



# Strategic Asset Management Overview

# Agenda

## Strategic Asset Management Overview

**What is Strategic Asset Management?**

**Why is Strategic Asset Management necessary?  
(Why should clients care?)**

**Market insights**

**Training Schedule**

**Wrap-Up & Q/A**

# But first...what do we mean by “assets”?

- ▶ Assets can be **tangible** or **intangible**.
- ▶ Examples include:
  - Buildings/Facilities (ex. HVAC, Electrical)
  - Transportation/Roadways (ex. pavement, bridges, sidewalks)
  - Water Distribution (ex. mains, valves, hydrants, treatment plants)
  - Sanitary Sewer Collection (ex. manholes, force mains)
  - Storm Water Management (ex. ditches, canals, pipes)
  - Ports, Rail, Airports
  - Parks, Playgrounds, Sports Fields

# **What is Strategic Asset Management?**



# Managing Assets vs Asset Management

Both are important BUT there is a difference

## Managing Assets

- The things you do to assets
- Life-cycle delivery
  - Plan
  - Acquire
  - Operate & Maintain
  - Renew / Dispose
- Focus tends to be on minimizing life-cycle cost

## Strategic Asset Management (SAM)

- Establishes alignment across your organization – **Line of Sight**
- Long-term view
  - Value
  - Purpose
  - Long-term outcomes
- Focus is on understanding how assets deliver value
  - To the organization
  - To customers / stakeholders

# Strategic Asset Management

## ▶ Strategic Asset Management (leading indicator)

- Service Level Optimization
- Life-Cycle Modeling
- Infrastructure Investment Planning
- Long-Term Financial Planning
- “What If?” Scenarios

## ▶ Tactical Asset Management (lagging indicator)

- Customer Request Management
- Maintenance Management
- Inspections
- Risk Management
- Performance Reporting

## ▶ Asset Information

- Physical Asset Registers
- Financial Asset Registers
- Condition Assessments
- Basic Reporting



# What is Strategic Asset Management?

- ▶ Strategic Asset Management (SAM) is a comprehensive and structured approach to managing the **whole life of assets** by:
  - Changing the organizational mindset from short-term to the longer view
  - Aligning business practices around levels of service, costs and risk profiles
  - Enabling optimized total asset lifecycle management
  - Establishing a clear vision for how an organization manages its assets for “value”
  - **Providing a plan for doing the right things—at the right times—for the right reasons**

# **Why is Strategic Asset Management Necessary?**

**(why should clients care?)**



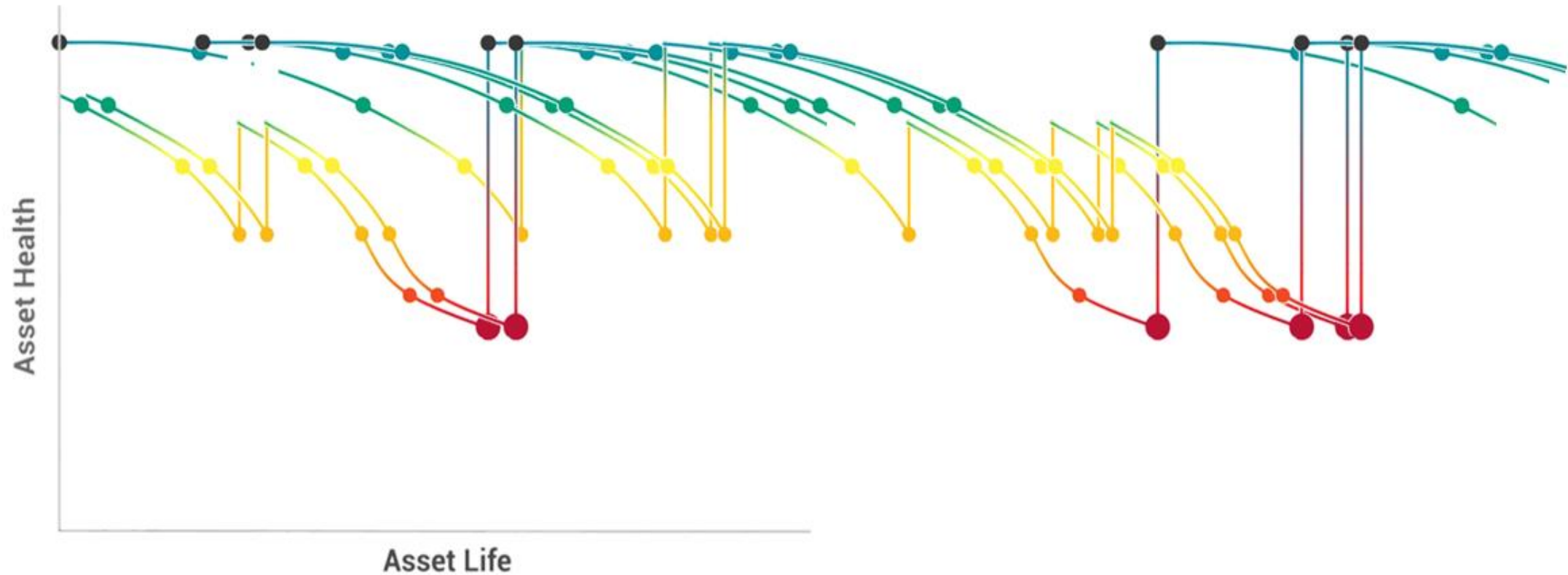


# Strategic Asset Management Objectives

- ▶ Ensures assets meet service provision requirements
- ▶ Maximize community/institution's benefits from use of assets
- ▶ Reduce dependency on new asset solutions
  - Extend the life of assets
  - Ensure existing assets are better utilized
  - Alternatives to new assets
- ▶ Reduce the cost of owning/managing assets
  - Better planning
  - Rationalize assets
  - Decisions based on whole life costs and appraisals

