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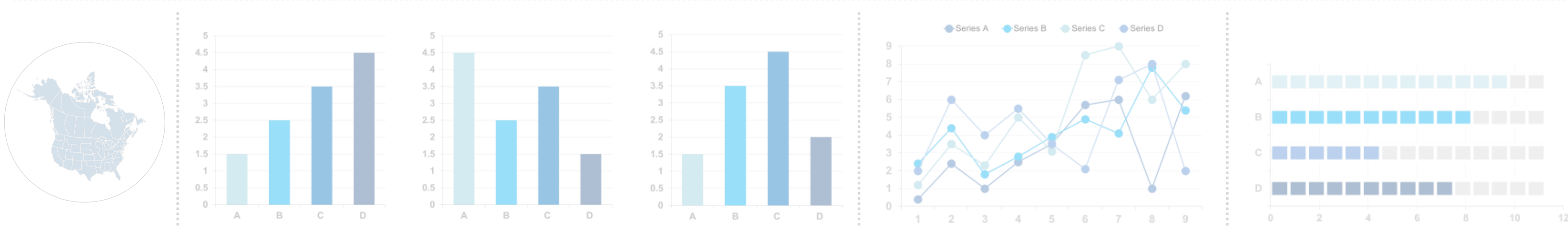
INSIGHT REPORT

Third-Party O&M for U.S. Drinking Water and Wastewater Utilities: *Market Size, Competitive Landscape, and Trends*

November 2024



Summary

BACKGROUND

Private participation in the U.S. drinking water and wastewater sector is evolving, with third-party operations and maintenance (O&M) providers playing a growing role. Traditionally, local governments managed these essential services themselves. Today, private companies increasingly handle O&M, bringing specialized expertise, advanced technology, and workforce support to help utilities overcome mounting challenges like aging infrastructure, regulatory demands, and financial constraints.

Valued at nearly US$3 billion annually, the third-party O&M market now supports drinking water and wastewater services for over 38.6 million Americans. This approach allows utilities—many facing workforce shortages, rising costs, and complex demands—to maintain service quality without managing everything in-house. This outsourcing trend helps utilities meet public needs without overextending their resources.

Driven by industry consolidation, major players like private equity-backed Inframark and Canada's H2O Innovation are expanding through strategic mergers and acquisitions (M&A), reshaping the landscape and pushing innovation forward. Third-party O&M providers now offer digital solutions and advanced services, from water treatment systems to real-time monitoring, enabling utilities to meet stringent water quality standards.

Bluefield Research has tracked over 2,000 O&M contracts since the 1970s, revealing trends in contract sizes, geographic reach, and service innovations. This dataset underscores how leading O&M providers are crucial in supporting utilities and ensuring safe, reliable water services in an increasingly complex environment.

TAKEAWAYS

- **Expanding market for third-party O&M.** The U.S. drinking water and wastewater third-party O&M market has reached an annual spend of nearly US$3 billion, driven by increasing reliance on private contractors to manage essential water services for over 38.6 million Americans. This growth underscores a critical shift toward outsourcing, particularly for systems serving midsize populations where O&M demand is highest.
- **Industry consolidation led by major players.** The competitive landscape is dominated by three key providers—Veolia, Jacobs, and Inframark—accounting for 81% of the market share by total population served among the top 20 O&M providers. These companies have solidified their market positions through strategic mergers, such as Veolia's integration with Suez, further consolidating their influence across the sector.
- **Private equity and international entrants driving M&A.** New market entrants, including private equity (PE) firms (e.g., Levine Leichtman Capital Partners) and international companies (e.g., Aqualia), are actively pursuing acquisitions to establish a foothold in the U.S. market. This trend reflects a competitive drive to capture market share in high-growth regions like Texas and Florida.
- **Digital and adjacent service expansion.** In response to evolving utility needs and regulatory pressures, leading O&M providers are diversifying into digital solutions and adjacent services like SCADA systems and treatment chemicals. These innovations cater to utilities' operational challenges, particularly those stemming from PFAS regulations and aging infrastructure.

Built on years of data and analysis, Bluefield Research's [Private Water Corporate Subscription] has become a key resource for companies across the value chain to identify the key states, systems, and opportunities that stand out in an already crowded field with increasing competition.

