



"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21ST CENTURY"

Sewerage & Water Board of NEW ORLEANS

LATOYA CANTRELL, PRESIDENT

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May 8, 2018

The Finance and Administration Committee met on Tuesday May 8, 2018 in the S&WB's Second Floor Board Room located at 625 St. Joseph Street, New Orleans, LA. The meeting convened at approximately 10:00 A.M.

Present:

Director Joseph Peychaud
Director Dr. Tamika Duplessis
Director Eileen Gleason
Director Ralph Johnson

Absent:

Director Stacy Horn Koch

Other Board Members Present:

Director Lynes Sloss
Director Robin Barnes

Interim Executive Director Marcie Edwards requested that the Executive Session be moved to the end of the meeting. Director Eileen Gleason moved to have Executive Session placed at the end of the meeting. Director Dr. Tamika Duplessis seconded. The motion carried.

The Interim Director also requested to have an item added to the agenda. Director Ralph Johnson moved to add a presentation on the billing system to the agenda. Director Gleason seconded. The motion carried by a unanimous vote.

Due to the change in the Committee meeting date, Director Stacy Horn Koch could not be in attendance. On behalf of Director Koch, the Interim Director asked that the report from staff on Change Orders and Contract Amendments not be presented until the next Finance and Administration Committee meeting so that Director Koch could be in attendance. The Committee complied with her request.

Director Lynes Sloss and Director Robin Barnes were also in attendance.

ACTION ITEMS:

Item 1

General Superintendent's Recommendations

Bids:

- **R-065-2018 – Contract #2130 – Water Main Point Repairs, Water Service Connection, Water Valve and Fire Hydrant Replacement at Various Sites throughout Orleans Parish**
- **R-064-2018 – Contract #2131 – Installation of New Water, Sewer and Drain Service Connections at Various Sites throughout Orleans Parish**
- **R-058-2018 – Contract 30102 – DPS 17/Station D Structural Repairs**
- **R-057-2018 – Contract #30109 – Installation of Micropiles and Caps; Installation of Reinforcement and Concrete Sidewalk and Slab Repair; and all Ancillary Items of Work Including Cutting, Removals, Patching, Temporary Shoring and Site Restoration Necessary for Proper Installation of the Improvements and Protection of Adjacent Structures**

Director Gleason was concerned about the discrepancy in the low bid of \$1.7 million and the estimated amount of \$825,000 for Contract #30109. Chief of Engineering, Ron Spooner, responded to her question. He said that our engineers underestimated the bid; however, the General Superintendent is recommending approval to move forward with this bid because this is one of the critical repairs that we need to get done.

Director Ralph Johnson moved to accept the General Superintendent's Recommendations in global. Director Dr. Duplessis seconded. The motion carried.

Contract Final Acceptance

- **R-043-2018 – Contract #30002 – Restoration of Existing Gravity Sewer Mains Damaged by Hurricane Katrina by Excavation and Replacement from Manhole to Manhole, CIPP Lining from Manhole to Manhole and Point Repairs at Various Sites throughout Orleans Parish**

Director Ralph Johnson moved for acceptance of R-043-2018 for Contract #30002. Director Dr. Duplessis seconded. The motion carried.

Item 2

Change Order(s) & Contract Amendments

- **Resolution (R-059-2018) Approving Contract Amendment No. 6 to the Agreement between the Sewerage and Water Board of New Orleans and Stanley Consultants INC. for Design and Engineering Services for Water Hammer Hazard Mitigation Program**

Mr. Ron Spooner stated there was additional work given to the consultant by the engineering staff that was considered out-of-scope. This amendment is in the amount of \$578,967.65 to perform additional out-of-scope work associated with the additional electrical design that had to be done at the Claiborne tower. The request was initiated by the engineering staff due to unforeseen conditions that they ran into in the field. They had to do some redesign around those conditions in addition to the additional construction inspection activities at our request.