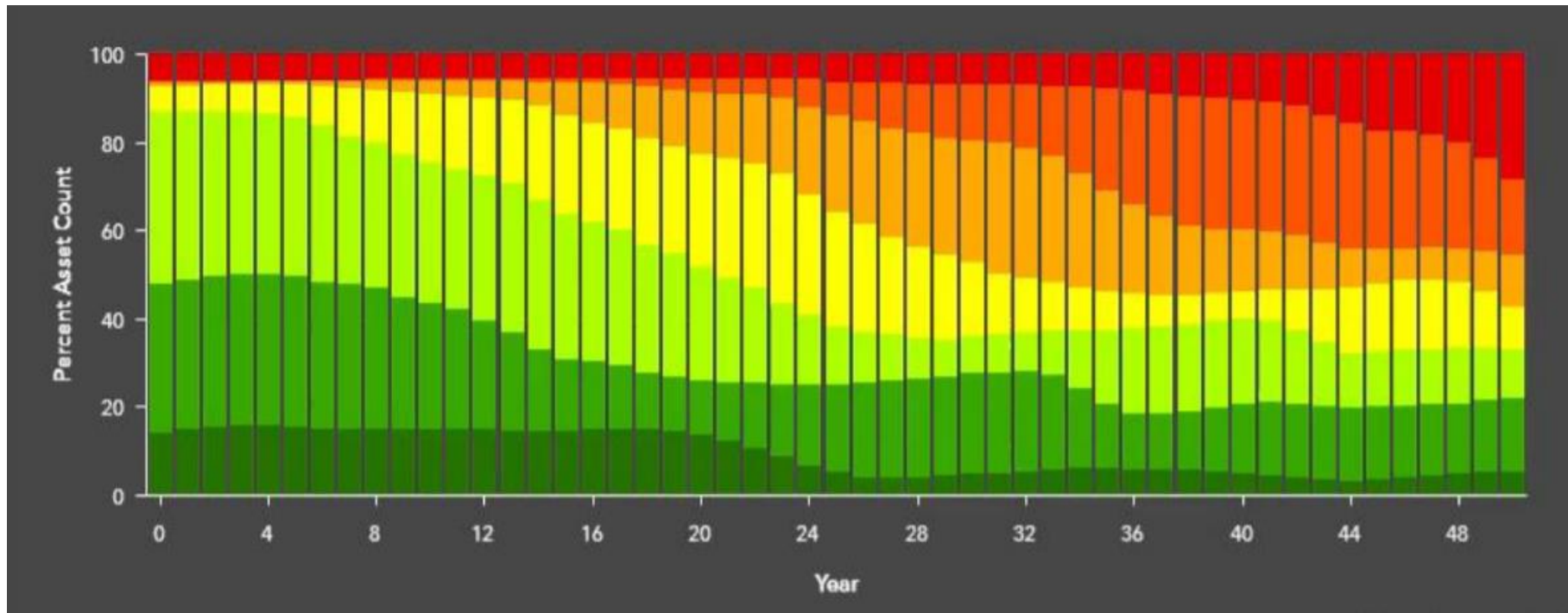
# Breaking the Cycle

Using Asset Life-cycle Modeling



# Long-term Asset Vision

- ▶ Turn lagging indicators into leading indicators (Predictive Modeling)
- ▶ 10, 15, 25 years and beyond (vs. 3 – 5 years)
- ▶ Deliver value at any point on the asset management journey
- ▶ Allow client to “tell their story”

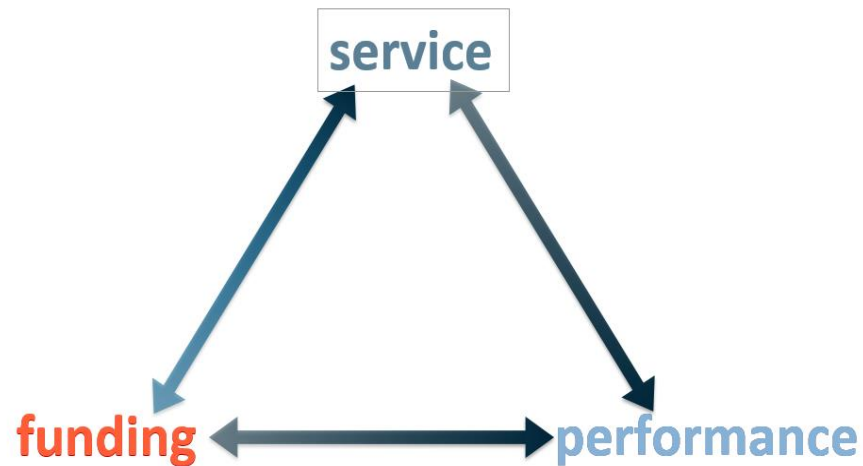


# Why Should Clients Care?

- ▶ Transparency
  - Well-defined stakeholder expectations
  - Active engagement and dialog with stakeholders
- ▶ Well-understood **operations and maintenance (O&M)** costs
  - “O&M” are costs associated with operating and maintaining an asset
- ▶ Realistic **capital investment planning (CIP)** budgets
  - “CIP” is a series of integrated activities an organization undertakes to identify, plan and execute future work and activities (ex. rehab, repair or replacement activities)
- ▶ Manage for value and **total cost of ownership (TCO)**
  - “TCO” is an estimate of all the direct and indirect costs involved in acquiring and operating an asset over its lifetime

