THE U.S. CONFERENCE OF MAYORS – MAYORS WATER COUNCIL

# Trends in Local Government Expenditures on Public Water and Wastewater Services and Infrastructure: Past, Present and Future

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## e. Reducing Inefficiencies and Costs

The Congressional Budget Office appears to suggest that rather than increase federal subsidies for public water and wastewater infrastructure, utility managers can pursue policies, programs and pricing structures that achieve self-sustaining systems: "At the local level, community leaders are faced with increasing demands for funding all types of infrastructure and services and must find new ways to control costs or build public support for necessary expenditures," (CBO 2002, p.4). CBO describes a number of potential best management practices that water and wastewater utilities should consider to increase efficiency and achieve cost-savings or cost-avoidance.

1) **Demand Management:** Drinking water utilities: conservation pricing structures; rebates for purchase of water use reduction equipment; voluntary conservation programs coupled with public education. Wastewater utilities: marginal-cost pricing to reduce cross-subsidies between different classes of users.

2) **Labor Productivity:** Increase productivity by reducing staffing for off-peak hours while increasing automation for normal operations; and, cross-training staff so there is no distinction between operations staff and maintenance staff.

3) **Consolidation of Systems:** Reduce administration, operations and labor costs by physically connecting smaller systems.

4) **Asset Management Planning:** CBO cites a report by Apogee Research/Hagler Bailly and EMA Services (CBO 2002, p. 53) that indicates increased efficiencies and cost-savings/avoidance via "…extending the life of equipment, eliminating redundant equipment, reducing O&M costs by as much as 40 percent, and improving the reliability of the system by roughly 70 percent."

5) **Innovative Construction Contracting:** Potentially significant cost savings to upgrade or construct a new treatment plant through design/build (DB) or design/build/operate (DBO) contracting with the private sector. DB and DBO alternatives can save 10 – 15 percent, or 35 to 40 percent, respectively, of overall project costs.

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