

An Introduction to Asset Management

Webinar 5: Long Term Funding Strategies



When you know better you do better

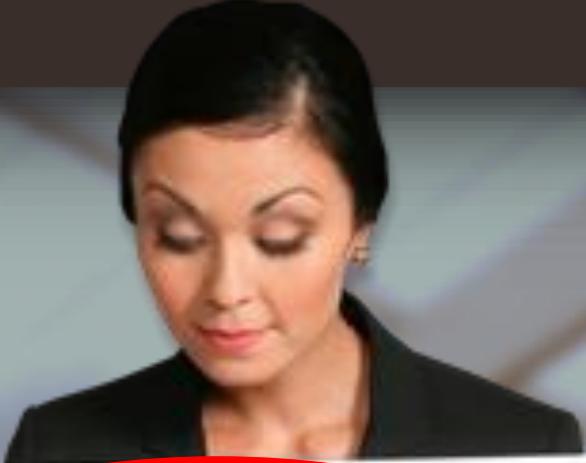
Maya Angelou

WELCOME TO THE EFCN WEBINAR SERIES



AN INTRODUCTION TO ASSET MANAGEMENT

WHY ASSET MANAGEMENT?



ALLOWS YOU TO VIEW EACH ASSET INDIVIDUALLY

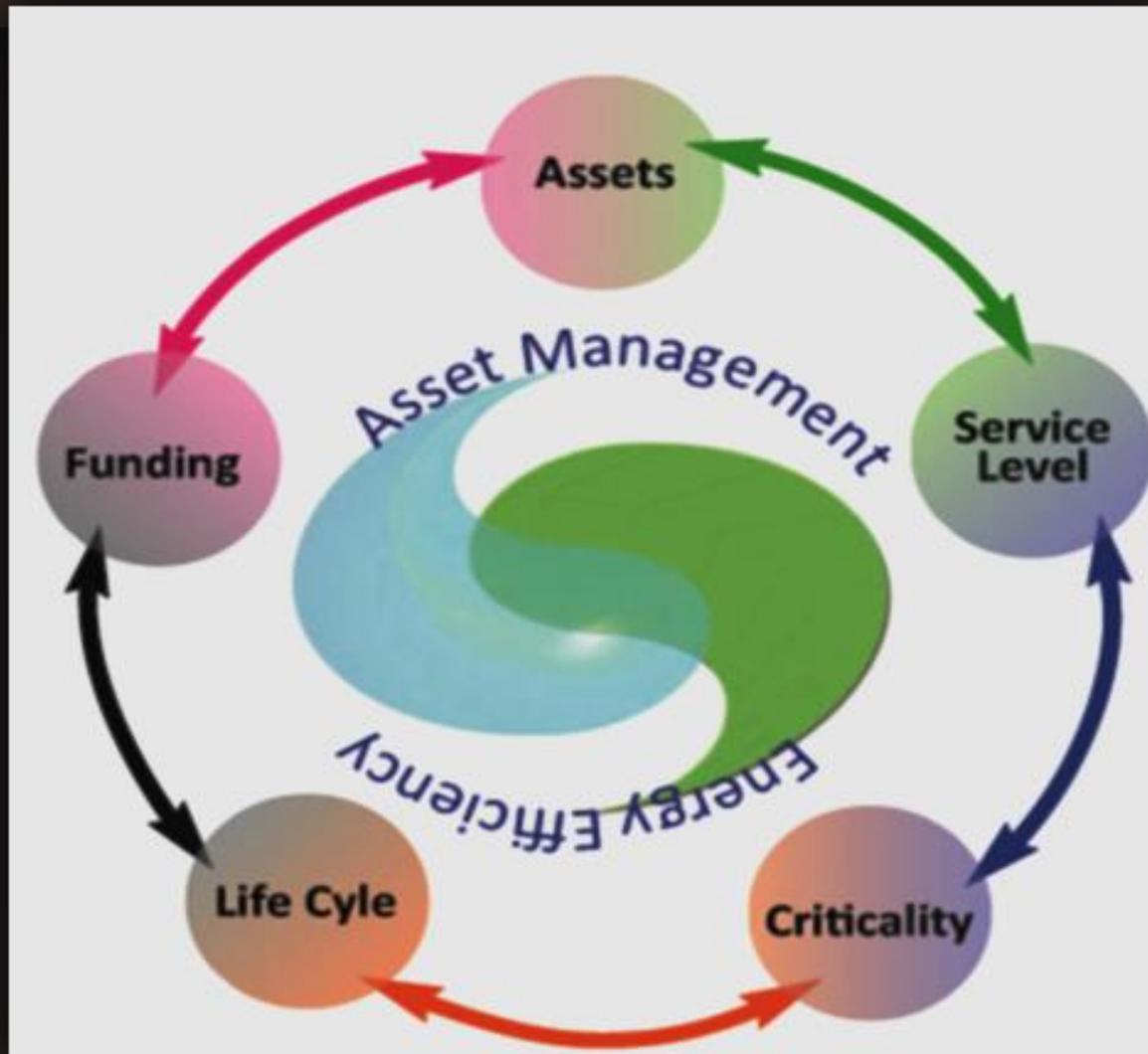
ENCOURAGES A MORE COLLABORATIVE RELATIONSHIP WITH CUSTOMERS

PROVIDES INFORMATION TO AID COMMUNICATION INSIDE & OUTSIDE THE ORGANIZATION

IMPROVES RESPONSE TO EMERGENCY SITUATIONS

HELPS YOU DECIDE THE BEST WAY TO SPEND YOUR LIMITED DOLLARS