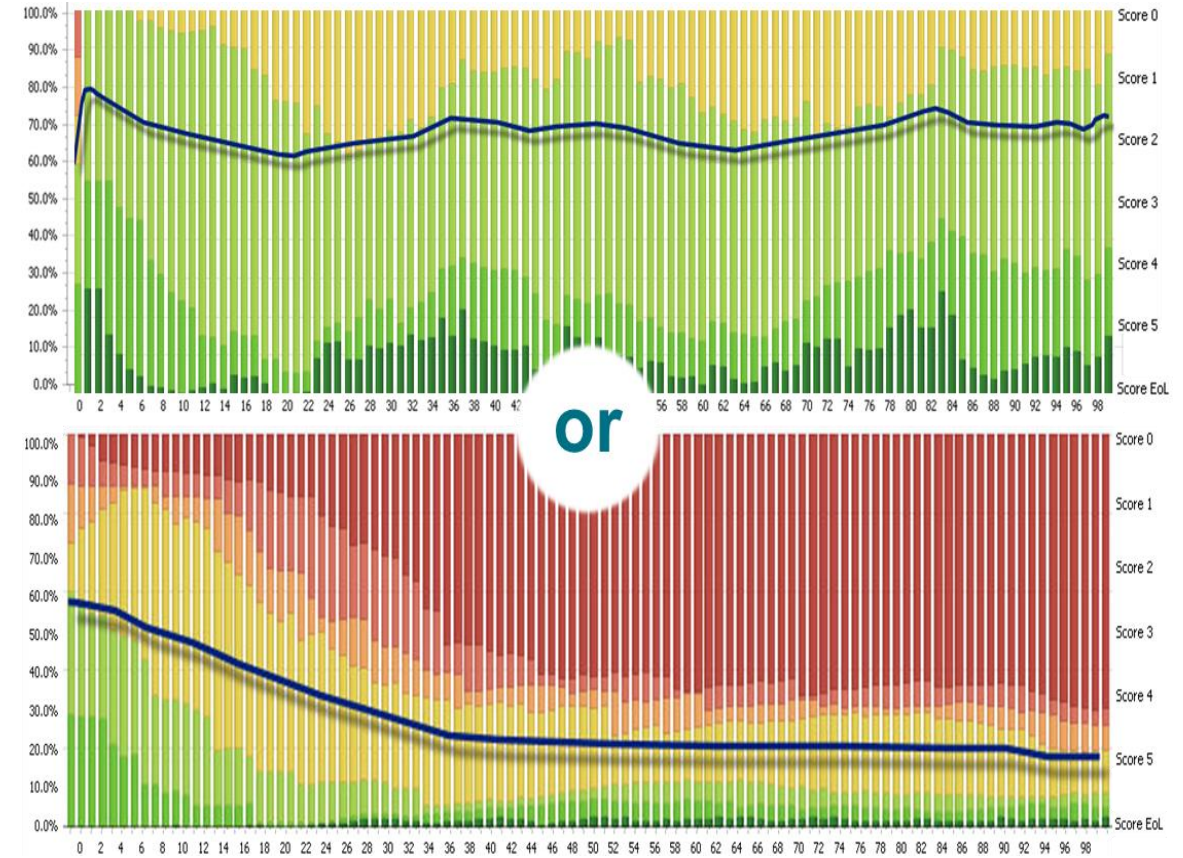
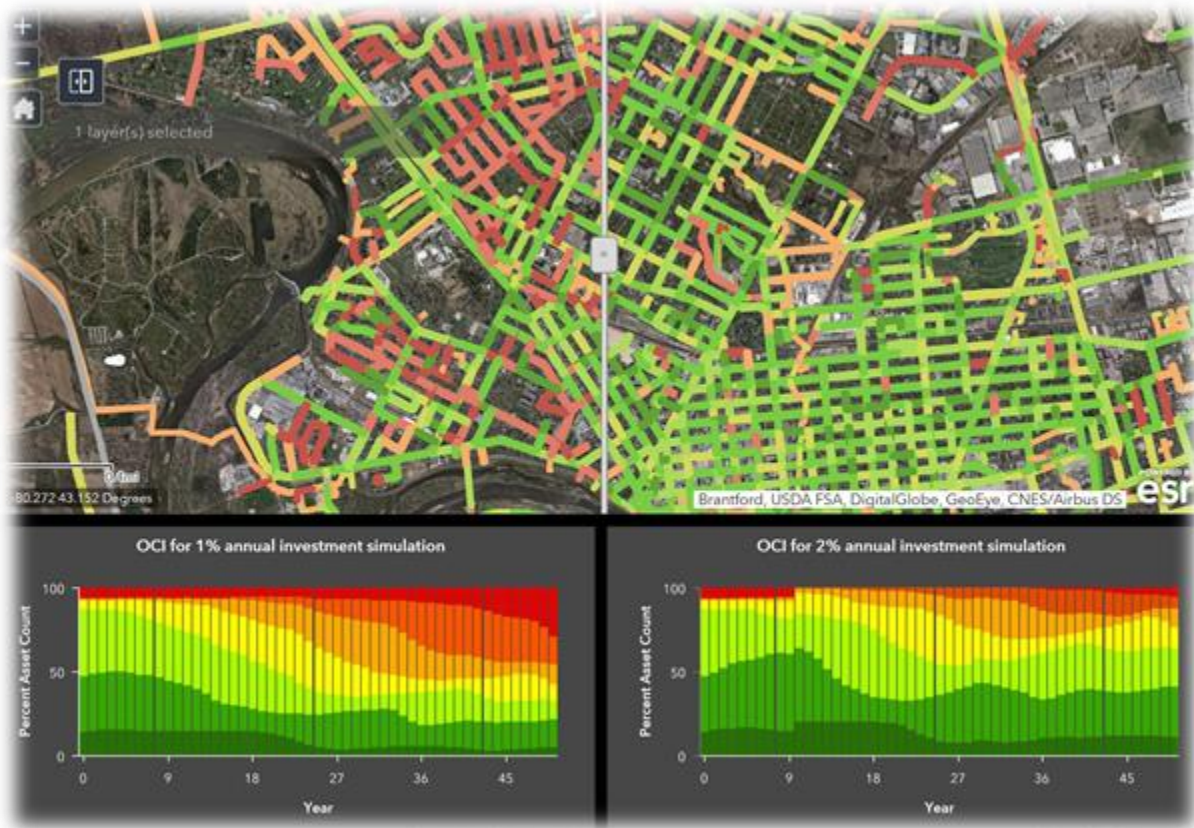
# Organizations Can Answer Strategic Questions

- ▶ What is the best service level for a given amount of funding?
- ▶ What will be the future asset performance if we change the current level of funding?
- ▶ How much funding is required to bring assets up to the target performance level?



