

Asset Management Services

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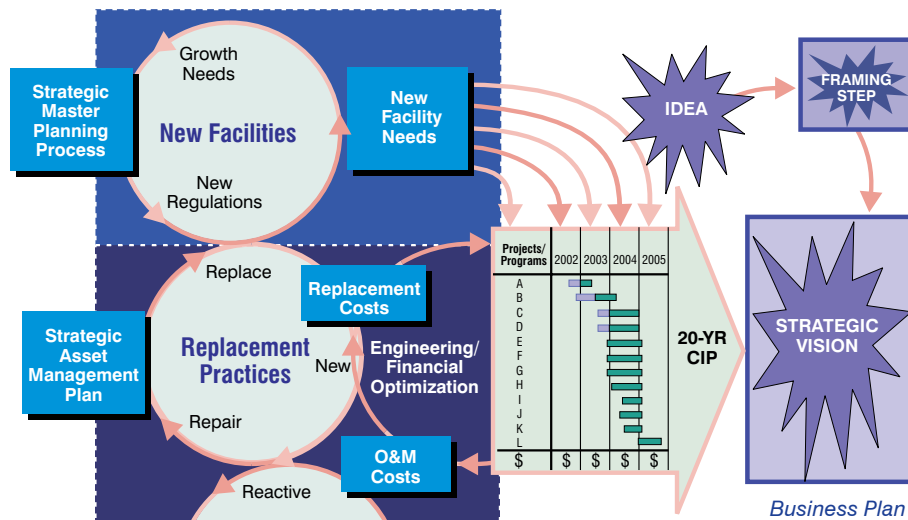
Asset management, integrated with strategic master planning, provides the information and support necessary for any agency to fulfill their goals in an efficient and cost-effective manner.

Asset management is the integrated optimization of management practices and business processes, which are reflected in acquisition, planning, operations, maintenance, refurbishment and replacement decisions. The purpose of asset management is to cost-effectively maximize the life-cycle value of assets while continuously delivering the required levels of service and sustaining the infrastructure.

GASB 34

GASB 34 requires that agencies now list their general capital infrastructure assets and report their value, use the accrual basis for accounting, and provide information on their management and budgeting. GASB 34 provides two ways to depreciate infrastructure assets, the "straight-line" and "modified" approaches. Agencies that choose to use the new modified, or preservation-based, approach will need to meet additional reporting requirements. The modified approach demands that the costs of ownership for assets be documented. It also requires a complete asset inventory and classification system,

a full condition assessment every three (3) years, an estimate of annual funds needed to maintain the assets at a disclosed condition, documentation of the preservation of the assets, disclosure of financial reports, and an in-place asset management program. These requirements for the new modified approach, are the main drivers for asset management.



Drivers

There are several "drivers" behind the push for agencies to adopt an asset management program. These include GASB 34, Capacity, Management, Operation and Maintenance (cMOM), the Water Infrastructure Network (WIN) Report, economic savings, the threat of privatization and increasing competitiveness, the public's lack of faith in governmental accounting, and resistance to rate increases. The GASB's statement 34 is the primary force behind the asset management trend, and its goals are to reflect the true costs and values of providing services and to be accountable both in finances and in performance.

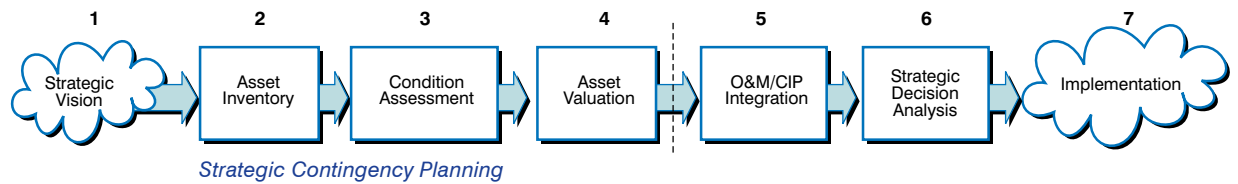
Benefits

The benefits of implementing an asset management program are significant, and additionally, they are translated through to the modified approach as well. The benefits include 20 to 40 percent cost savings, increased financial planning and budgeting accuracy, improved regulatory compliance, increased reliability protection of public health, increased levels of service, maximized performance, effective, integrated communication, and inter-functional cooperation and integration (finance, engineering, planning, O&M, IT, CIS). Overall, asset management improves the efficiency and competitiveness of the agency while saving money.

