



Asset Management Introduction and Overview

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Objectives

- Review the issues
- Identify basic concepts
- Discuss the benefits
- Recognize the challenges



Why do we need Asset Management for our infrastructure?



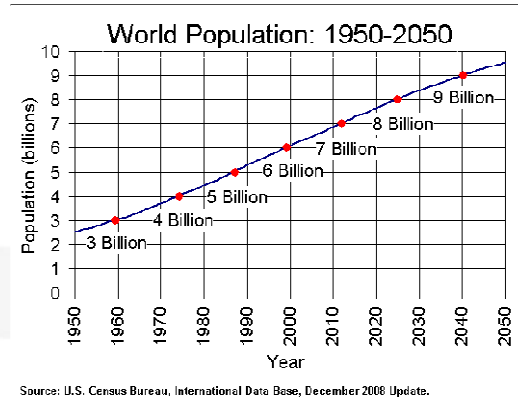
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Why do we need Asset Management?

- To address aging infrastructure assets *before* they fail.
- To keep assets productive and not allow them to become disruptive liabilities.
- To approach all assets as investments, maximizing limited financial resources.
- To support defensible management decisions.
- To make costs transparent and justifiable to our customers.

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The Value of Water Is Increasing



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Our Changing Environment

- Over the next 20 years, around \$540 billion dollars will need to be spent by local government on infrastructure.
- Fully 50% of all capital spending by local government for renewal and replacement of infrastructure.
- By the end of the next decade, average residential water bills will likely exceed \$100 per month.

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Our Changing Environment

- S&P establishing Asset Management criteria for rating structure.
- Congress considering funding priority system giving more weight to systems with:
 - ✓ Inventory of assets
 - ✓ Condition descriptions
 - ✓ Replacement schedules
 - ✓ Diversified revenue sources



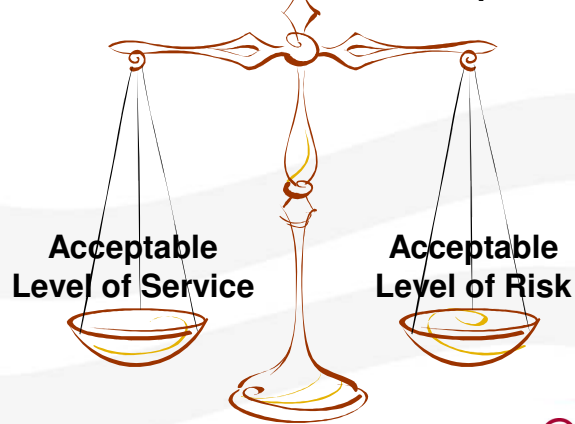
Water & Sewer Infrastructure Basics

- Generally very large and capital intensive.
- Usually “sunk” or hidden and easy to ignore.
- Asset lives are long, leading to complacency.
- Systems must be maintained in perpetuity.
- Highly impacted by growth patterns and demographic shifts.
- Users don’t understand the business.