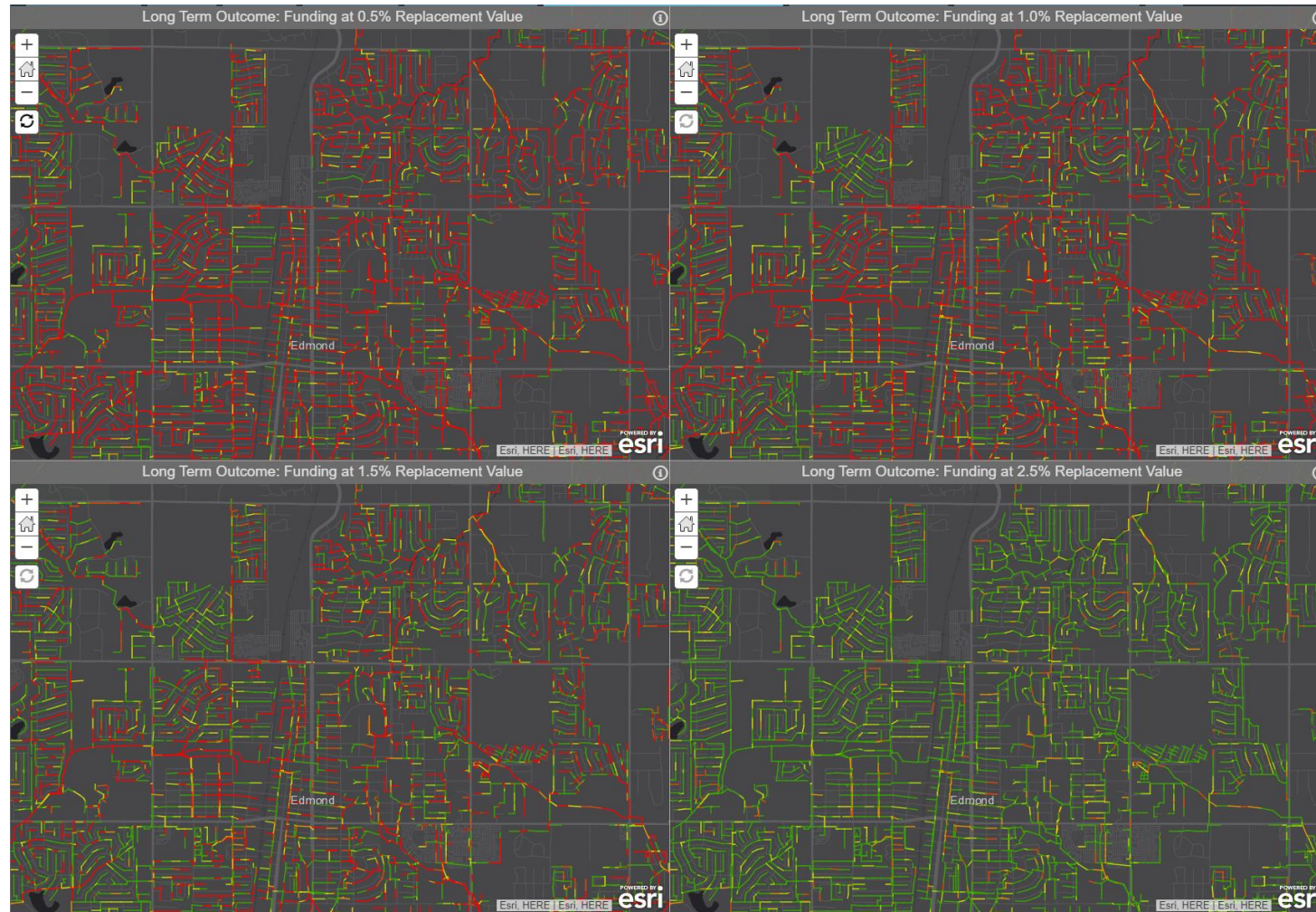
# Focus is on the Output

How does the client tell their story.....