The 5 Core Components of Asset Management



CURRENT STATE OF THE ASSETS

What assets
do I own?

Where are
they located?

What
condition are
they in?

What is their
remaining
useful life?

What is their
replacement
value?

CORE COMPONENT 1 - A REVIEW

CURRENT STATE OF THE ASSETS

**DIFFICULT TO
MANAGE EFFECTIVELY
WHEN YOU DON'T
KNOW WHAT YOU
OWN**

**MOST
STRAIGHT -
FORWARD -
COMPONENT**

CORE COMPONENT 2 - A REVIEW

Water utilities are first and foremost customer service businesses



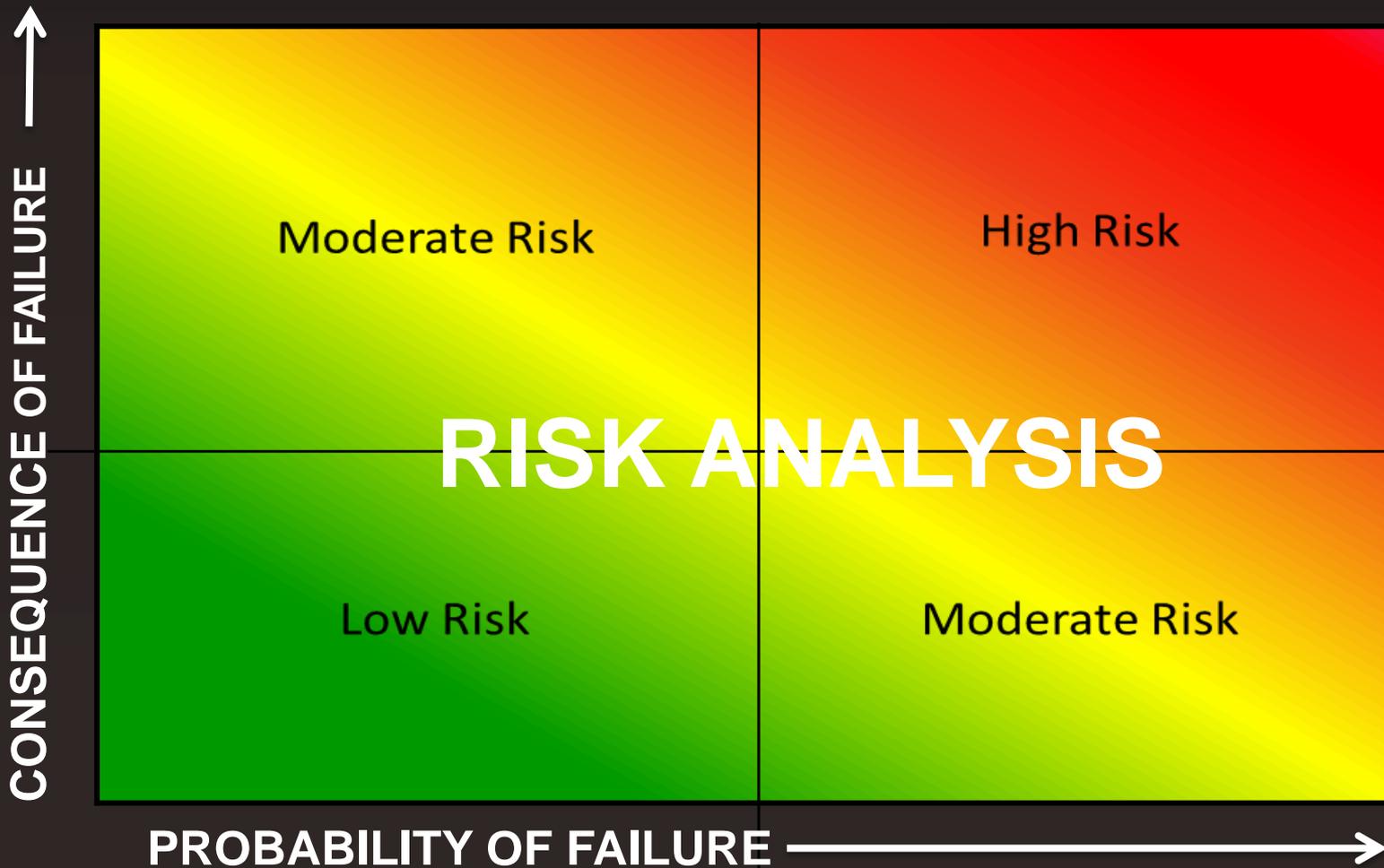
Level of Service defines how you will operate the utility (the goals of the utility)