Asset Management Defined

Total Cost of Ownership



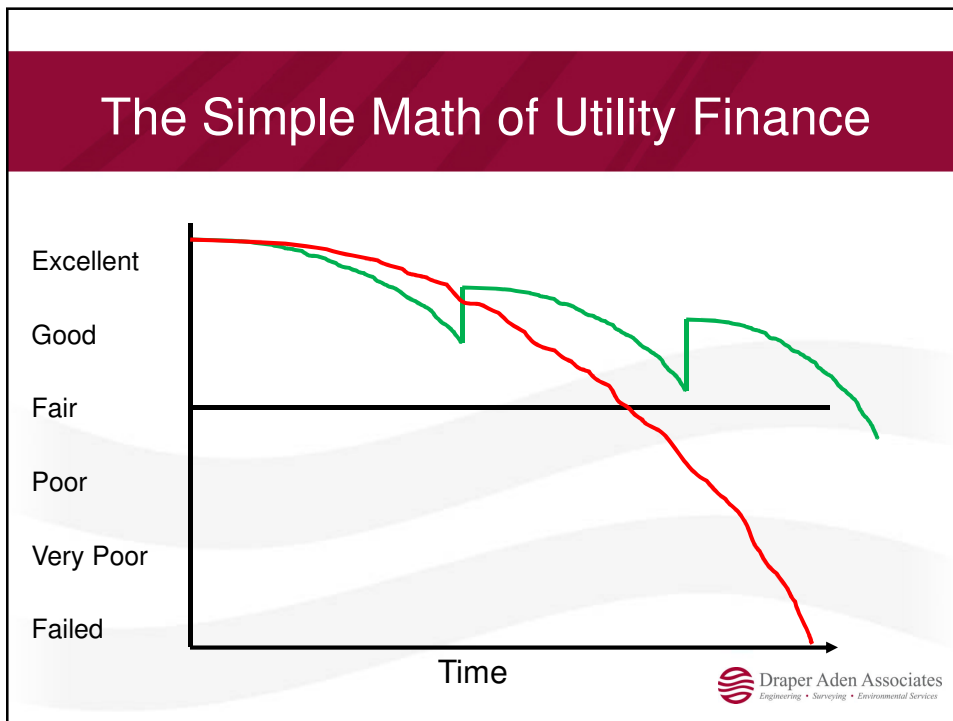
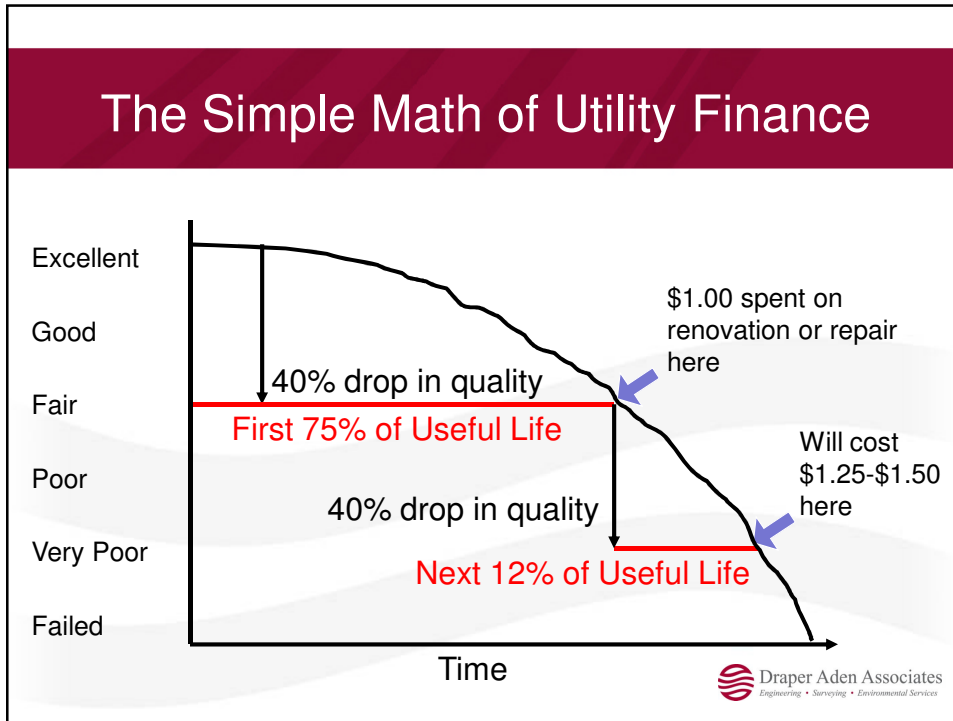
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Asset Management Defined