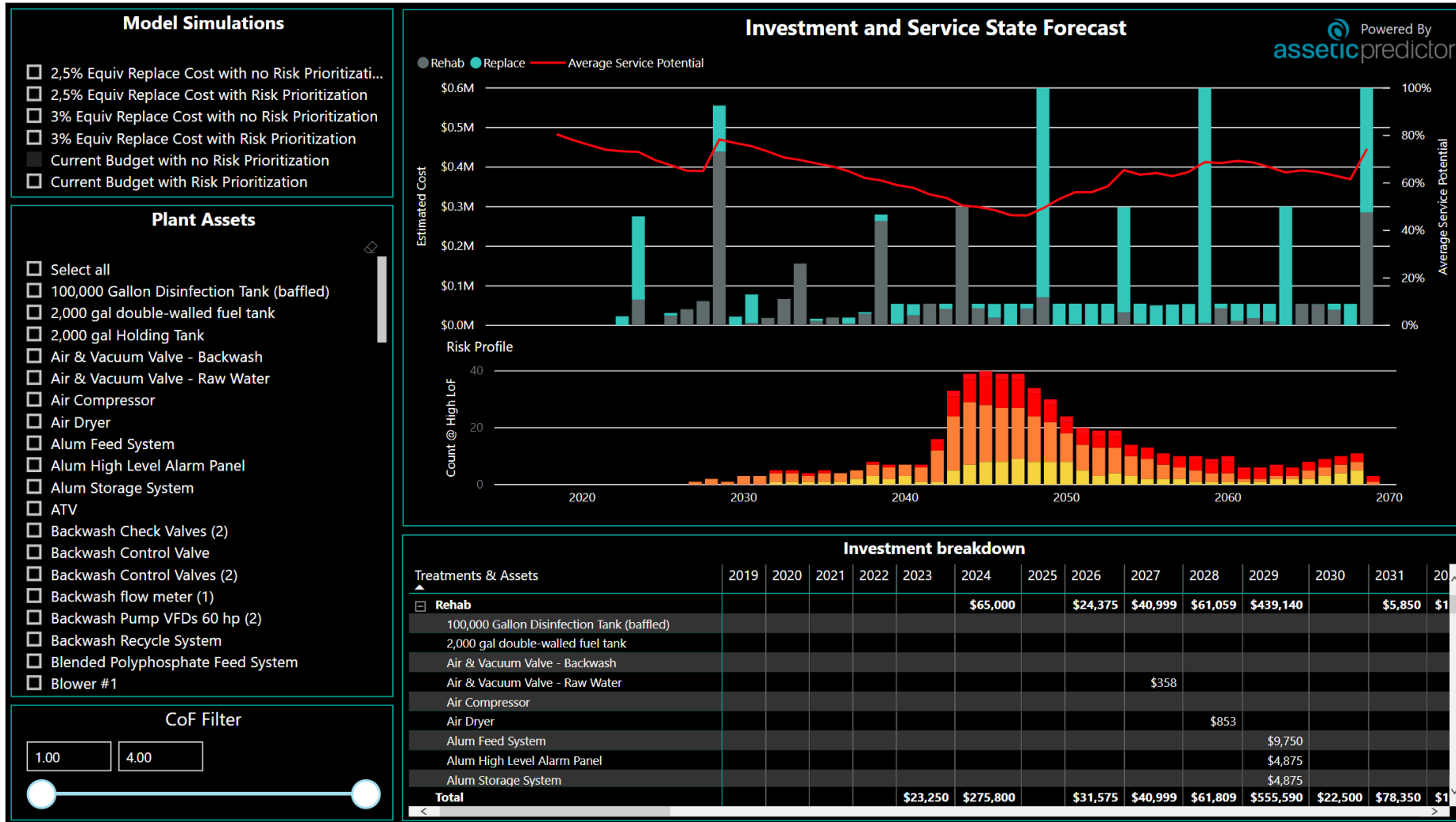
# Focus is on the Output

How does the client tell their story.....



# Focus is on the Output

How does the client tell their story.....





# Why Should Clients Care?

- ▶ 100s – 100,000s of assets to maintain
- ▶ Asset life-cycles spanning decades
- ▶ Increasing customer / citizen demands for service / high quality products
- ▶ Aging (rapidly) assets and declining performance
- ▶ Shrinking (?) budgets and competing demands for limited funds



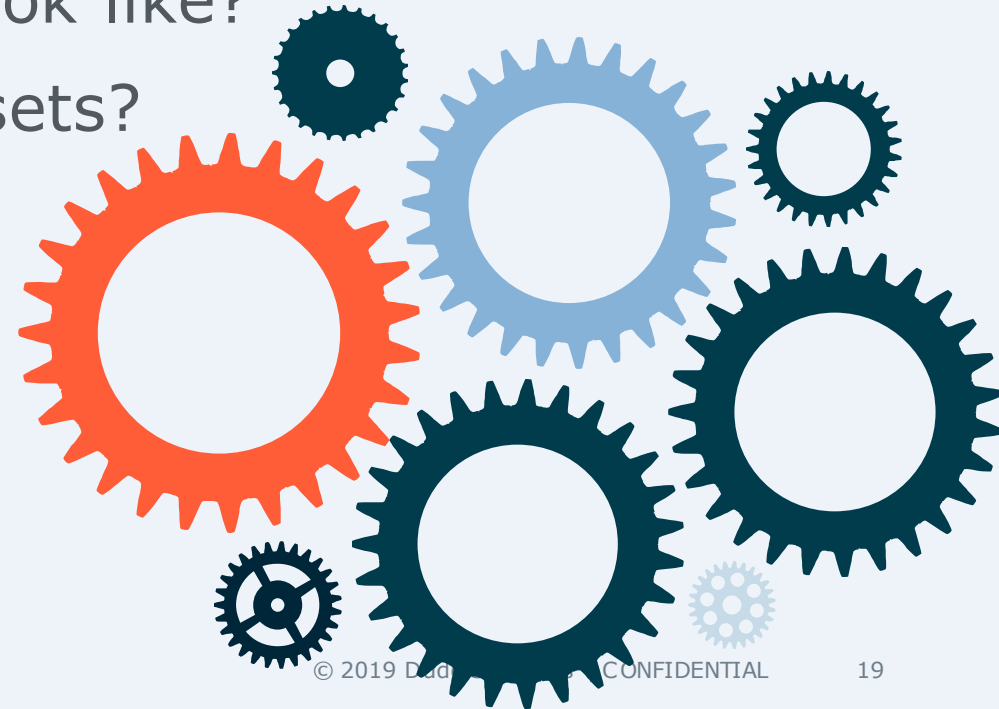
- ▶ What level of funding do we need to deliver (maintain) an acceptable level of service?
- ▶ How do we optimize our capital dollars to maximize our asset value over the long-term?
- ▶ How do we communicate all of this with our various stakeholders?
- ▶ Wouldn't it be great if we had a single platform to analyze our capital needs across all of our asset classes?

# Market Insights



# The game has changed

- ▶ What is the asset lifecycle cost?
- ▶ What is the operational cost?
- ▶ What budget is required?
- ▶ What does the long-term financial plan look like?
- ▶ What is the true financial value of my assets?



