

a steady current



As the water industry turns its back on a fourth consecutive year burdened by a slowly recovering economy and grueling budget cuts, it is hard to chart the possible challenges and opportunities awaiting it in 2013.

While we may not have a crystal ball to foretell the future, one fact remains crystal clear: The state of our nation's water infrastructure should not be ignored further.

At the beginning of 2012, the American Water Work Assn. released a report, "Buried No Longer: Confronting America's Water Infrastructure Challenge," indicating that \$1 trillion will be needed for repairs and expansion of U.S. water infrastructure over the next 25 years.

The growing urgency to meet new regulatory requirements and update century-old buried infrastructure, coupled with the growing funding gap, have pressured municipalities into spending conservatively. As the pool of financial assistance to fix, upgrade or build new water and wastewater systems continues to shrink, municipalities are beginning to revise the rates of water and sanitation services.

Nationwide, water prices in 30 major U.S. cities have jumped 18% over the past two years and 7% in 2012 alone, according to a recent report in an ongoing national survey conducted by Circle of Blue.

Although water and sewer rates are on the rise, U.S. consumers continue to pay about \$4 to \$5 per 1,000 gal on average—less than a penny per gallon. Rate increases, however, do not necessarily translate into higher bills. Other factors, such as water conservation due to high rates or drought restrictions, can curb water use and affect utilities' balance sheets.

Despite these challenges, the industry continues to weather the storm, according to *Water & Wastes Digest's* 2012 State of the Industry report, conducted by ABR Research Inc.

Approximately 78% of respondents expect a good, very good or excellent business year in 2013, in comparison to 16% who predict 2013 will be mediocre and 6% that it will be poor. Additionally, about 62% of respondents rate the overall health of their organization as good or very good, in comparison to 28% who rate it as average and only 10% who rate it as weak or very weak.

This encouraging feedback is echoed in respondents' projections for municipal water and wastewater budgets. While 50% of survey respondents do not expect budget changes in 2013, 36% are projecting a budget increase and only 14% are expecting a decrease.

Reflecting municipal concerns over outdated and crumbling water infrastructure, the largest percentage of respondents' budgets will be invested in sewers/collection systems and pipe and distribution. This will account for 28% of budget expenditure, followed by monitoring (10%) and storm water/erosion control (7%) over the next 24 months.

While it may not be all smooth sailing, it appears that the water industry will remain on a steady and stable course in 2013. As the old saying goes, we cannot change the direction of the wind, but we as an industry can certainly adjust our sails. Diminishing funding and failing infrastructure will continue to test the resilience of municipalities across the nation. Some will turn to better conservation and efficiency practices, while others will focus on recycling and reuse, and maybe even warm up to public-private partnerships. Still, one thing is inevitable—water and sewer prices will continue to rise.



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