

February 28, 2023

Mr. Ghassan Korban  
Executive Director  
625 Saint Joseph Street Room 237  
New Orleans, LA 70165

Re: SWBNO Delinquent Accounts and Collection Efforts

Dear Mr. Korban,

As you are aware, the mission of the New Orleans Office of Inspector General (OIG) is to prevent and detect fraud, waste, and abuse and promote efficiency and effectiveness in the City's programs and operations. The OIG provides an independent and objective assessment of government policies, programs, and operations by conducting audits, evaluations, and investigations. The purpose of this letter is to discuss uncollected payments owed to Sewerage and Water Board of New Orleans (SWBNO), especially in light of the agency's stated desire to raise customer rates.

In February 2022, SWBNO officials discussed money owed to the agency with members of the New Orleans City Council during a presentation before the Council's Public Works Committee.<sup>1</sup> At that time, Council members questioned SWBNO representatives about \$127M that was owed but uncollected from delinquent accounts as of December 2021. Utility officials recognized that the large amount of money in accounts receivable was definitely an issue.<sup>2</sup> By November 2022, SWBNO reported in its quarterly report that the figure had risen to \$152M.<sup>3</sup> This figure was associated with roughly 50,000 accounts, half of which were inactive and sent to collection agencies.<sup>4</sup>

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<sup>1</sup> New Orleans City Council Public Works Committee, New Orleans, Louisiana, February 24, 2022, accessed January 18, 2023, [https://cityofno.granicus.com/MediaPlayer.php?view\\_id=42&clip\\_id=4028](https://cityofno.granicus.com/MediaPlayer.php?view_id=42&clip_id=4028).

<sup>2</sup> *Ibid.*, at 54:45.

<sup>3</sup> *Third 2022 Quarterly Report to the Public Works Committee* (New Orleans: Sewerage and Water Board of New Orleans, 2023), 5, accessed December 20, 2022, <https://www.swbno.org/Reports/Board>.

<sup>4</sup> *Monthly Financial Report to the Finance and Administration Committee* (New Orleans: Sewerage and Water Board of New Orleans, 2023), 10, accessed January 17, 2023, [https://www2.swbno.org/documents/meetings/packets/packet\\_2084.pdf](https://www2.swbno.org/documents/meetings/packets/packet_2084.pdf).

Over the last several years, SWBNO has experienced multiple well publicized issues regarding customer billing, resulting in numerous customer complaints of unusually high or faulty bills. Errors have been blamed on a range of issues, including new billing software, an over-reliance on estimated bills, and lack of training for employees.<sup>5</sup> At the behest of the City Council in 2018, SWBNO extended a moratorium on shut-offs while it attempted to correct the billing issues.<sup>6</sup> Shut-offs were eventually resumed in that instance, but a moratorium was temporarily issued again from March 2020 to July 2021 due to the COVID-19 pandemic.<sup>7</sup> However, according to utility officials, only a small proportion of SWBNO's active 138,476 accounts were in dispute, and billing disputes were not associated with the money that had gone uncollected.<sup>8</sup>

Yet, despite SWBNO's failure to collect millions of dollars from delinquent accounts, the utility is in the process of considering a rate hike for customers.<sup>9</sup> The agency's website states that SWBNO may suggest an increase between 3%-6% of the current rate. This would raise a minimum of \$160M, purportedly to cover the cost of long-deferred capital projects.<sup>10</sup> It is clear that SWBNO could also raise the same revenue by collecting the money currently owed from delinquent accounts.

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<sup>5</sup> Jeff Adelson, "More than 26,000 New Orleans Water Bills Challenged since S&WB went to New System," *Nola.com*, May 8, 2018, accessed February 6, 2023, [https://www.nola.com/news/more-than-26-000-new-orleans-water-bills-challenged-since-s-wb-went-to-new/article\\_fbf3a39b-ae23-5ab7-86ec-51f9ef76a356.html](https://www.nola.com/news/more-than-26-000-new-orleans-water-bills-challenged-since-s-wb-went-to-new/article_fbf3a39b-ae23-5ab7-86ec-51f9ef76a356.html); Jeff Adelson, "Fix Sewerage and Water Board Billing Problems, New Orleans City Council Members Urge," *Nola.com*, March 19, 2021, accessed February 6, 2023, [https://www.nola.com/news/politics/fix-sewerage-and-water-board-billing-problems-new-orleans-city-council-members-urge/article\\_c9ecd57c-883b-11eb-bc61-0f9464690373.html](https://www.nola.com/news/politics/fix-sewerage-and-water-board-billing-problems-new-orleans-city-council-members-urge/article_c9ecd57c-883b-11eb-bc61-0f9464690373.html); Ben Myers, "S&WB Inks 'Smart Meter' Contract It Says Will Solve Water Billing Woes," *Nola.com*, December 14, 2022, accessed December 15, 2022, [https://www.nola.com/news/politics/swb-inks-smart-meter-deal-to-fix-water-bill-woes/article\\_2065a3ee-7bd7-11ed-88b6-f3574219ec9e.html](https://www.nola.com/news/politics/swb-inks-smart-meter-deal-to-fix-water-bill-woes/article_2065a3ee-7bd7-11ed-88b6-f3574219ec9e.html).