# Global infrastructure funding gap

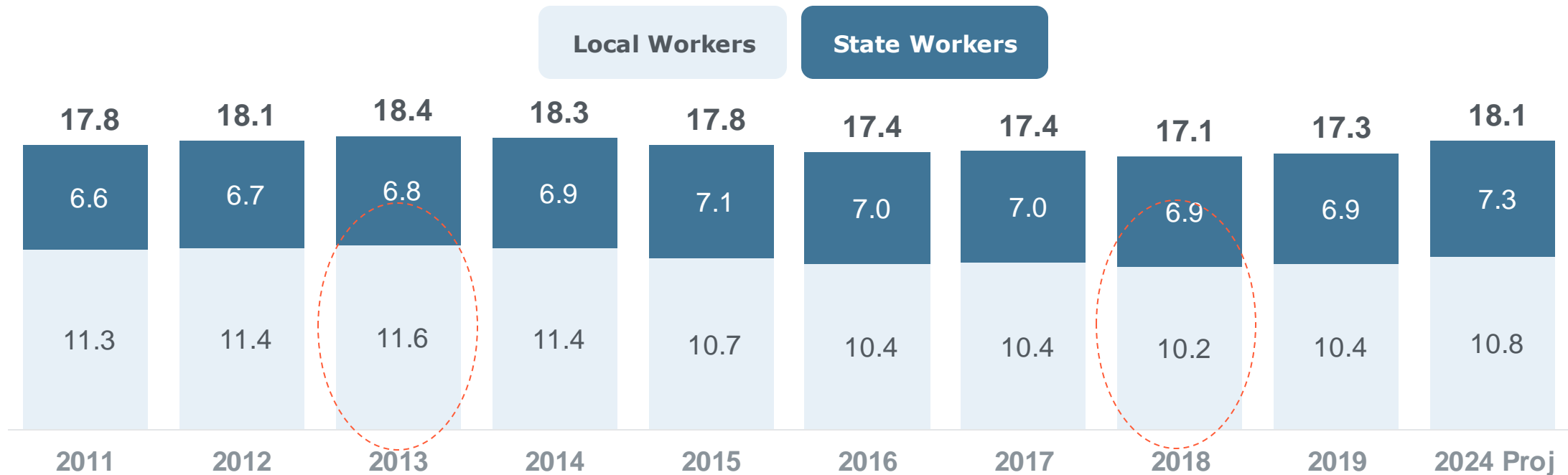
- ▶ Increasing demand on aging infrastructure
- ▶ Less free capital to fund future infrastructure needs
- ▶ Growing infrastructure funding gap everywhere globally
- ▶ Governments worldwide increasingly mandating high standards of infrastructure asset management



# Capital expenditure in the public sector is down

*We still have the **workers...***

## Public Sector Workforce (MMs)

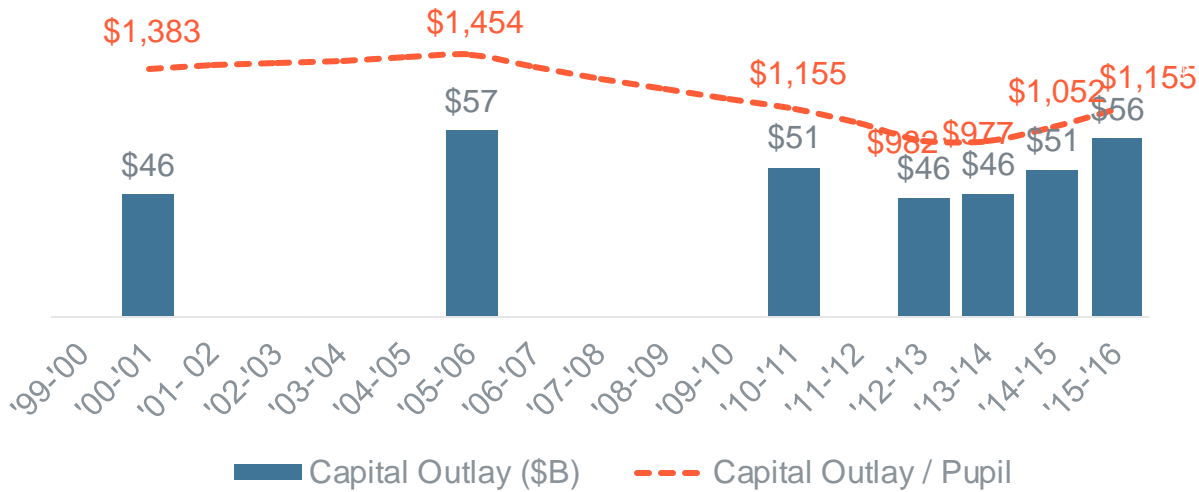


The biggest uptick in state and local government workers from '13 to '18 in the U.S. was in transit, hospitals, parks and recreation, fire protection, and health.

# Capital expenditure in the public sector is down

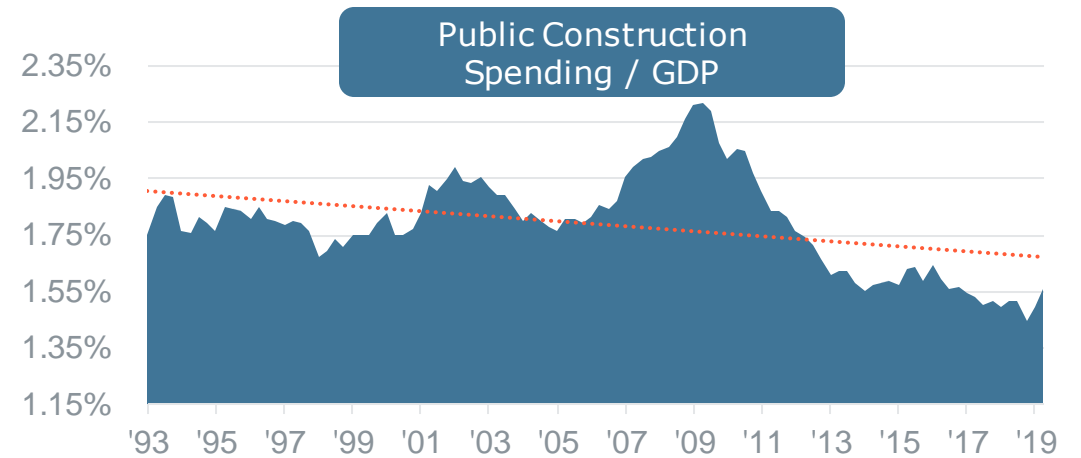
...but not the *money* for the assets they operate and maintain