CORE COMPONENT 2 - A REVIEW

**DIFFICULT TO
MANAGE EFFECTIVELY
WHEN YOU DON'T
KNOW WHAT YOU
WANT YOUR ASSETS
TO DO**

**MOST UNDER-
APPRECIATED
COMPONENT**

Core Component 3 – A Review



Core Component 3 – A Review

**DIFFICULT TO HAVE
MAXIMUM IMPACT WITH
LIMITED DOLLARS IF
YOU DON'T KNOW
WHICH ASSETS ARE
MOST CRITICAL TO THE
OPERATION**



**HEART & SOUL
OF AM**

CORE COMPONENT 4 – A REVIEW



MANAGEMENT



O&M



Rehab

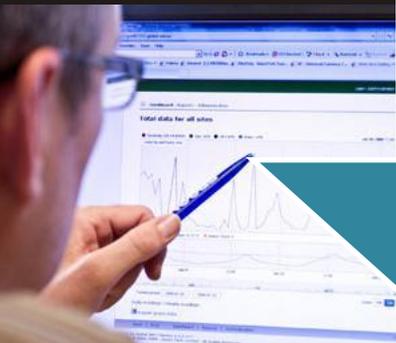
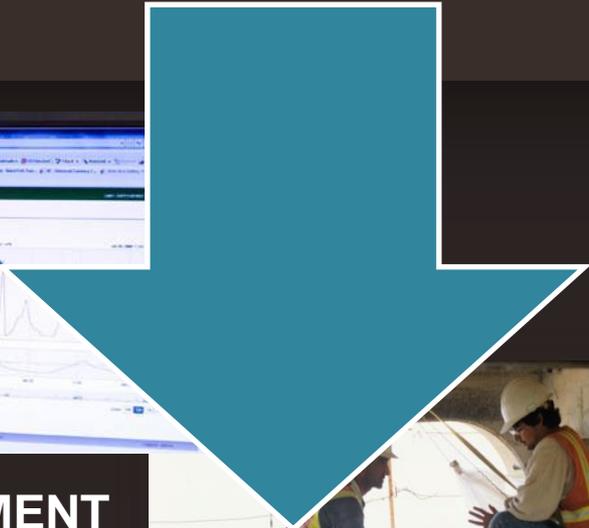


Repairs

COSTS OVER ENTIRE LIFE

CORE COMPONENT 4 – A REVIEW

Capital
Cost



MANAGEMENT



O&M



Rehab



Life Cycle
Cost

COSTS OVER ENTIRE LIFE



CORE COMPONENT 4 – A REVIEW

**WITHOUT
CONSIDERATION OF LIFE
CYCLE, YOU CAN'T GET
MAXIMUM LIFE OUT OF
YOUR ASSETS OR
ACHIEVE COST
EFFECTIVE OPERATION**

**GREATEST
POTENTIAL FOR
COST SAVINGS**

CORE COMPONENT 5: LONG TERM FUNDING



WHAT ARE YOUR FUNDING NEEDS?

DAY TO DAY EXPENSES? (O&M)

CAPITAL EXPENDITURES (LONG TERM EXPENSES)



WHERE WILL THE MONEY COME FROM?

