



FUNDING FOR SUSTAINING AND IMPROVING PUBLICLY OWNED TREATMENT WORKS

I. Issue Statement

- U.S. municipalities have identified over \$100 billion of needs for capital spending for their wastewater treatment plants over the next 20 years just to meet the current regulations and population growth projections. These needs are based on currently known technologies and do not include operating costs. Sources for this level of investment have not been adequately identified. The funding issue is more severe in smaller municipalities due to economy of scale factors that make capital improvements more costly per gallon of water treated. Budget deficits and falling tax revenues at federal, state, and local levels are adding to the funding shortfall.
- Many publicly owned treatment works (POTW's) do not have long term asset management plans and pricing policies in place that adequately address costs of ongoing operations, planned maintenance, and new capital needs.
- Uniform implementation of both new and existing regulations will compound the problem and likely lead to negotiated implementation agreements that will not be clearly communicated or understood by technology developers and suppliers, and by the municipalities who must plan to meet increasingly stricter requirements.
- Improvement of operating costs, especially energy, is a key opportunity to make POTW's more cost efficient and potentially free up money for reinvestment.
- Barriers and/or resistance to new technology and design-build and design-build-operate projects can make it difficult to implement innovative and other types of low life cycle cost solutions. The vast majority of U.S. POTW projects are Design-Bid-Build, which by their nature often focus on initial capex and not overall life cycle of a solution. Such projects often achieve required environmental compliance, but not necessarily at the best life cycle economics.

II. Position

- Asset management plans that create financially self sufficient plants should be a requirement of all POTW's.
- Mechanisms should be put in place for greater sharing of best practices and cost and performance benchmark data to drive operating cost improvement, and more rapid incorporation of newer, more economical solutions based on net present value (NPV) analysis.
- New regulations and implementation policies over the next five years should focus on driving the most needed infrastructure improvements to best protect public health and the environment.
- Allocation of financial assistance should favor projects that, among other factors, meet higher NPV thresholds in order to encourage efficiency improvements, adoption of new technologies, and conversion to Design-Build or Design-Build-Operate models when appropriate.
- Special consideration for federal and state grants should be given to smaller municipalities to equalize some of the economy of scale disadvantages they face. This special consideration should be accompanied with requirements to achieve certain operating cost benchmarks.
- Special exceptions to state bidding rules should be allowed where more cost effective solutions can be attained from novel technology, innovative solutions, or alternate approaches to standard Design-Bid-Build tactics.
- Mechanisms to encourage development and implementation of new technologies should be put in place.

III. Enforcement authority

- Federal policies regarding asset management and direction on distribution of federal money.
- State policies for enforcement according to federal standards.

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