including sources, treatment, benchmarks, and compliance monitoring.

What immediately jumps out at the reader? This is a quarterly report for 2018 yet the 2016 Quality Water Report itself is two years out-of-date.² In fairness to the S&WB, there is also attached a March 15, 2017 Water Audit. The 2017 Water Audit, however, only covers the years 2008-2015. The audit also contains the word “draft” in capital letters and red font at the top of the page. All of this begs the following questions:

- a) Is the 2017 Water Audit a final document or a draft?
- b) For 2016, 2017, and the first two quarters of 2018, how much water has been lost?
- c) For 2016, 2017, and the first two quarters of 2018, how much revenue was lost as a result of lost water?
- d) For 2016, 2017, and the first two quarters of 2018, how much of the water lost is due to city obligations?

² The report has a June 2017 cover letter. That cover letter is irrelevant and also outdated.

- e) For 2016, 2017, and the first two quarters of 2018, how much of the water lost is due to infrastructure issues?
- f) For 2016, 2017, and the first two quarters of 2018, how much of the water lost is attributable to meter issues?
- g) For 2016, 2017, and the first two quarters of 2018, how much water did S&WB capture as water paid?
- h) For 2016, 2017, and 2018, who were the top twenty-five biggest consumers of water and were those bills timely paid?

The last two enumerated items measuring receivables and customer service improvements are absolutely intertwined.³ S&WB's billing practices have been an unmitigated disaster. Customers routinely complain to councilmembers about untimely bills; bills for service based on estimates instead of water consumed; and, bills that are way too high. If those problems were not bad enough, they are exacerbated by failing to easily correct S&WB's own billing errors ("S&WB Billing Mistakes"). Whether trying to settle their accounts in person, over the phone, or by using the utility's website, customers face tremendous obstacles in correcting S&WB Billing Mistakes – including failure to answer the phone and convoluted procedures to appeal billing errors.⁴

Here are the choices customers face in dealing with S&WB Billing Mistakes: (1) they can pay the disputed bill of S&WB's own making (that works out great for the utility but not for the customer); (2) they can pay the usual portion of their bill leaving the disputed portion unpaid (how is that going to be resolved in the future); or, (3) they can spend time, money, and energy contesting the bill. Think about someone on minimum wage confronted with one of these choices. If they choose the first option, their ability to pay for other necessities is lost. If they choose the second option, they are no worse than before but their account sits in limbo while S&WB "addresses" it. If they choose the last option, they lose time from their job which diminishes their ability to pay for other necessities. And, those are scenarios for lower-earning customers. Effective and efficient billing management affects all

³ The absence of a lengthy discussion of S&WB receivables does not reflect a lack of interest in the subject. Providing basic business accounting is a low bar that is – or at least should be – easily met without the need for prodding.

⁴ What incentive do customers have to use the automatic bank draft function when (a) a bill is often and wrong and (b) there is no easy way to fix the bill?

customers across the board. And, ineffective and inefficient billing hurts the bottom line. If the S&WB were a for-profit entity – pun intended – it would be under water.

At a minimum, the Council requests the following information:

- a) Number of customers who pay their bills online, number of customers who pay their bills in person and/or by mail;
- b) Number of complaints over inaccurate bills and average length of time to correct;
- c) Number of customer interactions that come in online and number that come in by phone;
- d) Method and time of response to customer complaints that come in by phone and online; and,
- e) Plans for additional public engagement and marketing.

A customer's bill is the first point of contact between the ratepayer and the utility. When S&WB sends an erroneous bill without an easy way for a customer to fix the utility's mistake, customer confidence is lost. This is unacceptable. S&WB must prioritize fixing its billing and customer appeals process immediately.

(2) Prevention of Waste or Fraud.

The response of the S&WB to this Requirement is similarly unacceptable:

The Board's Internal Audit Team is charged with detecting and preventing fraud, testing internal controls, and monitoring compliance with Board policy and applicable local, state and federal laws, rules and regulations. In addition, the Board engages on an annual basis, an independent auditor to conduct a full audit of all operations.

Local news outlets have repeatedly reported on nearly half a million dollars of brass stolen from S&WB between 2013-2016. Almost as brazen as the ring of nearly 20 people stealing from the public is the generic response of S&WB to dealing with a waste/fraud problem that – from the outside looking in – appears to be widespread.