O&M - RATES, FEES, PENALTIES, IMPACT FEES,
TAXES, COMMUNITY GENERAL FUND
DOLLARS

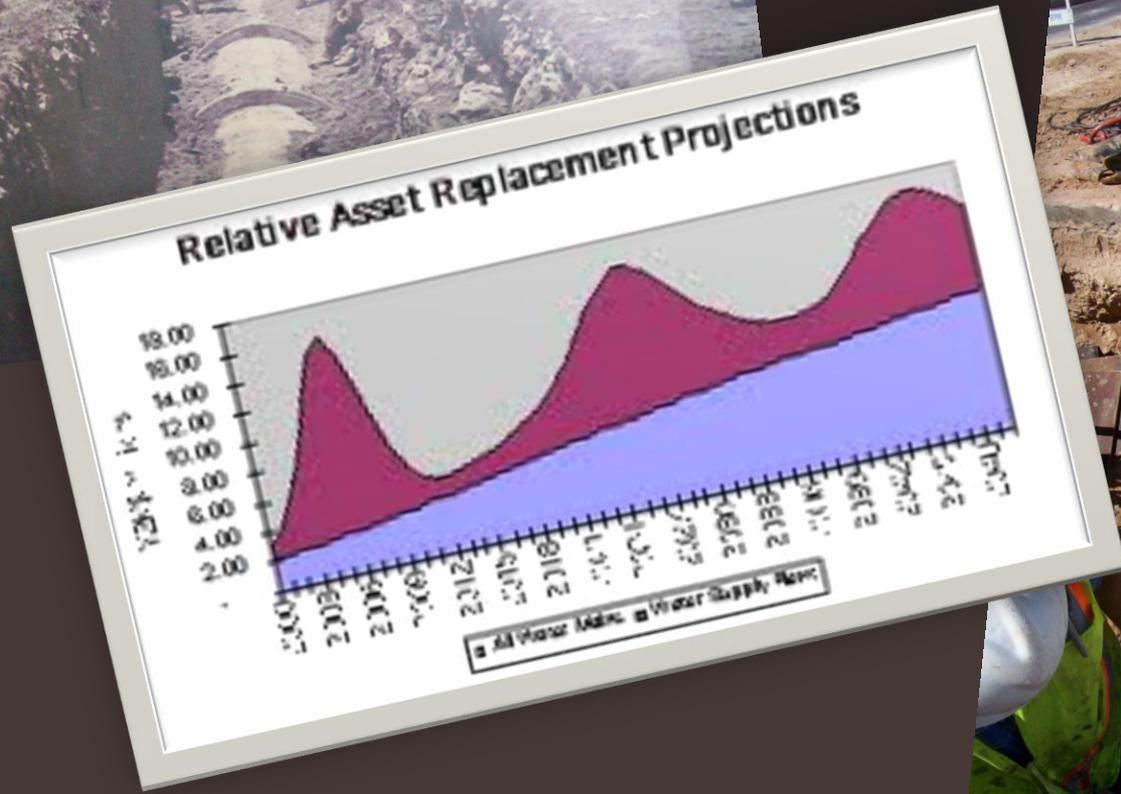
CAPITAL PROJECTS – COMMUNITY AND/OR
OUTSIDE FUNDING (GRANTS, LOANS, BONDS,
BANK LOANS)



FUNDING ISSUES



ASSET REPLACEMENT WAVES



FULL COSTS OF OPERATION

Operations

- Salaries
- Treatment
- Electricity

Maintenance

Repairs

- Spare Parts

Replacement

- How much to do?

Debt Service

- Loans
- Bonds

Reserves

- Emergencies
- Debt Service
- Repair & Replacement



A DOLLAR IS A DOLLAR?



