

Asset Management to Ensure Long-Term Financial Sustainability

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A Question.....

- Do you as a funder, or state, or person involved in infrastructure operation and management have unlimited funds to cover all future infrastructure replacements?

If Yes,
You are free to go

If No,
Better Stay in this Session

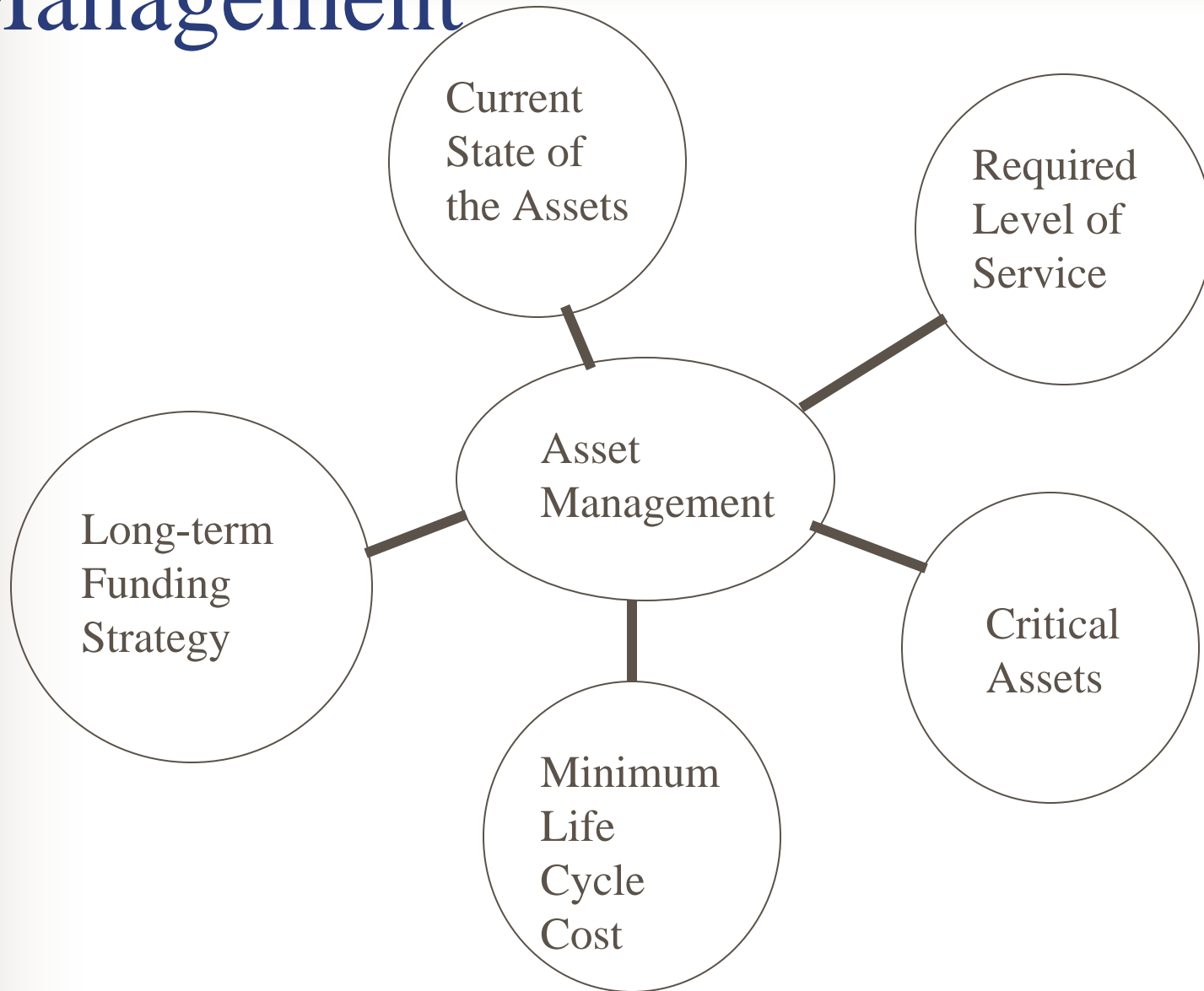
Without unlimited funds.....

- It is necessary to explore other ways of operating, maintaining, repairing, rehabilitating, and replacing infrastructure
- One answer: Asset Management

What is Asset Management?

Maintaining a *desired level of service* (what you want your assets to provide) at the *lowest life cycle cost* (best appropriate cost - not no cost)

Five Core Components of Asset Management



Why is Asset Management Important?

■ With Structured AM Program

- Know all assets in the system (where located, condition, value, life left)
- Clear long-term vision
- Have a partnership or team type relationship w/ customers – Service is Key

■ Without a structured AM Program

- Spotty knowledge of assets
- Lack long-term vision
- Often adversarial customer relationship

Why is Asset Management Important?

■ With Structured AM Program

- Know which assets are TRULY critical to operations
- Rigorous planning for what assets to repair, rehabilitate or replace (Know why and how to best do it)

■ Without a structured AM Program

- Often misunderstand what is critical and why
- Often make poor decisions about what and when to replace

Why is Asset Management Important?

■ With Structured AM Program

- Understand that deferring replacement is often the best long term financial decision
- Have a clear understanding of funding – what you need, where its coming from, and what to do if you don't have it

■ Without a structured AM Program

- Often believe that if someone else is paying, why not replace???
- May not know where funding is coming from for future needs

Asset Management can lead to
long-term financial
sustainability
which is a goal we all share

Why is sustainability in infrastructure important?

- Technology and advancement have eliminated some whole categories of things (think about transportation changes, communication changes), but water and wastewater in general have not changed beyond the basics
 - We will always be supplying water to homes and collecting wastewater. (How do you replace water?)
 - Therefore, we have to have long-term sustainability in these services

- So....
 - We need the infrastructure for the foreseeable future
- But...
 - We don't have sufficient funding
- So....
 - We **HAVE** to be smart in how we plan, operate, maintain, repair, replace, and fund our infrastructure

A Few Words About Funding

- No matter who is funding, there is no such thing as “free money”
 - It is coming from somewhere or someone
 - It comes at a high opportunity cost – what else didn't we do? (water, wastewater, or some other need)
- We have to examine the need to allow the best use of the funds (whether it is O&M or capital); currently funders can only pay for capital - can drive poor decisions
- Funders need to request validation of the project – Is it truly the best option? Is it dealing with critical assets? Is it needed?

The Role of TA in the Process

- Asset Management is deeply rooted in common sense, but it does require a mind-set change and it does take time and effort
 - Systems of all sizes and types can do this, however, they need help to get started and to get through the “rough spots”
 - TA will be needed
 - TA needs to be tailored to fit the needs
 - TA needs to follow “standard” definition

AM Activities Around the EFCN

- NM EFC
 - Training for states regulators and funding agencies, TA providers, and communities
 - Direct assistance to communities
- Boise State EFC
 - Computer tools for Asset management
- Syracuse EFC, Maryland EFC, UNC EFC
 - Training in Asset Management or related topics

Lots of Potential Benefits of AM



But.. Not a silver bullet

Contact Info

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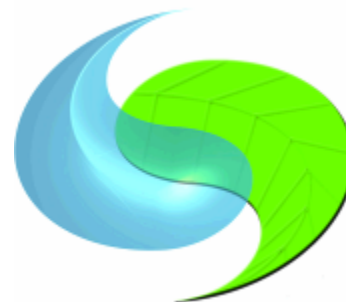
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