

10 Steps FOR ASSET MANAGEMENT

The ongoing effort to maintain state and local government infrastructure is multifaceted. Pressing funding challenges exist from both reduced federal investments and property tax caps. Unfortunately, this is a time when there are more pressures and demands on aging infrastructure. Finance professionals can use these 10 steps to launch an asset management program for their government.

1 Do an asset inventory. What do you own, and where is it located? Who keeps this master list? If your answer to any of these questions is “no” or “I don’t know,” you have your starting line.

2 Evaluate existing capital assets to determine if they still provide the most appropriate method for delivering services. There should be a recursive relationship among community needs, desired level of service, legal standards, and resiliency relative to performance, especially in extreme weather events. Are your assets still meeting your needs? Should they be evolved? Replaced? Eliminated?

3 Establish condition and functional performance standards for each type of capital asset. Establish and apply a scoring matrix to each asset, which can then be banded into classes and the scores aggregated and evaluated across the government.

4 Assess the current condition of your assets. This shouldn’t be a binary state of working or not working; you need criteria that yield a number measuring where your capitalized assets fall on the lifecycle continuum.

5 Track the data. Every government collects some level of data on its assets, including records for built

documents, maintenance, and annualized construction work. Begin with the data you have and be clear and deliberate about who is responsible for recording data into what system.

6 Positively prejudice existing assets. The asset management equivalent of “more money, more problems” is the reality of “more assets, more issues.” There are often stakeholder pressures to build or purchase new assets, which create new responsibilities on top of the legacy costs associated with existing assets. Try to work with the assets you already own, perhaps by building scoring preferences weighted toward them. Add additional points for criticality and the existing assets that have to work for health and safety, like water, sewer, levees, airports, and transportation for public safety.

7 Link assets to the capital improvement program and allocate sufficient funds in the multi-year capital plan. The funding for existing capital assets is no different from the new capital assets your government is considering. Clearly link the annual capital improvement program [CIP] with the investments that will be needed. Include the investments needed for existing assets in the out years of the CIP as well as the current year. This helps stakeholders understand the resources required to maintain desired levels of service for meeting community needs.

8 Consider developing financial policies that identify and dedicate fees or other revenue sources to help maintain the expected service levels of capital assets. These policies could include promoting prioritized investments in existing assets, named revenue for capital plans, processes for CIP development, and methodology for CIP recommendations [i.e., done by committee scoring].

9 Tell the story. Monitor and communicate progress toward stated goals and the overall condition of its capital assets. The investments made in assets are generational work and the largest and most transformative investments of a government. Use the process of asset management to tell the story of not just what has been accomplished [important], but also what needs to be done [to keep from losing momentum and traction].

10 Mind the gap. An asset deficit is like a family secret that no one talks about—there, but unnamed. James Baldwin said, “Nothing can be changed until it is faced.” If your government has an asset deficit, meaning investments are needed in your existing assets, it is time to measure that deficit so your government can begin the generational work of confronting that deficit. 

 Check out GFOA’s best practice on asset management at gfoa.org/asset-management.