CAPITAL EXPENDITURE



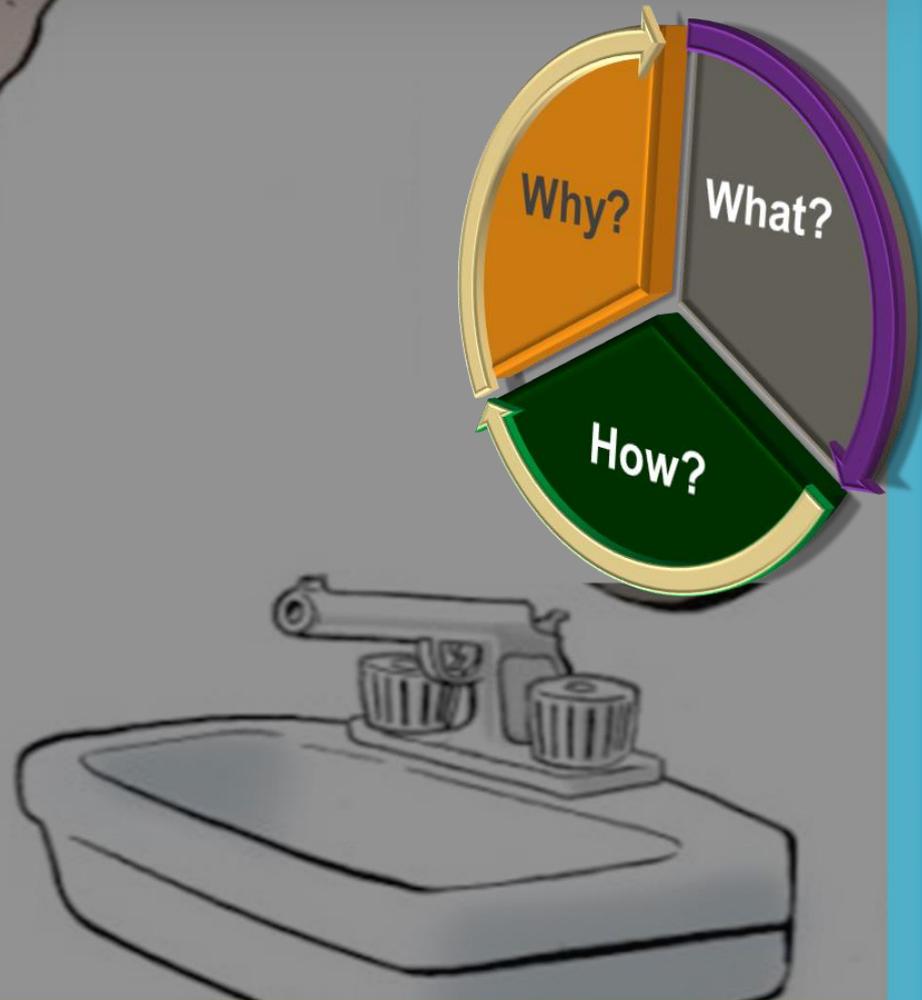
O&M EXPENDITURE

ARE THEY EQUAL?



WILLINGNESS TO CHARGE

WATER RATES...



LOUISVILLE WATER COMPANY



JIM SMITH

BUILDING RATE CAPACITY

Community Involvement



Community Involvement

Louisville Water Company



JIM SMITH

A sunset over a body of water with a wooden pier in the foreground and an open book at the bottom. The sky is a mix of orange, yellow, and blue. The water is dark and reflects the sky. The pier is made of dark wood and runs from the bottom left towards the center. The open book is at the bottom center, with its pages visible. The text is overlaid on the image in white, bold, sans-serif font.

IT'S ABOUT THE STORY

AND HOW WE TELL IT

CONFIDENCE

FRAME THE MESSAGE

HOW DO YOU BUILD COMMUNITY SUPPORT



WHAT IS THE MONEY FOR?

**WHAT IS THE RISK IF WE DON'T SPEND
THE MONEY? WHAT IS THE BENEFIT IF WE
DO?**

OLD FORGE, NY



TED RIEHLE

TAKING IT TO YOUR FACILITY



**DEVELOP YOUR
TEAM**

TAKING IT TO YOUR FACILITY



**COMPLETE INTERACTIVE
ASSET MANAGEMENT IQ
TOOL**

<http://southwestefc.unm.edu/assetManagementIQ/main.php>

TAKING IT TO YOUR FACILITY



**WHEN WAS THE
LAST TIME YOU
REVIEWED YOUR
RATES?**

TAKING IT TO YOUR FACILITY



**WHEN WAS THE
LAST TIME YOU
RAISED YOUR
RATES?**

TAKING IT TO YOUR FACILITY



**DETERMINE IF YOUR
CURRENT BUDGET
COVERS THE FULL
COST OF YOUR
OPERATION**

TAKING IT TO YOUR FACILITY



**DEVELOP A BUDGET
THAT WOULD COVER
THE FULL COST OF
OPERATION
(IF APPLICABLE)**

TAKING IT TO YOUR FACILITY



**DETERMINE WHEN
THE WAVES OF ASSET
REPLACEMENT ARE
LIKELY TO HIT**

TAKING IT TO YOUR FACILITY



**THINK ABOUT HOW
YOU COULD BUILD
COMMUNITY SUPPORT
FOR INCREASED
RATES: WHAT WOULD
YOUR MESSAGE BE?**



**WE WANT TO
THANK EPA FOR
PROVIDING
FUNDING FOR
THIS PROJECT**



Smart Management for
Small Water Systems

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**Southwest
Environmental
Finance
Center**