The stealing was not limited to SW&B property. S&WB employees defrauded the City and stole from every one of us when over two dozen people doctored fake handicapped tags to avoid paying parking meters. To make matters worse – which hardly seems possible under the circumstances – the S&WB refused to reprimand the employees. The conduct of the employees, the number of employees involved in the scam, and the reaction of the S&WB to this fraud is outrageous. How can the S&WB claim detecting, preventing, and monitoring applicable local laws and then turn its head the other way when an egregious violation such as this one is committed? The agency’s cavalier attitude toward waste and fraud must be immediately corrected.

We are left with little choice but to demand a forensic accounting of S&WB as well as the prophylactic and long-overdue processes and procedures the S&WB will immediately enact to identify waste and fraud and to eliminate it. The S&WB should include in its response the recommendations in the Veolia Report of March 15, 2018 (“Veolia Report”) on streamlining product inventory.

(3) Metrics for Employees and Contractors.

As with the second Requirement, the S&WB provides no back-up documentation in its general answer to this item. Below is a table with the S&WB’s answer to this Requirement along with information the S&WB should have provided:

From S&WB Report	Valid Unanswered Questions
<p>Performance metrics for employees vary by position and department. All employees are reviewed annually in accordance with Civil Service requirements. In addition, general policies and procedures regarding responsibilities of employment with the Board are set forth in the Board’s handbook.</p>	<ul style="list-style-type: none"> a) Where is the Board’s handbook and when is the last time it has been updated? b) How many employees are in the HR department and when was the last time those policies were reviewed? c) What mechanism do S&WB employees have to recommend improvements in customer service? d) What other employment policies apply to S&WB employees? e) What policies and procedures apply to employee misconduct?

	<ul style="list-style-type: none">f) Is the residency requirement an impediment to hiring enough S&WB employees?g) S&WB has 1,615 budgeted positions. The last report showed the S&WB had lost between 400-600 employees. How many people are currently employed by the agency?h) Losing that many employees did not happen overnight. When did this start?i) What concrete policies and procedures does S&WB have in place to stem attrition and to attract new employees?j) If nearly 47% of the operating budget is for employee salaries and a large fraction of positions are unfilled, what is happening to the money budgeted for employee salaries?k) What happened to the money budgeted for employee salaries not used for employees over the last five years?l) What steps has the agency taken to change/modify job descriptions?m) Who is studying whether certain jobs be changed, modified, reduced, or eliminated in order to pay higher wages?n) What is the plan to change, modify, reduce, or eliminate certain jobs in order to pay higher wages?o) Is the call center understaffed? If so, why?p) What is the process a citizen must go through to appeal (dispute) their water bill?q) Who is responsible for hearing appeals?r) Who is the final authority to say that a water bill can be adjusted?
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	<ul style="list-style-type: none">s) If water usage spikes beyond normal usage for the meter, is there a mechanism in place to trigger an automatic review?t) Who is responsible for maintaining the payment function of the website?u) How many employees are reading meters? Do we need more employees? Would installing smart meters resolve this problem?v) Are there enough employees to help with appeal of S&WB bills?w) How much overtime is S&WB paying to employees and is that payment necessary if the organization was rightsized?x) What training do employees receive on operating old equipment and new technology?y) How many S&WB employees are eligible for retirement?z) Of those retirement eligible, what is the succession or replacement plan for those employees?aa) What standard operating procedures have been given to employees to implement optimum operation of equipment?bb) What standard operating procedures have been given to employees to develop a critical spares program?cc) What standard operating procedures have been given to employees to develop and implement failure management policies to maintain system assets?dd) What is the funded ratio of your pension system?
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(4) Benchmarks Of Success Between S&WB and DPW.

The S&WB letter does not specifically identify any benchmarks, instead incorporating by reference a DPW-S&WB “summary,” appended to the S&WB letter as Attachment D (“Summary”). While the Summary is a high-level review of the \$2.4 billion to be spent on infrastructure, the document fails to answer the Requirements in a number of material respects.

First, the Council is aware of the agreement between the DPW and the S&WB of July 1, 1992 (“1992 Agreement”). It is unclear, however, whether the 1992 Agreement still controls the relationship between the DPW and the S&WB. Is the Agreement still valid or has another agreement superseded it? If the former, please be prepared to discuss the 1992 Agreement – including but not limited to the following questions: (a) where is the manual of procedures and standards under Article III and when was it last updated; (b) have the DPW and the S&WB complied with all of the terms and conditions in the 1992 Agreement; and, (c) is a new agreement needed. Please produce all documents responsive to these questions.

