

Communicating Capital Needs

Using an Effective Asset Management Program
to Convince Decision-Makers and Stakeholders



 Draper Aden Associates
Engineering • Consulting • Environmental Services

Agenda

- How do you communicate capital needs?
- What is Asset Management?
- Why do we need it?
- What are the requirements and benefits?
- Where do you begin?

 Draper Aden Associates
Engineering • Consulting • Environmental Services

The Art of Communication

What is your position in your
organization?

With whom do you need to
communicate?


How well do you think you
communicate?

 Draper Aden Associates
Engineering • Consulting • Environmental Services

The Art of Communication

Communicating System Needs to Citizens and Customers

- Find out what they know
- Find out what they think
- Ask them for help
- Use every method available
- Court the media



Draper Aden Associates
Engineering • Consulting • Environmental Services

The Art of Communication

Communicating with Staff

- They can do more than you think.
- Institutional knowledge is an asset.
- Their ideas matter.
- Give them credit.
- Help them feel secure.



Draper Aden Associates
Engineering • Consulting • Environmental Services

The Art of Communication


Communicating with “the Anointed”

- Believe they really want to do the right thing.
- Recognize their short-term focus.
- Read their personalities and play to their strengths.
- Make them look good.




Draper Aden Associates
Engineering • Consulting • Environmental Services

What is Asset Management?




It is very, very difficult to run a first class country – or a city, or a county, or a community – on second rate infrastructure.




Asset Management is ...

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




Asset Management is ...

MAKING GOOD DECISIONS

EARLY  LATE

OPTIMUM SOLUTION



Asset Management is ...

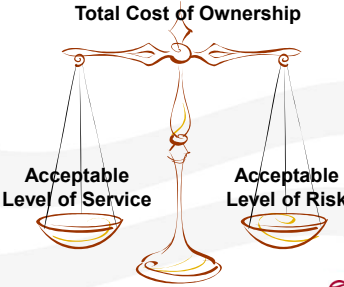
- A continuous business practice
- An iterative system that grows, evolves and improves over time
- A process of changing a lot of small things to become more efficient
- A tool for better decision making

Common Sense




Asset Management Defined

Total Cost of Ownership



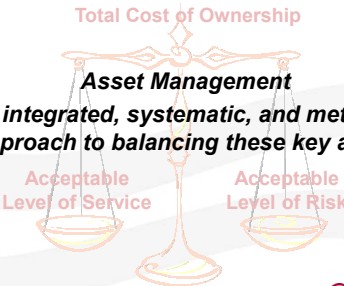
Acceptable Level of Service **Acceptable Level of Risk**




Asset Management Defined

Total Cost of Ownership

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




Acceptable Level of Service **Acceptable Level of Risk**



Asset Management Defined


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



Why do we need Asset Management for our infrastructure?




The Challenge



"In 2005, the American Society of Civil Engineers assigned grades to 15 categories of infrastructure based on hundreds of studies. With four C's, 10 D's, and one incomplete, it reads like a survey that could have been conducted on the eve of the collapse of the Roman Empire."


Stephen Flynn



Virginia Rural Water Association
21st Annual Conference and Training Exposition
March 22 – 25, 2009
Roanoke, Virginia


Our Changing Environment

- Over the next 20 years, from \$250 to \$500 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 this decade, average residential water bills will likely exceed \$100 per month.



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



The Challenge



The Challenge

To accomplish their long-term goals, utilities must...

- Extend asset life
- Achieve acceptable reliability
- Optimize maintenance, renewal
- Develop accurate, long term funding models

Plan for the inevitable





Why do we need Asset Management?

- Address aging infrastructure assets before they fail.
- Keep assets productive, and not allow them to become disruptive liabilities.
- Treat all decisions as investment decisions to maximize limited financial resources.
- Make costs transparent to support financial decisions.




What does Asset Management require and what are the benefits and barriers?



Virginia Rural Water Association
21st Annual Conference and Training Exposition
March 22 – 25, 2009
Roanoke, Virginia

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.

 Draper Aden Associates
Engineering • Consulting • Environmental Services


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.

 Draper Aden Associates
Engineering • Consulting • Environmental Services

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.

 Draper Aden Associates
Engineering • Consulting • Environmental Services

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.



Barriers to Overcome

- Expecting immediate results.
- Changing focus from operations to assets.
- Paying short-term costs to achieve long-term savings.
- Reconciling rate increases with long-term view of system sustainability.




What is the process?

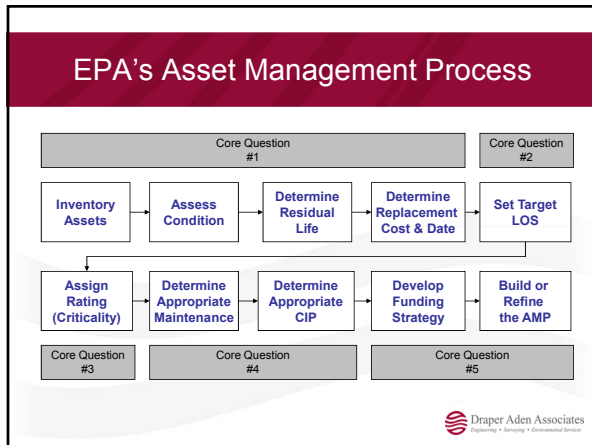


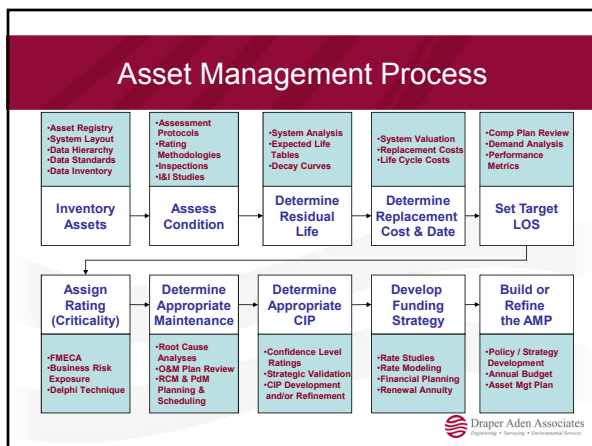
Virginia Rural Water Association
 21st Annual Conference and Training Exposition
 March 22 – 25, 2009
 Roanoke, Virginia

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?


 Draper Aden Associates
Engineering • Consulting • Environmental Services






Virginia Rural Water Association
21st Annual Conference and Training Exposition
March 22 – 25, 2009
Roanoke, Virginia

Where do you begin?

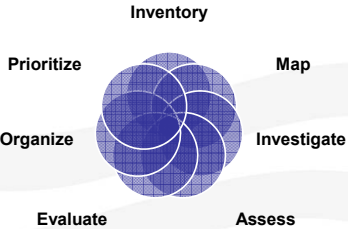


*"A journey
of a
thousand
miles
begins
with but a
single step."*

Anonymous



Asset Management Implementation



Inventory

Prioritize


Map

Organize

Investigate

Evaluate

Assess



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.