Asset Management Process

Asset management is a coordinated, strategic process that integrates many functionalities to make the best decisions using an analytical framework. This process is comprised of seven steps; 1) strategic vision, 2) asset inventory, 3) condition assessment, 4) asset

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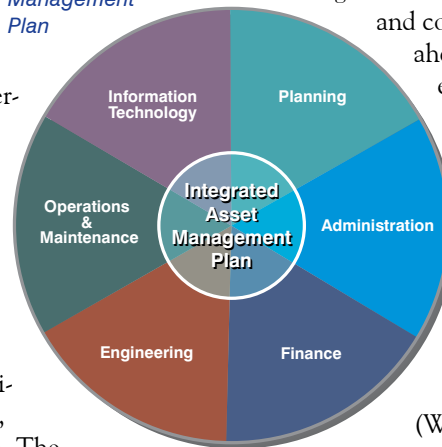


valuation, 5) O&M/CIP integration, 6) strategic decision analysis, and 7) implementation. The existing condition assessment consists of the strategic vision through asset valuation. Future facilities planning is comprised of O&M/CIP integration through implementation.

The strategic vision includes confirming mission and level of service (LOS) goals, defining objectives and strategies, improving communication, integrating cross-functionalities, and refining user needs, in both financial and capital planning. The asset inventory consists of the development of a classification system, identification of assets, and compilation of historical data (financial, O&M, engineering, CMMS, GIS). The condition assessment phase involves asset condition/deficiency analyses, criticality, vulnerability, risk assessments, and remaining useful life and repair evaluations. The asset valuation step is the last component of the existing condition assessment. Included are financial valuations (straight-line depreciation, current historical value less repair costs, replacement cost modified approach) and repair cost summaries.

Future facilities planning begins with O&M/CIP integration. This step is comprised of repair versus replace versus retire analyses, O&M versus capital cost optimization, what-if scenarios, and a Gap Analysis. Strategic decision analysis involves evaluating solutions based on a strategic decision analytic framework and refining different scenarios. The last step is implementation which involves developing a strategy and plan. Once decisions and processes have been implemented, there is continuous feedback, refinement, and improvement of the asset management process. When married with strategic master planning, this process provides an agency with greater overall effectiveness and optimization.

Strategic Asset Management Plan



Why Asset Management Now?

The WIN Report states that there is \$1 trillion in replacement investment needed among water and sewer infrastructure over the next 20 years, and there is currently no way to fund it. This means agencies need to make themselves as efficient and cost-effective as possible and plan ahead for replacement. With Carollo's extensive experience in designing and optimizing processes in the water and wastewater sector, we can help you to develop and implement an appropriate asset management program, or any subset within it, for your agency.

One of our unique tools is the Water/Wastewater Asset Manager (WAM). This software automates steps in the asset management process and stores information in an Access database. Its functionalities include a customized, detailed inventory database, asset assessment tracking, including condition, criticality, vulnerability, risk, and level of service, multiple valuations, including both modified and straight-line depreciation approaches, customized queries for reports and graphs, and digital photos to record condition. WAM is also compatible with Carollo's Master Plan Manager (MPM) and Financial Planning Tool.

Asset management is the future for water and wastewater agencies. It provides the opportunity for agencies to operate at their optimum, and it is likely that it will be required in future regulations and finances. While these issues may seem daunting, the possibilities are great, and Carollo can help!