### Capital Outlay in Education (1)



Capital outlays in education dropped steeply with a modest pick up

### Public Infrastructure Spending (2)



Q4 '19 marked the lowest level on record of public works investment

1) Includes expenditures for property and for buildings and alterations completed by school district staff or contractors

2) Seasonally-adjusted, annualized rates; based on public construction spending as a percentage of GDP

Source: U.S. Bureau of Economic Analysis; U.S. Census Bureau; S&P Global Market Intelligence; Federal Reserve Economic Data; U.S.

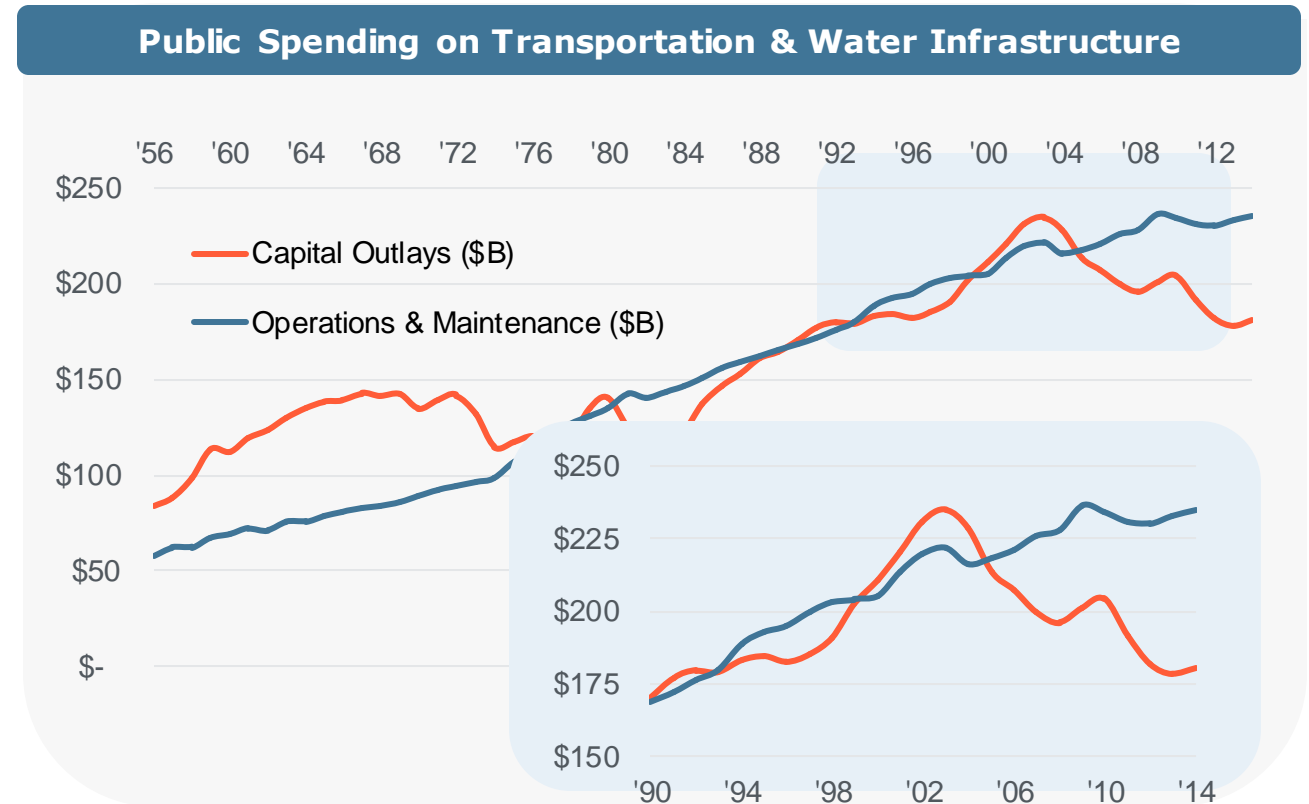
Census Annual Survey of Public Employment & Payroll