<sup>6</sup> Andrew Vanacore, "New Orleans Council, unanimous to S&WB: Don't cut off customers' water in 'middle of crisis'," *Nola.com*, July 24, 2018, accessed February 23, 2023, [https://www.nola.com/new-orleans-council-tells-s-wb-dont-cut-off-customers-water-in-middle-of-a/article\\_153faba9-7d78-5dc3-ab6e-53f197e12b4e.html](https://www.nola.com/new-orleans-council-tells-s-wb-dont-cut-off-customers-water-in-middle-of-a/article_153faba9-7d78-5dc3-ab6e-53f197e12b4e.html).

<sup>7</sup> Sewerage and Water Board of New Orleans, Press Release, "Sewerage and Water Board Suspends Water Service Shut-Offs, Will Work to Restore Water Service to Customers Who Have Been Disconnected," March 12, 2020, accessed January 19, 2023, <https://www.swbno.org/PressReleases/Details/3579>; Interview with Sewerage and Water Board officials, January 27, 2023.

<sup>8</sup> *Monthly Financial Report to the Finance and Administration Committee*, 3.; Interview with Sewerage and Water Board officials, January 27, 2023.

<sup>9</sup> Sewerage and Water Board of New Orleans, News and Events, "Financial and Customer Affordability Program Study," October 27, 2022, accessed on January 10, 2023, <https://www.swbno.org/Article/Details/financial-customer-affordability-program-study>.

<sup>10</sup> *Ibid.*

It cannot be dismissed that one major factor complicating SWBNO's ability to collect money owed is customers' lack of faith in the accuracy of bills. However, we recognize additional problems SWBNO has faced in trying to collect on delinquent accounts. As stated above, roughly half of the delinquent accounts are closed and have been sent to third party collections agencies. Utility officials reported to the OIG that these collection efforts generally result in recovering 2%-3% of the debt owed. Officials further stated that the only real mechanism available to force customers to pay their bills is to enforce shut-offs, a practice not favored by customers or the City Council. Conversely, moratoriums on shut-offs drive the utility further into a financial hole, one for which customers will ultimately be responsible.

While the decision of whether to propose a rate increase was slated to be discussed by SWBNO's Board of Directors in January 2023, utility officials stated the matter was placed on hold as the utility continues to study the feasibility of the rate increase and collect stakeholder input through its Financial and Customer Affordability Program study.<sup>11</sup> The City Council, however, has expressed opposition to any rate increases until billing issues have been resolved.<sup>12</sup>

The OIG does not take a position on whether rate increases will ultimately be needed to cover the cost of capital projects. However, in the interest of fiscal responsibility to the public, the OIG recommends SWBNO delay any request for a rate increase until the utility has made every attempt to recover monies validly owed to it. Further, SWBNO should utilize the tools currently at its disposal, and those in development, to increase customer confidence in the accuracy of bills prior to pursuing a rate increase. For instance, SWBNO has announced the upcoming installation of smart meters across the city, which should greatly increase billing accuracy and decrease the utility's dependence on estimated bills. According to SWBNO officials, these new meters will also result in swifter resolution of any billing disputes due to the technology's ability to provide instant re-reads of meters.<sup>13</sup>

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<sup>11</sup> Sewerage and Water Board of New Orleans, "Financial and Customer Affordability Program Study"; Interview with Sewerage and Water Board officials, January 27, 2023.

<sup>12</sup> City Council of New Orleans, news release, "New Orleans City Council Responds to SWBNO's Proposed Rate Increase," October 28, 2022, accessed January 4, 2023, <https://council.nola.gov/news/october-2022/new-orleans-city-council-responds-to-swbno%E2%80%99s-propo/>.

<sup>13</sup> "Smart Metering: Progress Toward More Accurate Bills," Sewerage and Water Board of New Orleans, last modified December 14, 2022, accessed January 30, 2023, <https://www.swbno.org/Projects/SmartMetering/>; Interview with Sewerage and Water Board officials, January 27, 2023.

SWBNO should also take advantage of the City Council's new dispute resolution process. The City Council adopted a new ordinance in December 2022 that gives the Council expanded authority to oversee SWBNO's dispute resolution process.<sup>14</sup> Under the new ordinance, customers have the right to appeal the outcome of SWBNO's dispute resolution process directly to the City Council. SWBNO should inform customers of this added layer of oversight, as it would ease concerns among customers and the City Council regarding unwarranted shut-offs and collection attempts. Once implemented, these combined efforts should assist in increasing customer confidence in the accuracy of bills.

The SWBNO is an essential component of not only the critical infrastructure of our city, but also the health and safety of citizens. It is imperative that the utility garners confidence among the population it serves that operations are both fiscally responsible and fair. Therefore, it is the recommendation of the OIG that SWBNO should utilize every effort to increase the accuracy of bills and collect on delinquent accounts prior to recommending a rate increase for customers across the city.

Respectfully,

A handwritten signature in blue ink that reads "Edward Michel". The signature is written in a cursive style with a small dot above the letter 'i' in "Michel".

Edward Michel, CIG  
Inspector General

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<sup>14</sup> Ordinance No. 29278 M.C.S. codified City Code Sections 159-2 to 159-5, December 15, 2022.