



Increasing the Value of Government Spending in a Time of Budget Constraints

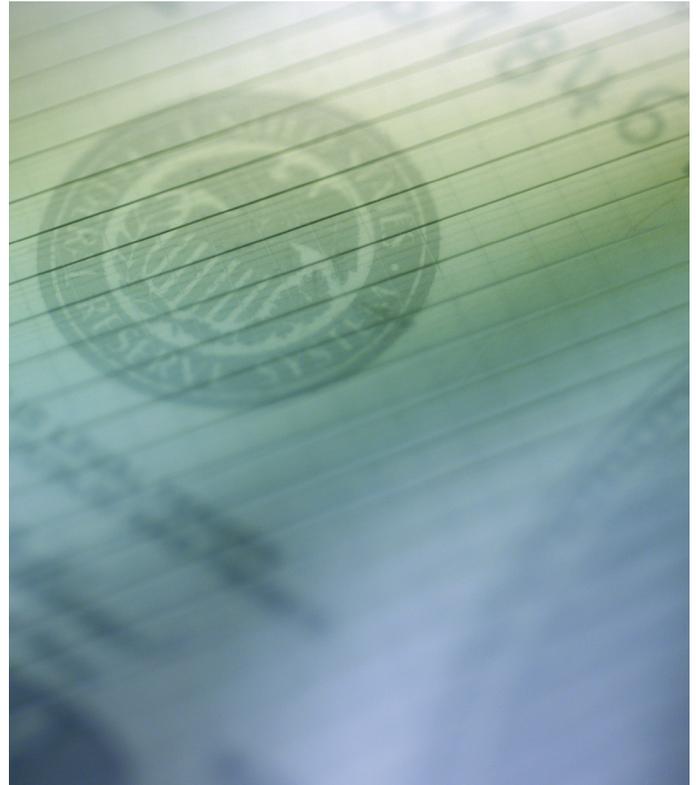
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With plunging revenues, state, county, and city governments have been looking for new strategies that deliver greater value from scarcer resources. New taxes are politically risky, cuts in service are inevitable, and continued downsizing seems to be a new norm. A fundamental rethink of the role and services of government programs are underway at state, county, and city levels. For example, Bellevue is adopting a zero-based budget process beginning this year. Washington State is being forced to cut more than \$2.8 billion this biennium alone.

On top of today's financial crisis, citizens are driving governments to adopt new policy imperatives to reduce green house gas emissions, decrease energy dependence, and adapt to global warming – all the while maintaining an aging infrastructure.

There is no silver bullet. But there is a new approach to government spending called “sustainable infrastructure” that may play a role. It is an innovative and practical approach that blends the best in asset management strategies with sustainability. Sustainable infrastructure doesn't count on new money for implementation; rather, it focuses on creating increased value for existing government spending. Over time, this approach can turn a significant portion of the existing capital budget into an ongoing machine for sustainability.

The necessary conceptual steps are simple: 1) require a “business case” for projects that exceed a threshold dollar



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value, and, 2) require that project proponents develop robust alternatives (“traditional” as well as “green”) that are then rigorously evaluated using life cycle costing and other analytical techniques. Any budget request over a set value must take an integrated approach across governmental departments in developing proposed alternatives. This integrated approach needs to be assisted by an internal team of advisors who have a depth of expertise in individual fields, such as energy, water, transportation, parks, finance, etc., and who possess a natural openness to thinking across the silos of government.

Today's siloed planning process means millions of dollars in community value are lost each year. By parsing out responsibility for the normal functions of government between silos of departments, no single entity is charged with the responsibility to take the long view of how all the investments fit together. As a result, budgets are not optimized to add value to constituents and local resources.

Even within individual government departments, silos exist which compete for funding. Technical experts that manage these mini-silos have deep expertise and a narrow span of authority. Consider the paving engineer in a local transportation department who said that drainage wasn't his problem. His job was to decide what needed to be paved, what material it should be paved with, and when it should get completed. When asked to consider using porous paving because it would help with drainage and water quality issues he argued that he wasn't responsible for drainage, he's not an expert in drainage, and he didn't really care all that much about drainage.

In a way, oversight and budgeting has set up government entities to function this way. **We have specialized departments with specialized funding that is controlled by specialists whose authority is limited to their specialty.** Too bad the real world doesn't work this way.

Sustainable infrastructure is a tool that has the power to refashion existing budget practices while creating opportunities for integration – setting the stage for integrated and sustainable alternatives to compete on a dollar-for-dollar basis with business-as-usual. This type of analysis is well documented in asset management strategies for utilities. It grew from a need for large infrastructure organizations to maintain and optimize investments in aging infrastructure. Fortunately, these asset management tools can also become the platform for a far more integrated look across utilities and across government capital spending.

Even the idea of looking at all of government spending as a large integrated asset management problem is not new. Brisbane, Australia currently asks parks, transportation, water, wastewater, and other city functions to prepare asset management strategies. The City of Seattle, too, requires asset management strategies for energy, water, transportation, and parks departments.

A key problem with silo-based thinking is that project proponents do not routinely investigate multi-benefit alternatives. If they do look at these 21st century infrastructure strategies, they are too often dismissed as insufficient within the context of the silo. This is where the sustainable infrastructure approach shines. It generates new sustainable alternatives that work within and across the silos. In particular, that is **because sustainable alternatives compare benefits across the spectrum of the public interest – and not only within the specialized silos of government.**

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How can government leaders best generate these sustainable multi-benefit options? Consider instituting a special “heavyweight” team trained to identify sustainable and innovative solutions that deliver real value. By helping staff identify integrated alternatives that are less expensive and provide greater community benefit, the team can catch changes in the pre-design phase. They leverage public spending from multiple sources and create a greater impact on the community. Together, the heavyweight team and project staff demonstrate that **public dollars and public lands are too valuable to be consigned to a single purpose when multiple purposes are possible.**

Applying these techniques leads to more informed policy choices. However, the policy choice will not always go to the “green” solutions. Each funding decision is still made on its own merits. But the decision-maker knows that sustainable solutions have been given the same rigor as the traditional review methods. That rigor ends up having the effect of giving staff a much bigger tool box for solving current and future infrastructure problems.

We're Talking Real Money

How much value could a sustainable infrastructure approach generate? For Seattle, with \$650 million in annual capital spending, a 1 percent benefit would yield \$6.5 million each year in new benefits without one penny more in spending. At the state level, 1 percent of Washington's biennial capital budget of \$6.7 billion could yield \$67 million each budget cycle in new value. That's real money that can be realized every year and improved upon over time.

How to Start

First, require a business case for projects that exceed a threshold dollar value. Develop an outline for each business case that lays out the requirements for “traditional” and “green”

alternatives so that both are rigorously evaluated using life cycle costing and other analytical techniques.

Second, require that proponents take a sustainable and integrated approach across governmental silos in developing alternatives.

Third, create a heavyweight in-house team to foster integrated thinking and bring a depth of expertise and a natural openness to thinking across the silos of government.

Finally, begin the process to make all government spending sustainable. With some important changes in internal budget processes, governments can begin to move their budgets into ongoing machines for sustainable outcomes that enrich the community and respond to the imperatives of our time.

Steve Moddemeyer is a Principal at CollinsWoerman in Seattle where he leads the Sustainable Development practice. He is leading "Cities of the Future," an initiative of the International Water Association that engages cities worldwide in strategies for integrating 21st Century infrastructure. Steve's "sustainable infrastructure" strategy is an element of a much broader approach to city sustainability. To learn more, visit www.collinswoerman.com or send an email to smoddemeyer@collinswoerman.com