Second, instead of a Summary, the S&WB needs to detail the concrete steps taken to ensure successful coordination with the DPW. Discussion and explanation of improved processes and inefficiencies resulting in high performance and cost control (and even reduction) are paramount.

(5) Report On Efficiency & Effectiveness of Information Systems and (6) Detailed Report on System Improvements

A number of systems require scrutiny. Online platforms (web, etc.) must be enhanced to better serve the public in a more user friendly manner. All regularly scheduled meeting dates should be posted on your website. For example, as the S&WB Board meetings, which occur on the third Wednesday of every month, an annual calendar should be posted, allowing for modification should one be necessary.⁵ Similarly, dates for upcoming committee meetings, that have a standing schedule, should be posted. Currently no future meetings are posted as of May 8, 2018. Community meetings to engage the public on issues are also not posted. In

⁵ Board of Directors meetings must be more accessible to the public. We urge and request that meetings be held in a more accessible room and building. Numerous media stories have focused on the parking issues around the SWB building on St. Joseph Street. We suggest you strongly consider moving Board of Directors meetings to City Council Chambers where meetings could also be streamed live.

fact, the last community meeting posted was in 2016. There are no future community events on the calendar as of May 10, 2018.

In addition to the website, other parishes (including Jefferson) use supervisory control and data acquisition (“SCADA”) to automate their operational systems. The benefits of SCADA include reduced operational costs, proactive system management, elimination of manual recordation of readings and paper, and increased efficiency. Where does the S&WB stand on using and implementing SCADA to increase its productivity and reducing costs?

According to the Veolia Report, the S&WB must update its operating systems as follows: (a) updating electronic maintenance management systems, (b) tracking information and workflow, (c) ensuring alignment of GIS data with the DPW (*See*, Section 4 above), (d) creating/updating intranet reporting system; (e) maintaining a digital document system; and (f) improving system visibility. If S&WB challenges the findings in the Veolia report, where is that response and information/data supporting the agency’s conclusions? It would seem to an outsider with the massive loss of personnel that focusing on updating electronic and computer systems would be essential to manage information flow and workforce reduction.

(7) Detailed Reports on Assessment and Status of Operational Reforms, Capital Improvement Programs, and Service Assurance Programs.

Most of the critical service assurance issues have been raised above. In fairness, the S&WB has made significant capital progress with the erection of the water towers. Please let us know whether the water towers are on schedule and on budget.

The unanswered questions involve capacity.⁶ As the Veolia report points out, “[a]lthough the availability status of pumps and generators have been accurately communicated to the public, the capability of much of the equipment is in a degraded state, which compromises safety margin and escalates risk of failure.” It is possible this claim is overstated or even completely overblown. Without a response from S&WB, there is only one side to the story and that one specifically details problems

⁶ Discussion of green-infrastructure capital improvements is also warranted.

with the collection system⁷; power generation⁸; power distribution;⁹ and, the drainage pumping station.¹⁰ The “Findings & Recommendations” section of the Veolia Report catalogues with specificity problems with power distribution and drainage capacity issues. In the interest of transparency, S&WB is expected to respond to all capacity data raised in the Veolia report. Hurricane season is looming. We need to know how our systems will perform whether challenged with the usual summer thunderstorm or an Act of God.

Conclusion

Our purpose is not to scare the public or unnecessarily berate the S&WB. Instead, on behalf of all S&WB customers, we want a full and public accounting of information to which the Council is entitled. To that end, please ensure the appropriate S&WB personnel with knowledge and expertise with the foregoing Requirements are prepared for the Council’s June Public Works Committee meeting.

Sincerely,

Joseph I. Giarusso, III
Councilmember, District A

Jared C. Brossett
Councilmember, District D

Jay Banks
Councilmember, District B

Cyndi Nguyen
Councilmember, District E

Kristin Gisleson Palmer
Councilmember, District C

Helena Moreno
Council Vice President

Jason Rogers Williams
Council President

⁷ According to the report, catch basins, pipes, box canals, and open canals “reveal a diminished capacity of 16%, 27%, 22%, and 14% respectively. See Veolia Report at pp. 6-7.

⁸ See, e.g., Table 1 of Veolia Report at pp. 7-8.

⁹ Based on Veolia’s work, 30/35 cables either completely failed or partially failed testing and 5/35 cables passed testing. Testing could not be performed on 10 other cables. Report at pp. 8-9.

¹⁰ Table 3 in the report identifies nearly 90 major equipment issues. Veolia Report at p. 11.