Director Duplessis wanted to know why a contract amendment was used for an out-of-scope change as opposed to a re-bid or some other mechanism. Mr. Spooner explained that they could not re-bid this quantity due to the original specifications. Once they started digging in the field, they ran into some obstacles. The electrical component had to be redesigned around that obstacle. To have a re-bid would pretty much bring the whole contract to a halt.

Director Gleason asked for clarity on the Previously SWBNO-Approved Change Order in the amount of \$205,018.70. Mr. Spooner said that the construction Change Order had been approved. This amendment, however, is for the design fees associated with that Change Order. Mr. Chris Bergeron also provided information on this matter.

Interim General Superintendent Bruce Adams and staff will give a presentation on Change Orders and the process at the June 2018 Finance and Administration meeting.

Mr. Bergeron stated that Contract Amendment No. 6 with Stanley Consultants, Inc. was dated 1/18/2017 and was signed 4/04/2017. It was supposed to be on the August 2017 Agenda, but other matters took precedence.

Item 3 Resolution (R-066-2018) Approving Amendments to 2018 Operating Budget

In the February 2018 Board meeting, Interim Executive Director Marcie Edwards had some concerns with the budget that had recently been approved. As a mitigation measure, she suggested bringing back to the Board a specific curtailment to bring our expense curve more in line with our revenue curve and other issues. The executive team made the decision to reduce the Operations and Maintenance Budget from approximately \$232 million to \$217 million. The majority of those reductions came from reductions in the personnel budget.

Ms. Marina Kahn, CFO, stated that they reduced approximately 200 positions by submitting an attrition factor because those positions could not be filled immediately. Only vacancies were a part of the reduction. There were no layoffs. Ms. Kahn also stated that they had projected a 10% increase in water and sewer revenue but only achieved 6%, while at the same time, expenditures are up. The team looked at other areas where curtailments could be made. Thus, the sum total of reductions is \$15.4 million.

Director Dr. Tamika Duplessis moved to accept R-066-2018. Director Eileen Gleason seconded. The motion carried.

Item 4 Resolution (R-067-2018) Approving the Louisiana System Survey and Compliance Questionnaire

Ms. Marina Kahn stated that the Louisiana State Legislative Auditor requires that a completed Louisiana Systems Survey and Compliance Questionnaire be approved and signed by the Sewerage and Water Board. All Board members have completed their questionnaires and returned them to S&WB.

Director Eileen Gleason wanted to see the completed document before being asked to approve it. Interim Special Counsel Jade Brown-Russell informed Director Gleason that the Board members would receive the completed questionnaire prior to the Board meeting.

Ms. Kahn stated that the State Legislative Auditors would be in attendance at the Audit Committee meeting. Ms. Brown-Russell recommended that the Committee defer this item to the full Board and then the Audit Committee could amend their agenda to include the Louisiana Systems Survey and Compliance Questionnaire. The Audit Committee meeting followed the Finance and Administration meeting.

Director Ralph Johnson moved to defer R-067-2018 to the full Board for consideration. Director Dr. Tamika Duplessis seconded. The motion carried.

PRESENTATION ITEMS

➤ **Interim Executive Director's Presentation on Billing**

- **Agenda**
- **Timeline of Major Events**
- **Billing Irregularities**
- **Complaint Process**
- **Status of Billing Investigations**
- **How We've Improved**
- **How We're Moving Forward**
- **Public Tracking Dashboard for Billing Disputes**
- **Engaging Outside Help**
- **Long-Term Recommendations**

The S&WB Billing Taskforce, in collaboration with reps from Revenue Administration, Information Systems, and Finance Departments, are working toward solutions to the major challenges: the new billing system, a large number of billing errors, and leaks related to the Hard Freeze leading to the high bills for customers. A chart showing the complaint process will be made available to everyone. Billing issues are impacting a little over 7%. We'd like to drop that to 3%-5%.