Third-Party O&M Market Share Research Methodology

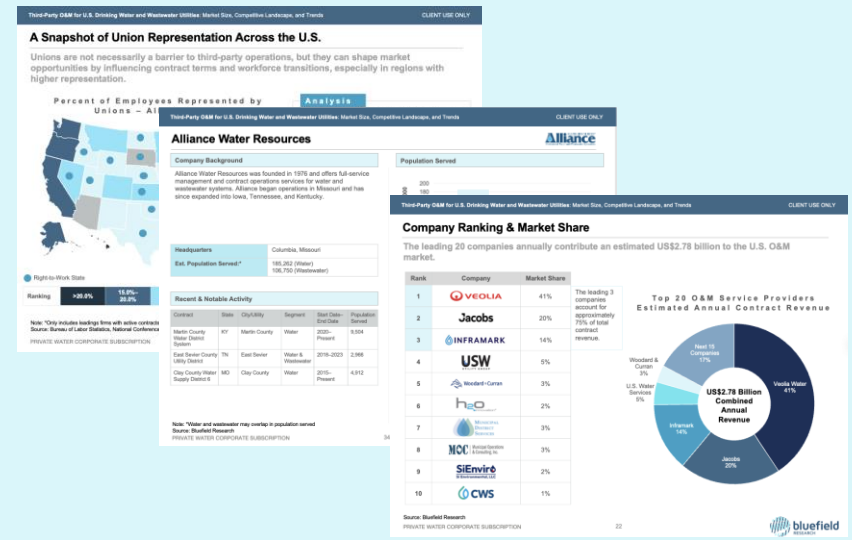
RESEARCH SCOPE AND METHODOLOGY

- An overview of leading O&M providers for municipal drinking water and wastewater utilities. It includes leading states split by wastewater and drinking water outsourcing, notable M&A deals, and market share by total population served and estimated annual revenue.
- This report is backed by a data set of 2,021 active third-party O&M contracts from the 1970s to present, plus over 290 historical contracts that either expired or were terminated, and over 40 contracts that are currently pending or proposed.

RESEARCH OUTPUT

- A ranking of the top 20 O&M service providers across the U.S., including contracts, population served, geographic presence, and segment (e.g., drinking water, wastewater).
- Profiles of the top 20 third-party O&M providers, including the following:
  - Company details: background, headquarters, and estimated population served (split by drinking water and wastewater)
  - Notable contract activity
  - Map of active states

COMPANIES MENTIONED



Research Methodology

The data and analysis for this report consider a range of publicly available sources, including company announcements, state filings, and municipal reports.

	Description
Scope of Analysis	• This Insight Report provides an analysis of the leading O&M providers for municipal drinking water and wastewater utilities in the U.S. • The aggregate data allows for a ranking of the top 20 O&M service providers across the U.S., including contracts, population served, geographic presence, and scope (e.g., drinking water, wastewater).
Key Data and Assumptions	• A dataset of 2,021 active third-party O&M contracts from the 1970s to present, plus over 290 historical contracts that either expired or were terminated. • Of the active contracts, only 1,057 contracts have explicit contractual start dates. These contracts enable a historical O&M baseline of the number and dollar value of the active contracts from 2000 to 2024. • Key assumptions include the following: o Population served and contract value are estimated for those with undisclosed information and known scope (i.e., drinking water, wastewater, drinking water and wastewater). o Contracts with unknown status are considered active. o If a contract's 'new' or 'renewal' status is unknown, it is assumed to be 'new' for the given start year. o If unknown, a MUD's outsourced services were assumed to be drinking water and wastewater. o If a company holds a contract for both drinking water and wastewater operations, Bluefield individually records the population served for drinking water services and the population served for wastewater, which overlaps customers. Where total population is given, customers are not double counted.
Data Sources	• Company filings (e.g., 10-K, 10-Q), presentations, press releases • Municipal reports • Federal and state agencies (e.g., U.S. Environmental Protection Agency [EPA], Texas Commission on Environmental Quality [TCEQ])

Outline

Market Drivers and Inhibitors

A municipality's decision to outsource O&M or manage via public department is highly sensitive to local factors, including budget, politics, and specific operational challenges.

