

ULTIMATE GUIDE: HOW TO WRITE & MASTER YOUR ASSET MANAGEMENT PLAN



An asset management plan is a business plan used so organizations can provide services to their community and accurately manage their infrastructure and assets. Strategically making an asset management plan will provide the methodologies and tools to answer these questions about your assets:

- What assets do you have?
- How much do your assets cost?
- How do you repair and cost-effectively maintain those assets?

With a national spotlight on funding for public infrastructure, it is more important than ever for asset management professionals to construct plans for their organizations. Not only does an asset plan allow for better communication when decision-making, but it also provides the tools so a business can plan how to manage its assets for the long term.

Making an asset management plan may seem to be a daunting task- but it is necessary. Asset managers face pressure from legislation, a lack of funding and resources, and risks generated by failing infrastructure. The best way to tackle and resolve these challenges is to write an asset management plan by following five key steps.

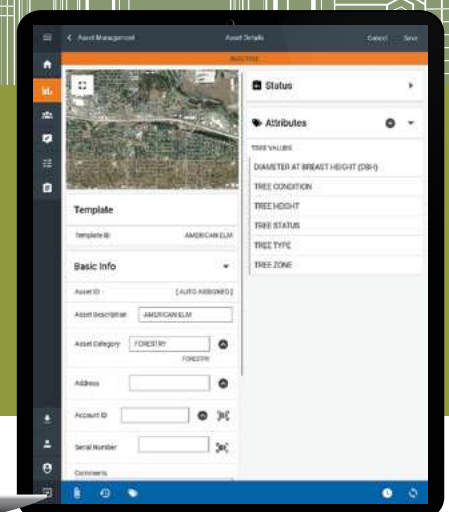
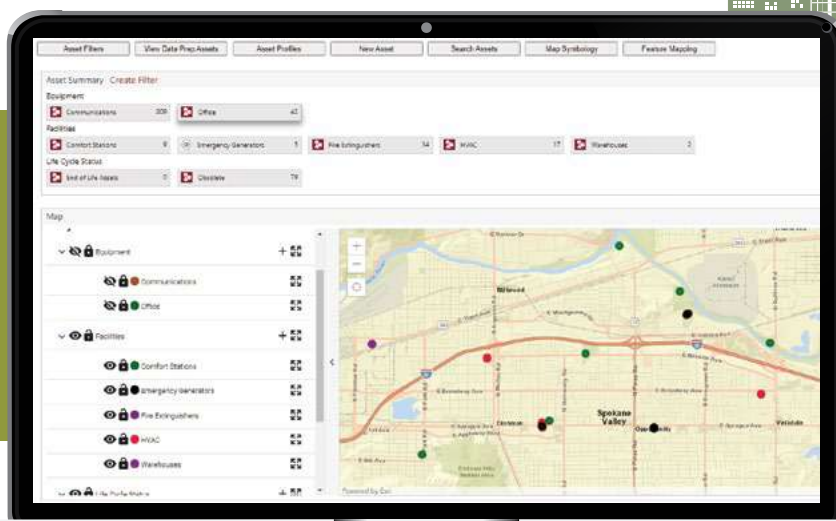
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STEPS TO CREATE AN EFFECTIVE ASSET MANAGEMENT PLAN

There is no one-size-fits-all approach for an organization managing its assets. When creating an asset plan, you must not get too technical since it can complicate your objectives. Instead, focus on a high-level analysis that provides the answers to the following questions:

- Where is your organization right now?
- What are your current options for the future?
- What do you want to achieve?

Once you have those answers laid out, you can start to fine-tune the most notable details through the following steps.



1. Complete Asset Inventory

To complete the asset inventory list, organizations need to outline their assets:

- What assets do they have?
- The assets' current locations
- What their assets are valued
- When the assets were purchased or constructed
- What the assets expected life cycles are

Asset inventories can be built into any document, but it is best if it gets stored in an asset management software- such as AssetWorks Enterprise Asset Management (EAM).

2. Set Levels of Service

A vital part of a successful asset management plan is ensuring the level of service assets provide matches customer expectations. Levels of service refer to the quality of the given service. Levels of service help outline the overall quality, capacity, function, and safety of the different services your asset provides. To set levels of service for you, think about:

- The levels of service you are currently providing
- How that level of service is forecasted to change
- The annual cost of the current service
- If there is funding to support any change in service
- If your current level of service is meeting the needs and expectations of users

The safety of your community must always be at the forefront of your mind when thinking about levels of service. One asset's level of service should be completely different from another, especially when considering risk management.

