

# “Prudent” Asset Management

A No-brainer or a morass?



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# 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.

*Source: Wikipedia*





# 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?



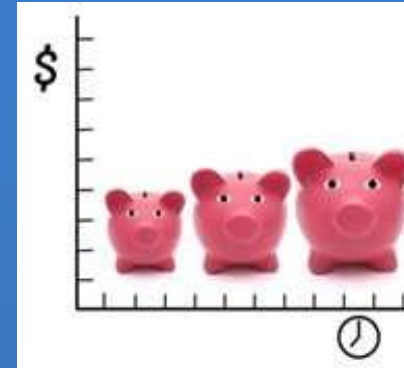
➤ MONEY  
➤ POLITICS

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





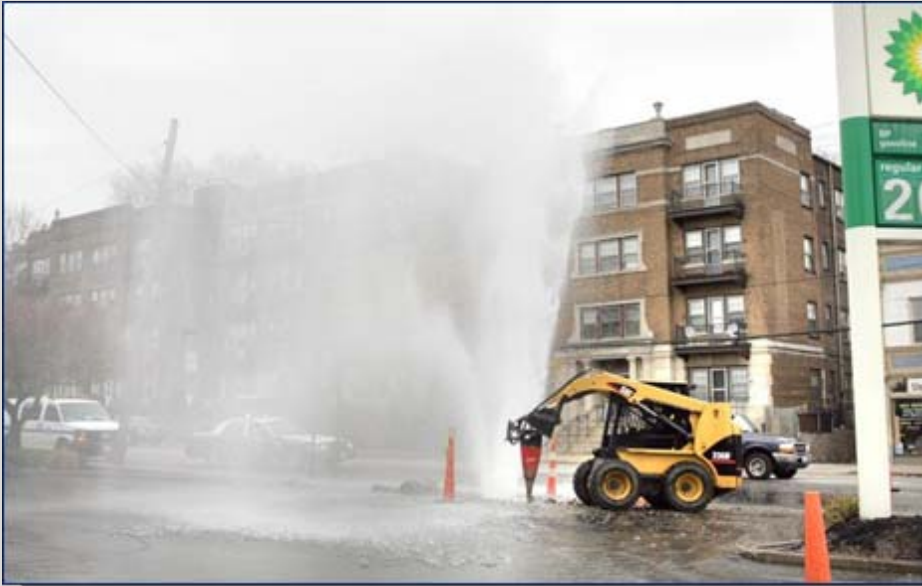
The tools needed to implement a robust asset management program can be expensive (well-trained staff/technology, etc.)



Education of the public about the risks and the costs related to maintaining reliable utility service into the future.....is sorely lacking

# 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