# Maintenance spending is creeping up...


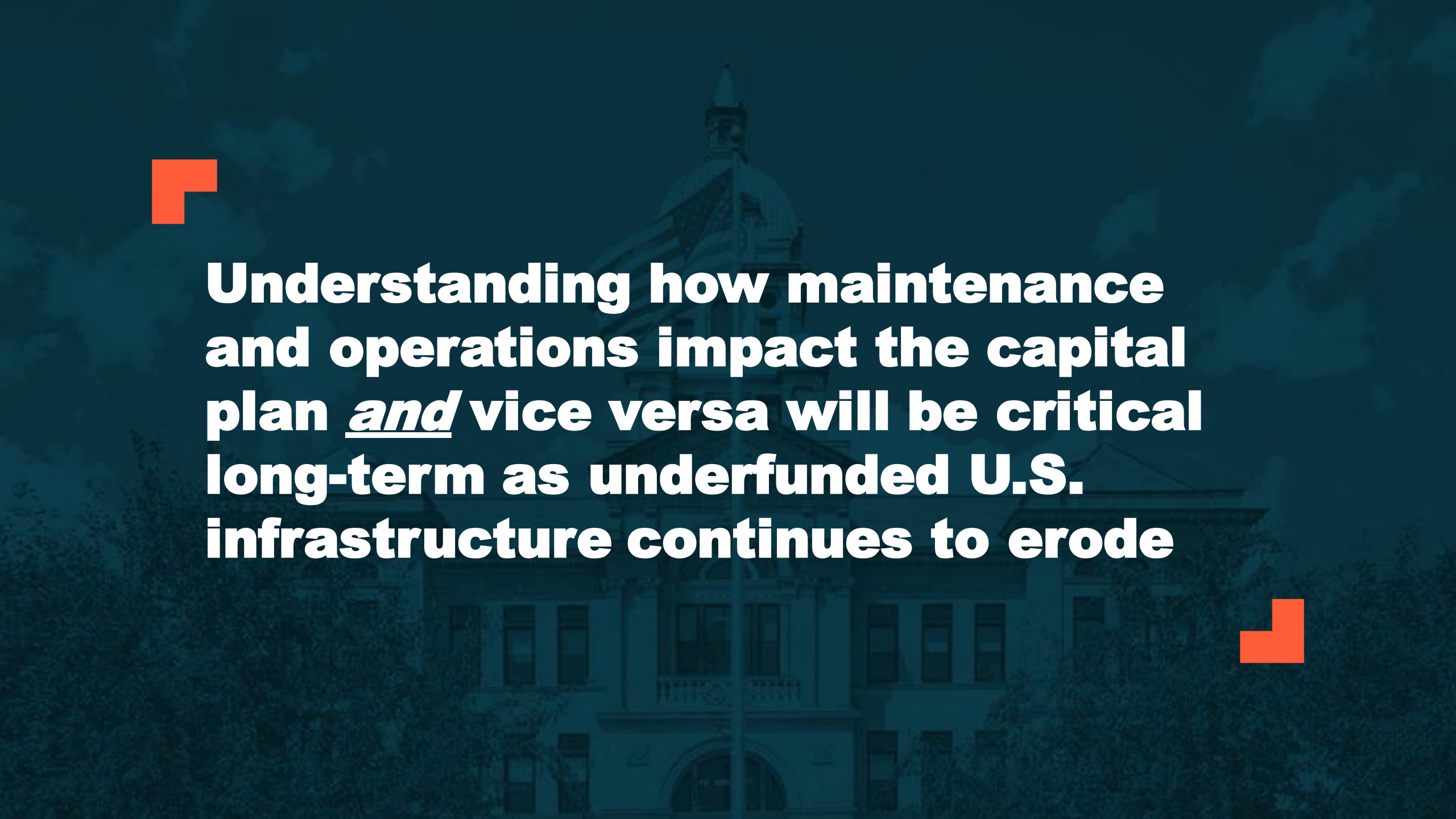
...but not enough to offset capital spending cuts

## Observations


- > Even before the Great Recession hit in 2000s, **gross capital spending dropped – and it has not recovered**
- > In the late 1980s, Federal funding sources **dropped to ~40% of total capital outlays** on infrastructure – and it has hovered at that level since
- > Highways are bearing the burden of the decreased capital spending **more than any other infrastructure type**
- > Since 2003, real purchases of capital have declined by ~33%, as the **prices of materials to build transportation and water infrastructure have rapidly increased.**



*Expense prioritization is a must!*

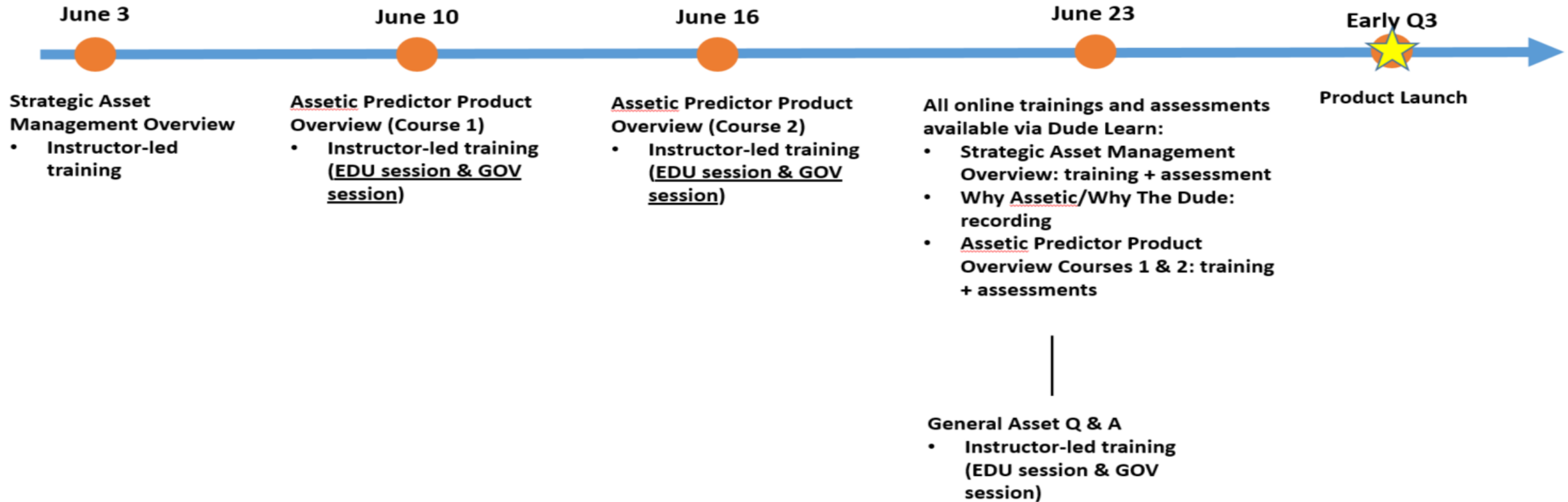


**Understanding how maintenance and operations impact the capital plan and vice versa will be critical long-term as underfunded U.S. infrastructure continues to erode**





# What's next?



# Q&A

