Using Benefit-Cost Analysis in Local Government: Seattle Public Utilities

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Why B/C Analysis on Public Expenditure?

Political Policy

More public goods, fewer private goods

Social Welfare

Not enough incentives to economize

Too many externalities

More private goods, fewer public goods
Scarce community resources → Valuable community services → Community well-being
Value for cost target

- Improved aim

- Good

- Better

- Best
Why B/C Analysis on Public Expenditure?

Other reasons:

• CYA – re-direct accountability
• Sales job
• Process is our product
• Another hoop to jump through
• Economists like to do analyses
Good Examples of getting better “value for cost” from B/C analysis

• Phinney ridge pump station
• Watershed bridges
• Elmore trestle
• Mapleleaf tank
• Tolt valve house
• CCTV of sewer pipes
• Water main replacement
How much analysis?

Gains from none

Analysis Effort

Personal decision w/in organizational norms
Slip analysis under closed door
WTP study on color of recycling can
Some barriers to effective B/C Analysis

Conflict of interest: Vested interests put in charge of analyses

Decision makers personal B/C at odds with social B/C analysis

Analysts with skills not suited to B/C analysis
Value for cost target

Fitting the target to the arrow
Conclusions

B/C conducted and presented by well-qualified, independent analysts

Don’t overdo – simple is most cost-effective