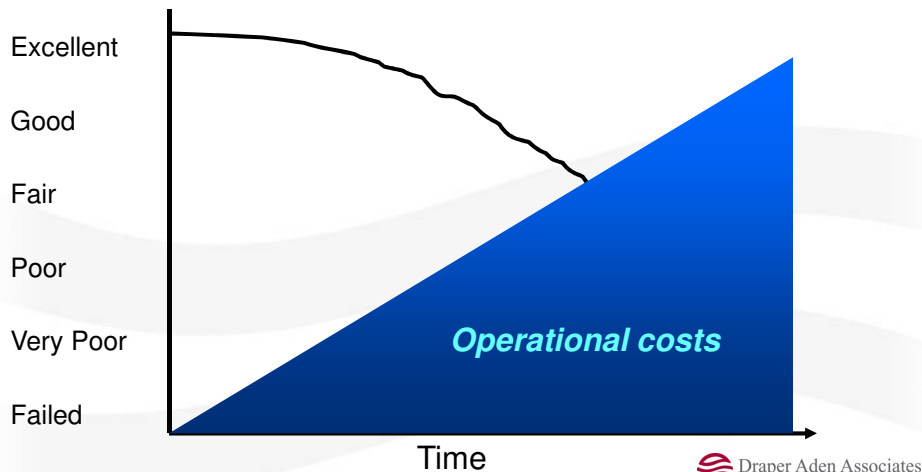
Asset Management is an integrated, systematic, and methodical approach to balancing these key aspects.

It is implemented through an asset management program and typically includes a written plan.

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The Simple Math of Utility Finance



So, what is asset management, really?

- It is reinvesting in the public's investment.
- It is a way to maintain the productivity of a system that provides an essential public service.
- It is the act of balancing desired level of service with the real problem of raising resources.
- Because of this balancing act, it is a risk management function.
- It is finding the least costly way to provide the best service to the most people for the longest period of time.

Asset Management is ...