We've hired 20 temporary reps to work on the backlog of high bills. We've also hired 20 new meter readers, bringing the total to 41. Last year we had less than 25. The more meter readers there are, the more actual readings are being taken. Ultimately, we want to get to staffing level where we're physically reading every meter every month. Salaries for meter readers and some Customer Service positions have increased. That is significant because it was the high turnover that was contributing to issues associated with staffing in Meter Reading and Customer Service.

Moving forward, we've set a goal to cut open investigations in half in the next six weeks. Cogsdale will make adjustments to the billing software and provide more training. An online public dashboard is ready to roll out so that communication with our customers improves. Two new teams have been created in Customer Service to handle routine billing investigations and billing irregularities that need extra review. There are plans to hire 10 more inspectors and 11 more billing clerks and to make improvements to the S&WB website. Late fees have been suspended.

Our outside help includes Blue Drop, a nonprofit consulting arm of DC Water that will teach customer management and Water Company of America that will locate customers who may not be receiving bills for all services provided to them by the S&WB. We will also acquire complaint management software from Verint Systems Inc. which, hopefully, will be integrated by the end of 2018. Blue Drop is brought to us by the local business council. There is no charge for their services. The Water Company of America is paid on a contingency basis, getting a small percentage of whatever they find.

Long-Term recommendations include the following: developing policies and procedures to operate new billing system; establishing policy to update customers on status of their bill investigations; revamping meter installation process to reduce installation errors; streamlining meter reading routes to improve efficiency.

Overall, the Interim Executive Director said that the billing situation is not as troublesome as once thought and that progress is being made. Our communication tools are improving. We are using Internet-based tools as well as getting assistance from the media to get the word out. The Interim Director even suggested going out to community groups and any interested parties that want to talk about the impact. She also stated that we could look at including information as bill stuffers for customers who don't have access to the Internet. Director Gleason suggested using "The Open Door" series of websites to get the word out. We could do an FAQ and publicize that. Director Robin Barnes suggested having a day when the S&WB is at the library where the public can ask questions and get honest answers. The day could be advertised. Director Barnes complemented the Interim Director on putting together a very well thought out presentation. We will be tracking the outreach.

Director Gleason asked about the number of administrative hearings that were held. Ms. Brown-Russell stated that the hearings are held on an ongoing basis; however, the information would be provided.

Director Johnson wanted to know how the estimated bill works and to get clarification on the flat rate formula. The Interim Director stated that the change was made to use a flat rate in the last two weeks. It is designed to help manage the lack of predictability of the bill. If a bill shows more than 125% of the customer's historical usage, the software will automatically default to the flat rate so that the bill doesn't go up and down. The Interim Director also recommended that we continue with the no shut-off on disputed bills policy until the backlog of bills is reduced. The billing system will be routinely reported on.

➤ January 2018 Statement of Revenues and Expenses

Ms. Marina Kahn gave the report on revenues and expenses. She stated that there is a 6% increase in revenue, but we actually predicted a 10% increase. Hopefully, as billing improves, revenue will increase. However, consumption has changed, so that will impact our collection. The big problem is that our expenses are up 19% for January and February of this year due to issues such as the Hard Freeze, overtime and emergency expenses. That is the trend which is something we need to keep track of in order to predict what's going to happen at the end of the year.

On the non-operating revenue, there was a delay in receiving our millage collections. However, we did receive them in March and we're now on schedule. When the March report goes out in June, we'll have a better idea of where we stand regarding our revenues and expenses.

Director Gleason wanted some clarification on the significant increases for Operations and Special Counsel. Mr. Ron Spooner stated that per the General Superintendent, they are currently bringing the system back to a stable platform. Ms. Brown-Russell stated that the Special Counsel's Office has been hiring to bring staff back up to the level where it was previously, hiring attorneys as well as paralegals.