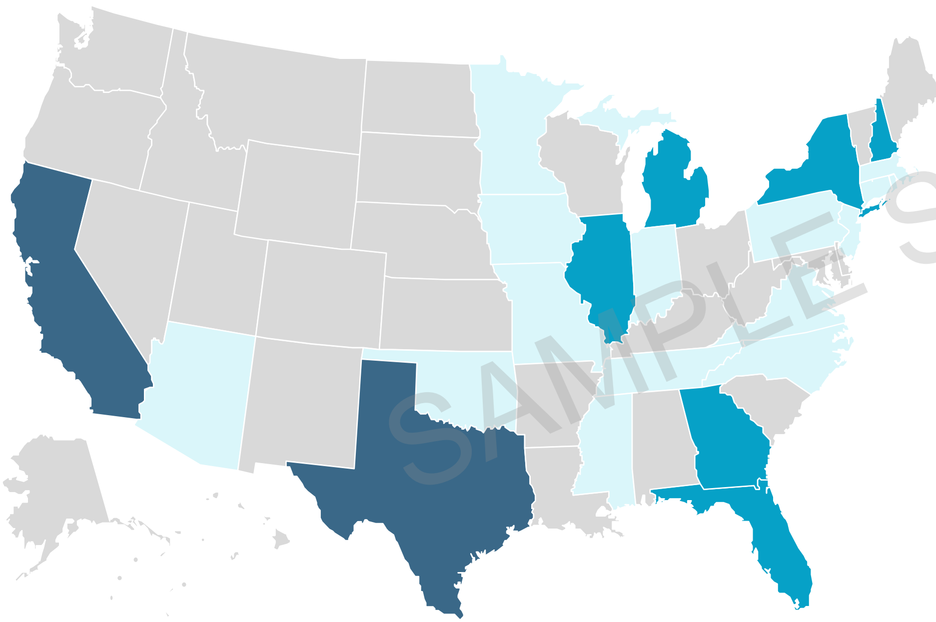
Drivers	Inhibitors
Aging Infrastructure	**Municipal/ Public Control**
• Declining asset reliability and operational risks heighten need for greater expertise. • Deferred capital investments driving up maintenance costs. • Advancements in replacement hardware and equipment prompt need for greater expertise.	• Local political call for full control of water/sewer department management. • Governance model of an independent operator, or water/sewer embedded in multi-department public works division, influences decision-making.
Disruption across the Labor Force	**Labor Concerns**
• Shortage of critical technical personnel (e.g., certified plant operators) and an aging workforce; American Water Works Association estimates that 85% of utilities employ fewer than three people. • Post-COVID-19 workforce disruption, preferences for remote work.	• Concerns over pre-existing workforce and post-contract roles signing with third-party operators. • Union labor, particularly in select regions, influences new contractual agreements with third-party service providers.
Budgetary Requirements	**Public Mistrust of Private Participation in Water**
• Financial constraints shaped by changing regulatory requirements (e.g., PFAS remediation, lead service lines, algae blooms, etc.). • Potential to access economies of scale, greater efficiencies through specialized, outsourced solutions.	• Public perception of private contractor management of critical infrastructure, such as water services. • Limited public education highlighting the need and value of third-party expertise. • Amplification of opposition (e.g., social media) is increasing.
Outsourced Value Creation	
• Optimization across processes, including customer facing (billing, service) and asset management (plant operation). • Rapid response to acute shocks (e.g., cyber threats, climate events). • Municipality has existing outsourced services (e.g., public food service and trash pickup), potentially signaling an open attitude toward additional outsourcing opportunities.	

Source: American Water Works Association, Bluefield Research

O&M Service Provider Presence by Geography

California and Texas, hosting the largest concentrations of O&M providers, stand out as the most dynamic and sought-after markets for outsourcing, driven by the scale of opportunities and the competition for contracts.

Geographic Presence Among Leading O&M Providers



Ranking	Most Competitive	Highly Competitive	Moderately Competitive	Less Competitive
Number of O&M firms*	>15	8–15	5–7	<5

Analysis

O&M markets can be segmented into four tiers of activity, with outsourcing hot spots serving as platforms for regional growth.