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3. Calculate Life-Cycle Costs

To correctly calculate life-cycle costs, you will need the following information on the asset: purchase costs, maintenance costs, operational costs, financing costs, depreciation costs, end of life costs. There is an equation to calculate an asset's total cost of ownership (TCO):

$LLC = \text{Purchase Costs} + \text{Lifetime Maintenance Costs} + \text{Lifetime Operating Costs} + \text{Financing Costs} + \text{Deprecation Costs} + \text{End of Life Costs} - \text{Residual Value}$

While life-cycle costs can be determined manually, it is much easier when leveraging software like AssetWorks EAM for automation.

In the past, the capital cost of an item may have only been the cost reflected in your budget; however, this initial cost only makes up 20% of the asset's total life-cycle costs. The remaining 80% includes maintenance, operating, and disposal costs.

Including life cycles in an asset management plan allows organizations to view the entire picture of their assets, not just the initial capital cost-allowing for more accurate budgeting in the future.

4. Apply Cost-Effective Management

There are two main strategies when dealing with maintenance, renewal, and replacement efforts: reactive and proactive.

Reactive: A reactive strategy means waiting until an asset is defective to repair it. This strategy is a common approach when budgets are tight or if funding is hard to get; however, taking this approach may lead to more costs when all is said and done.

Proactive: A proactive strategy focuses on an asset's entire life cycle, so you can repair them at the right time instead of waiting for them to fail.

Example: It could cost twice as much to fix a 30-year-old road that requires a full overlay than to apply two surface treatments to the road over its lifetime.

Both approaches have the same result- a safe and useable asset, but the proactive approach represents a much better use of funds.

5. Execute Long-term Financial Planning

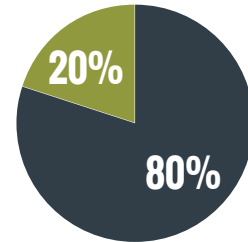
As you continue building your asset management plan, it will naturally translate into long-term financial planning. Long-term financial planning helps identify:

- What are your priorities?
- What can or cannot you afford?
- Any challenges or obstacles that need to be addressed to achieve desired levels of service

Financial planning can help remove the need for an annual budgeting process and replace it with a long-term management plan- helping organizations meet their goals and remain sustainable for the long-term good of the community.

Asset Life-Cycle Cost Breakdown

Capital Cost



Maintenance, Operating, and Disposal Costs



WRITE & CHAMPION YOUR MASTER PLAN

Thanks to the five steps, you now know what assets you have, but it does not stop there. A master plan should also consider five pillars to ensure all community needs get considered.

Fiscal Sustainability

To achieve fiscal sustainability, agencies need to plan for the long term. Ask yourself if the current methods of technology are working for your community. If they are not working, do not be scared to embrace new technology that can provide a prolonged benefit to your agency.

Take an enterprise approach by considering how other departments in your agency could benefit from an asset management system. Integrating the data from your asset management system can improve financial health.

Public Safety

Public safety hazards need identification to mitigate litigation issues and foster ADA compliance. Some assets that can be safety hazards include sidewalks, handicap accesses, and potholes. These types are involved in everyone's day-to-day life, so to demonstrate due diligence for public safety, they need proper maintenance.

TIP: Engaging the public through a service request portal or mobile app allows agencies to react quicker to hazards and prevent them from happening in the first place.

Economic Development

For your community to continue growing, your infrastructure needs to be well maintained. Economic development is a vital part of a well-executed asset management plan. Your economy cannot develop without investing a large sum into your economic development budget. This budget goes towards managing facilities to ensure they are clean and safe for the community.

Parks & Cultural Resources

The parks department is the face of a city as they are the ones who have the most interaction with the community. They oversee maintaining trails, bike paths, playgrounds, and restroom facilities. Without the department's work, the economy would not be able to support a healthy community, which is necessary for economic development.

Infrastructure & Environmental

No matter where your agency is, you should always be prepared for weather events: ice storms, hurricanes, wildfires, and more. If one of these events were to happen, having a system avoids critical damage to infrastructure and helps with recovery funding.

TIP: Outline the time and money that has gone towards maintaining your assets, so you have a metric on how much money has gone towards assets- something required to receive recovery funding.



BENEFITS OF AN ASSET MANAGEMENT PLAN

If you master your asset management plan, your organization will produce efficiencies and see the following benefits:

Reduced Customer Complaints

An effective plan will allow for smoother operations and fewer reasons for the public to submit complaints. This metric will be evidence of whether the management plan is working and help identify any gaps in the workflow- allowing for further improvements.

Improved Efficiency

When formatting your asset plan, you are also identifying where there are any areas in need of improvement. These checks and balances allow organizations to improve their perception from the public- further improving their efficiency.

Budget for the Future

Improving your efficiency makes budgeting and planning for future operations easier.

Accurately tracking your assets will help with budgeting as you know which are being used and can correct any errors.

To learn how
AssetWorks helps
asset-intensive
organizations
streamline
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