MAKING GOOD DECISIONS

EARLY

LATE



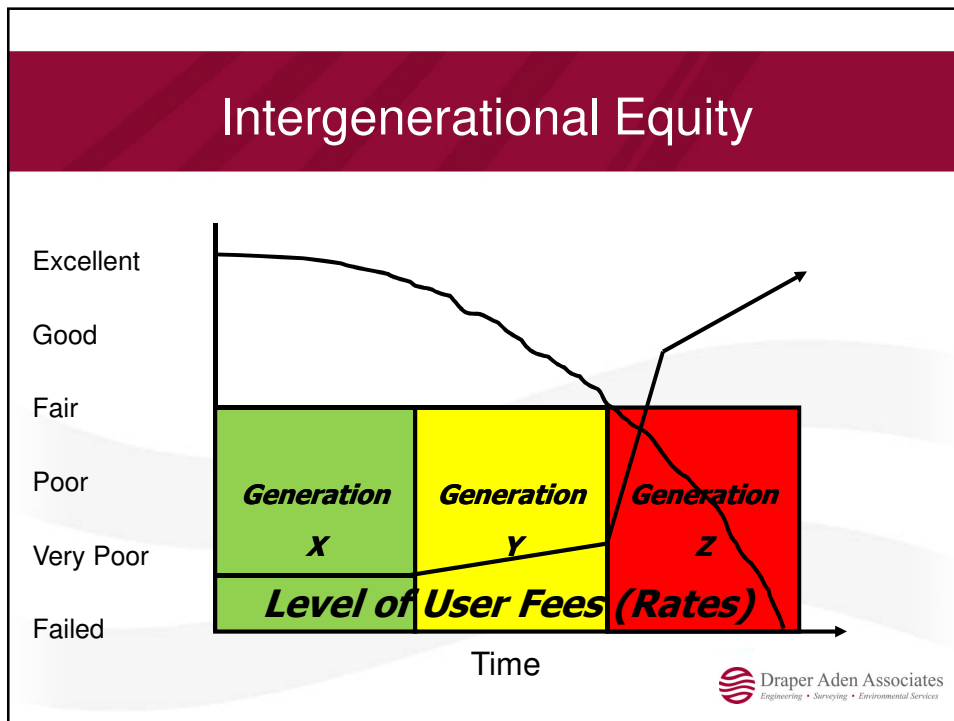
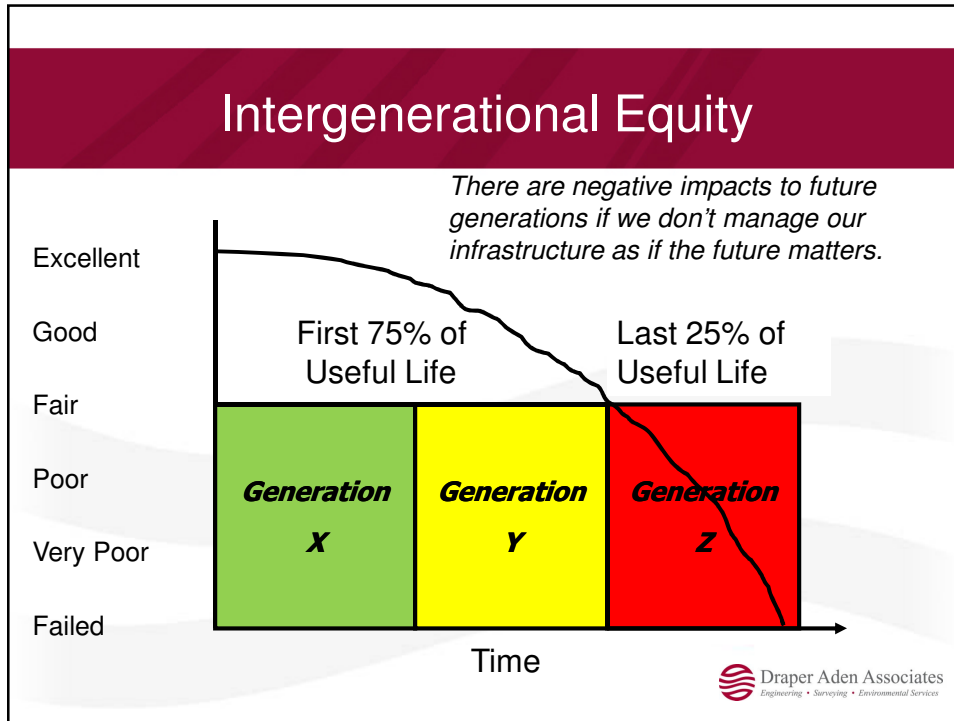
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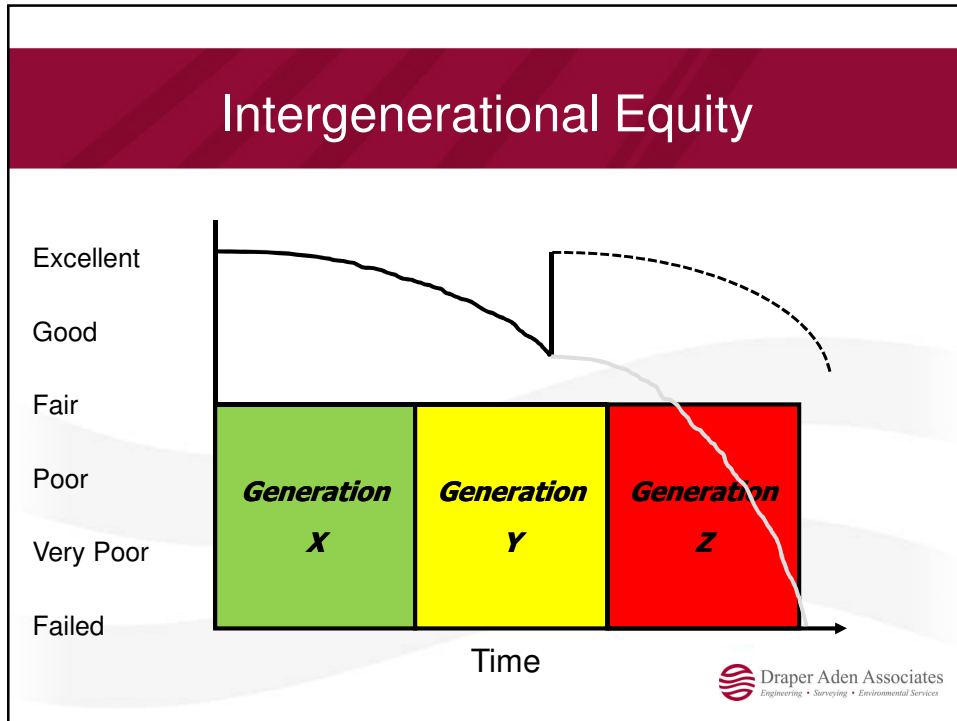
Asset Management is ...