- California and Texas represent the core of the national O&M service landscape, with California offering larger, high-value contracts while Texas exhibits a high volume of smaller service agreements. These dynamics position them as crucial markets for providers seeking to expand their portfolios.
- Highly competitive states like Florida, New York, Michigan, and Illinois contribute significantly to the US$803 million contract market, with over 39 providers vying for market share.
- Leading O&M service providers leverage their established contract references in these markets to bid successfully in moderately and less competitive states. This approach emphasizes the importance of a robust regional presence as a springboard for geographic expansion.
- States in the moderately competitive category, with five to seven active O&M providers, present an opportunity for firms to enter or expand with less pressure from competition, making them attractive for strategic bids from established players in more active markets.

Note: *Only includes leadings firms with active contracts tracked by Bluefield
Source: Bluefield Research

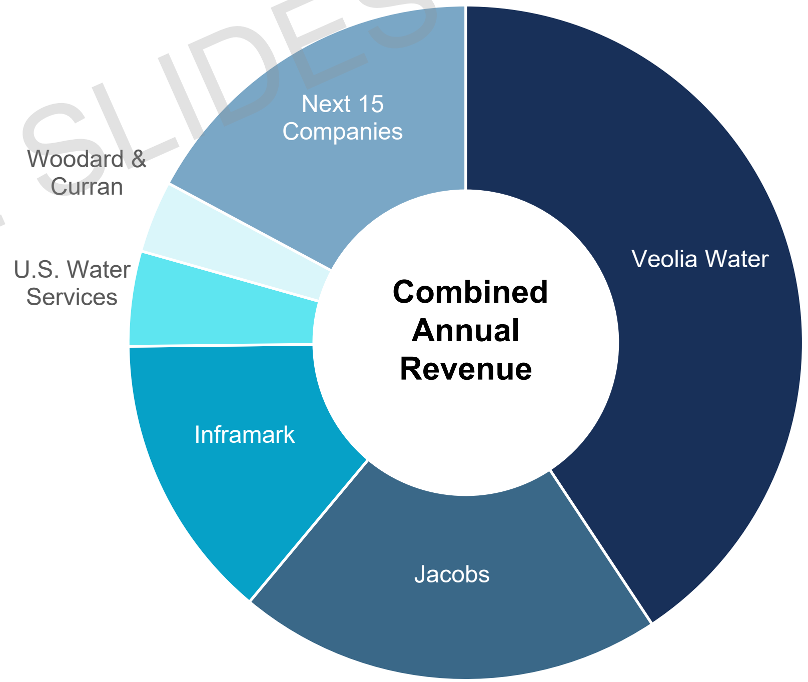
Company Ranking & Market Share

The leading 20 companies annually contribute over US$2.77 billion to the U.S. O&M market.

Rank	Company	Market Share
1	VEOLIA	
2	Jacobs	
3	INFRAMARK	
4	USW UTILITY GROUP	
5	Woodard & Curran	
6	h2o innovation	
7	MOC Municipal Operations & Consulting, Inc.	
8	Municipal District Services	
9	SiEnviro Si Environmental, LLC	
10	CWS	

The leading 3 companies account for approximately 75% of total contract revenue.

Top 20 O&M Service Providers Estimated Annual Contract Revenue



Source: Bluefield Research

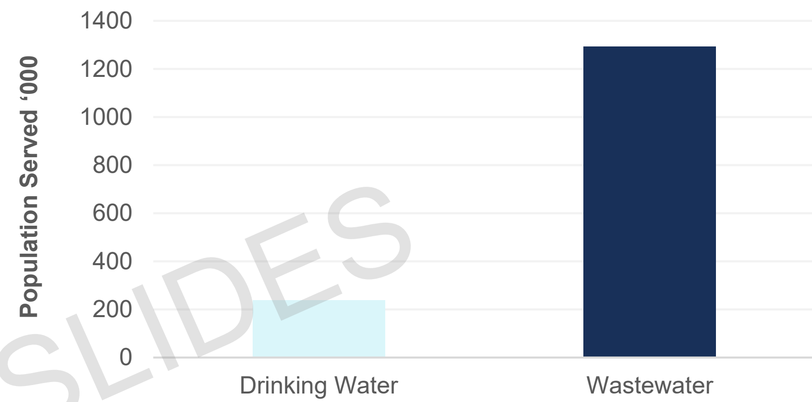
Woodard & Curran

Company Background

Founded in 1979, Woodard & Curran is an engineering consulting firm specializing in water and environmental projects for public and private clients in the U.S. Within water, Woodard & Curran primarily focuses on water treatment and supply, wastewater, and stormwater projects for municipal and industrial clients. The firm maintains a strong presence in the northeast, serving 866,591 people in Massachusetts alone.