Mr. Joseph Sensebe stated that they're making sure that they're not only capturing cost incurred to date but are also forecasting what the cost will be at the end of construction so that those dollars can either be budgeted for or adjustments in the scope can be made so that we can stay within the budget.

➤ Legislative Update

Interim Special Counsel Jade Brown-Russell gave the legislative update. There are currently four bills in the legislature, none of which have been approved by the legislature.

- SB 227 – A piece of legislation that proposes to make amendments to the structure of the Board. We're working very closely with our lobbyist, Rodney Braxton of Southern Strategies, located in Baton Rouge, to ensure that any changes to the bill are in the best interest of the Board.

Director Peychaud asked that the Committee be informed via email regarding the status of the bill.

Director Lynes Sloss inquired as to the Board's position. Ms. Brown-Russell stated that the Board's position has been that we don't dictate the composition of the Board; nevertheless, we are looking for any negative impacts from the proposed changes to the bill. Mayor Cantrell's team has been integral in the process.

- HB 867 – This bill is not moving forward because it was withdrawn.
- SB 94 – This bill is not specific to the S&WB but would have an impact on S&WB and other municipal and state agencies that have contractors. The bill proposes that a public entity is liable for interest charge at 0.5%, not to exceed 15%. The bill has been recommended to the Appropriations Committee.
- House Resolution 92 – This is a request for a legislative auditor to do an audit on our contracts. It is currently stalled. However, we have been working closely with the Legislative Auditors. They are working on an advisory opinion for us that would be very helpful to us in shaping some of our policies and procedures.

PUBLIC COMMENT

Mr. Matthew Ward with The McDonnell Group, LLC addressed the Committee regarding the status of the funding for R-058-2018 (Contract #30102). Mr. Ron Spooner stated that funding is in place for The McDonnell Group, LLC to construct the project. Mr. Ward was satisfied with Mr. Spooner's response.

EXECUTIVE SESSION

- **Daniel Watts, et al. v. Darryl Lewis and Sewerage and Water Board of New Orleans, et al., Civil District Court Orleans Parish, Case No.: 2015-06770, Division N**

Director Eileen Gleason moved to go into Executive Session. Director Dr. Tamika Duplessis seconded. The motion carried.

Director Gleason moved to leave Executive Session and return to Regular Session. Director Dr. Duplessis seconded. The motion carried.

Interim Special Counsel Jade Brown-Russell stated that there was no action taken in Executive Session.

Director Dr. Duplessis moved to accept counsel's recommendation. Director Gleason seconded. The motion carried.

ANY OTHER MATTERS

Director Peychaud expressed some concern that the Monthly HR Activities Report was no longer a verbal report but was included in the packet for information only. Interim Director Edwards had a recommendation. She offered that since the HR presentation is in the packet, the Committee should look over last year's hiring and the totals; then, have a discussion about the constraints and why we are so slow to hire. A lot of the issues stem from our own internal problematic changes. However, it would be a good idea for staff to talk about and surface those barriers so that the Board can do better.

Director Barnes suggested having a quarterly presentation similar to the billing presentation presented earlier in the meeting that somewhat lays out the issues and what strategies we're addressing, since it's such a high priority/critical issue.

Director Dr. Duplessis requested that the Committee be alerted if there are any major changes or major updates in the HR report, regardless of when the HR presentation is given.

Director Peychaud asked if the hiring issues could be addressed at some point.

The Interim Executive Director also gave a Civil Service update. After having gone through the Phase 1-3 adjustments for salaries, there was still a group at the end that, because they were common to the City classes, the City wanted to perform its own Class/Comp Study. The study has been completed, and Civil Service has made adjustments that favorably impact the Sewerage and Water Board. Our employees should start seeing those adjustments on their May 18, 2018 paychecks.

INFORMATION ITEMS:

Information items were received.

ADJOURNMENT:

There being no further business to come before the Finance & Administration Committee, the meeting ended at approximately 11:25 A.M. .

Respectfully submitted,

Joseph Peychaud, Chair