Doing the right thing
at the right time
for the right reasons.



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- ## Benefits of Asset Management
- More efficient and focused operations.
 - Capital projects that meet true needs.
 - Rates based on sound operational decisions.
 - Improved financial health, more accurate financial planning.
 - Reduced environmental violations.
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Benefits of Asset Management

- Improved security and safety.
- More efficient data management.
- Protection of reserve funds for future renewal and replacement.
- Clear, consistent decision criteria for more confident management.
- More effective internal and external communication.



Building Community Support

Asset Management helps:

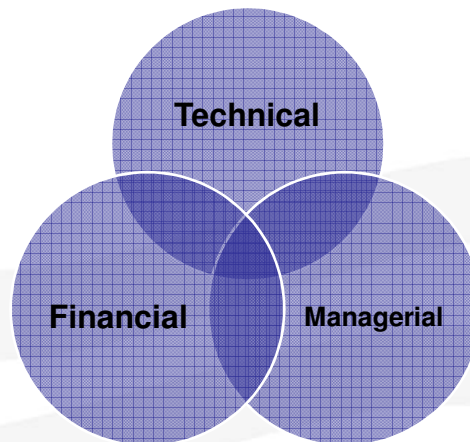
- Share information with those who need to know.
- Describe the risks of not maintaining system components.
- Communicate system requirements.
- Justify priorities and capital projects.
- Substantiate the long-term financial plan.



Requirements of Asset Management

- A team key decision makers, including support and involvement of local officials.
- Willingness to commit time, money, public resources and personnel to maintain community assets.
- Commitment to make hard, but cost-effective asset decisions.
- Willingness to look deep into the organization to find opportunities for improvement.

Three Operational Elements

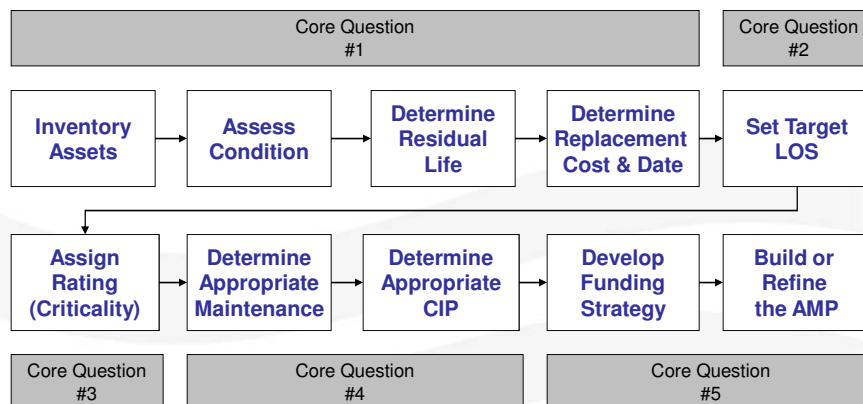


EPA's Five Core Questions

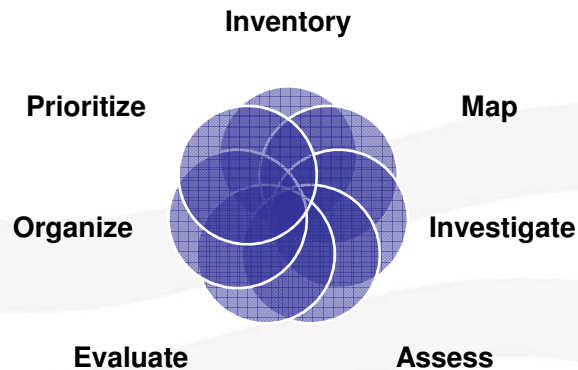
1. What is the current state of my assets?
2. What is my required sustainable level of service?
3. Which assets are critical to sustained performance?
4. What are my minimum life cycle cost strategies?
5. What is my best long-term funding strategy?



EPA's Asset Management Process



Asset Management Implementation



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Where do you begin?

- Establish an Asset Management Team.
- Complete a Utility Performance Audit.
- Develop a strategy and preliminary objectives.
- Determine staff and budgetary restrictions.
- Prepare a timeline and budget plan.
- Start with what you have and begin building.

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