Headquarters:	Portland, Maine
Est. Population Served:*	237,829 (Drinking Water) 1,292,134 (Wastewater)

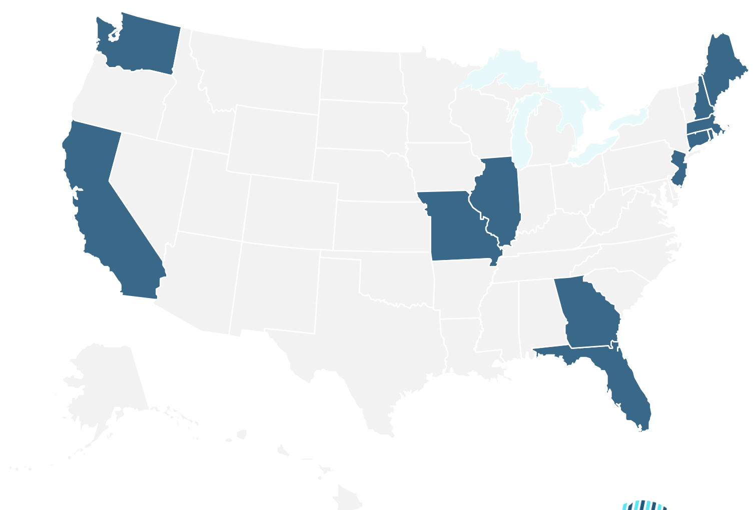
Population Served



Recent & Notable Activity

Contract	State	City/Utility	Segment	Start Date–End Date	Population Served
City of Orange Township Water & Wastewater	NJ	Orange Township	Drinking Water & Wastewater	2023–Present	30,134
Boston Water & Sewer/MWRA	MA	Boston	Drinking Water & Wastewater	2000–Present	617,594
Water Conserv II	FL	Orange County & Orlando	Wastewater	2006–Present	225,500
Ellijay-Gilmer County Water & Sewage Authority Wastewater Treatment Plant	GA	Atlanta Area	Wastewater	2020–Present	13,010

Utility O&M Footprint



Note: *Drinking water and wastewater may overlap in population served
Source: Bluefield Research

Data Navigator – Related Private Water Data

Data underpins Bluefield's breadth of insight reports and analysis. Our Data Navigator platform supports corporate subscription clients with direct access to a range of private water data through an interactive, flexible platform.

Sample Private Water Data Dashboards

Total Addressable Market for Water & Wastewater Utilities

Dashboard Widgets:

- Total Addressable Market by State, by Ownership Type, by System/Facility Size
- Geographical Segmentation by Utility Type
- Population Served by State and Utility Type
- Customer Connections by Ownership Type and System Size
- System/Facility County by Ownership Type and System Size
- CWSs with Health-based Violations by System Size

IOU Water System/ Wastewater Facility Ownership

Dashboard Widgets:

- IOU System Ownership by State
- IOU Total Connections by Asset Type
- IOU Market Share by Facility Count
- IOU Market Share by Customer Connections
- Top 20 Largest IOU Water Systems
- Top 20 Largest IOU Wastewater Facilities
- Ranking IOUs by Asset Type Share

Third-Party O&M for U.S. Drinking Water and Wastewater Utilities

Dashboard Widgets:

- Population Served by State
- Number of Contracts by State
- Population Served by Municipal Segment
- Population Served by System Size
- Contracts by Operator Type
- Leading O&M Operators by Population Served
- Leading O&M Operators by Annual Contract Revenue, US$ (Estimated)
- Active Contracts

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Global companies across the value chain are developing strategies to capitalize on greenfield opportunities in water − new build, new business models, and private investment. Bluefield Research supports a growing roster of companies across key technology segments and industry verticals addressing risks and opportunities in the new water landscape.

Companies are turning to Bluefield for in-depth, actionable intelligence into the water sector and the sector's impacts on key industries. The insights draw on primary research from the water, energy, power, mining, agriculture, financial sectors and their respective supply chains.

Bluefield works with key decision makers at utilities, project development companies, independent water and power providers, EPC companies, technology suppliers, manufacturers, and investment firms, giving them tools to define and execute strategies.

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