“Prudent” Asset Management
A No-brainer or a morass?

Dennis W. Doll,
President and CEO
What is Asset Management?

The process by which built systems of facilities are monitored and maintained, with the objective of providing the best possible service to users.

Asset Management

Described with great simplicity

Implemented with great complexity

Photo: Mile long transmission main recently installed beneath the Raritan River
If it’s universally accepted that prudent asset management is a good thing, why is it not practiced consistently everywhere?
Two Simple Reasons:

1. Vastly different views as to what is “prudent”

2. Leadership
Prudence

It’s all about

Risk Management

How much reliability is enough?

How much money should we spend?
Prudence

As if it were not a big enough challenge to agree on appropriate levels of reliability and cost......then comes the really hard part
Leadership
Again... My Simplistic View

• **Strong leadership** is the greatest enabler of prudent asset management programs

• **Lack of leadership** is the greatest inhibitor
Why is strong leadership in asset management not practiced consistently?

- MONEY
- POLITICS
The public takes reliable service for granted because we’ve delivered quality water so seamlessly...and so cheaply...for so long.

Much of the infrastructure is underground. It’s challenging to create a sense of urgency for problems the public can’t see.
Sometimes politically expedient to keep cost low in the near-term *despite* general understanding the cost of inaction is likely higher later.
Education of the public about the risks and the costs related to maintaining reliable utility service into the future... is sorely lacking.

The tools needed to implement a robust asset management program can be expensive (well-trained staff/technology, etc.)
So what does all this have to do with “leadership”? 

• Every level of leadership needs to adopt and diligently manage:
  
  ✓ a common view as to what is prudent
  ✓ a shared commitment to implement and maintain a robust program in good times and in bad *(recognizing they’re all bad)*
  ✓ a shared commitment to make very difficult political and financial choices and .....to sell the vision and the plan to those who ultimately pay for the service
  ✓ a commitment to adopt “full-cost pricing”
We Have Two Choices

☑️☑️

DO NOTHING...
Kick the can down the road, possibly lose service for prolonged periods of time and pay much more later
Two Choices

☑️☑️

BE LEADERS...
Face reality about costs and forge ahead with a “prudent” program (at potentially great personal risk)
Who Pays?

In the end the cost is borne by:
1. the user of the service *(utility bill)*
2. Local taxpayers *(property taxes)*
3. State & Federal taxpayers *(income and other taxes)*

Like every service we receive, ultimately the cost is all borne by the consumer. It’s all a matter of how we carve up the pie.
Thank You