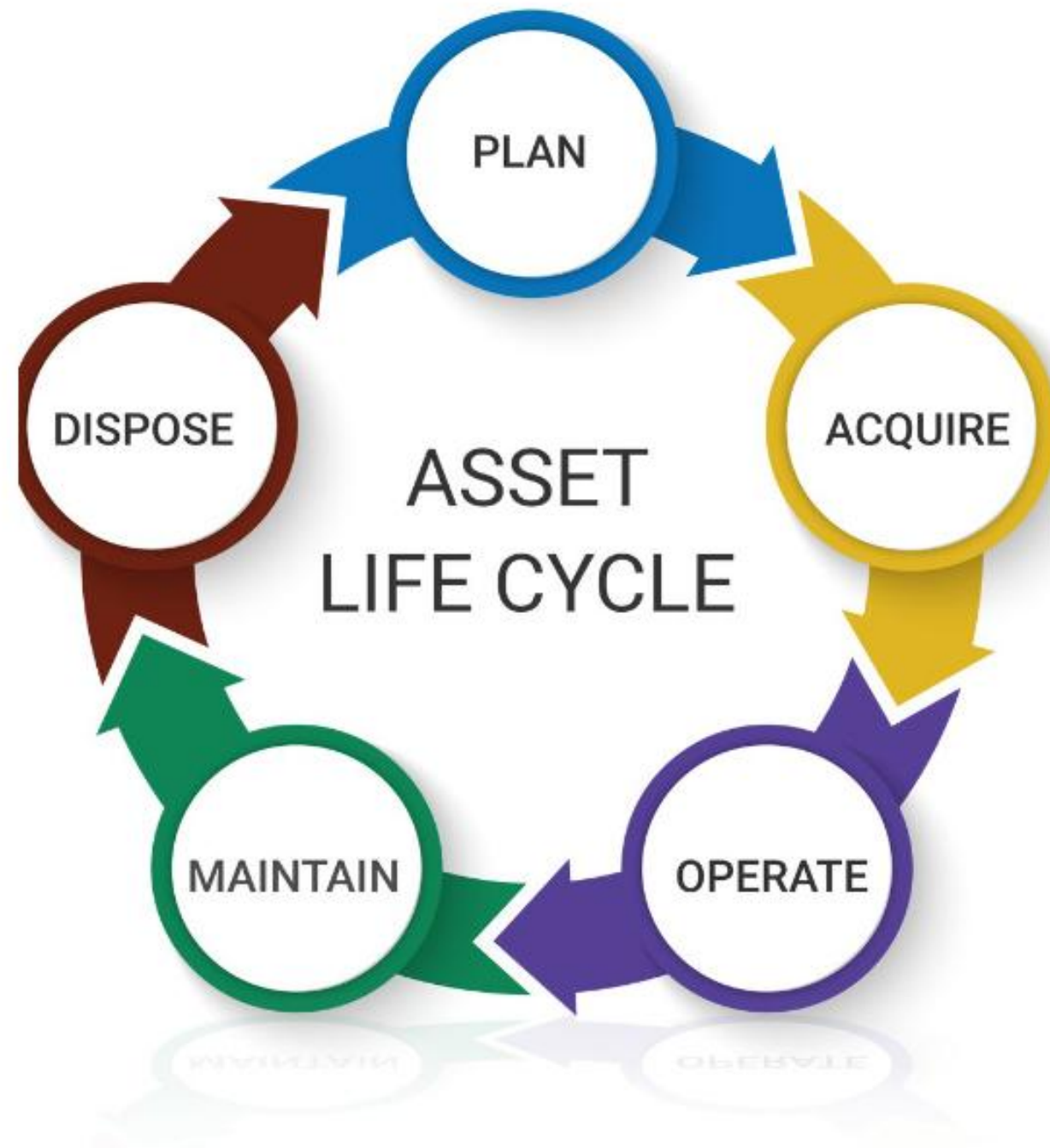


Finance: Data Rich and Critical to Asset Management





Agenda

1. Finance Role In Asset Management
2. Real-World Impacts
3. Headwinds – Rising Costs
4. Headwinds – Shrinking Funding Subsidies
5. Where That Leaves Agencies
6. Policy, Strategy, and Tools (demo)



Finance Role in Asset Management



Why Should Finance Managers Pay Attention to Asset Management?

- Finance holds the keys to data that is critical to supporting good asset management planning and fiscal policy.
- There is often a gap in communication between operations staff who manage and maintain assets and the finance team, as we often speak two different languages, but are talking about the same important infrastructure.
- External parties are paying more attention. Rating agencies include asset age metrics on their ratings scorecard.
- Utility system resiliency relies on financial policy and planning. The critical funding and appropriation tools are in the hands of Finance teams.

Asset Management Context

- Asset Management programs track their progress toward industry best practices as a level of maturity relative to the model.
- Most are in early stages of maturity and are working on the initial steps of a comprehensive asset inventory or are making progress toward condition assessment of key assets.
- In most cases the data and systems cannot yet support planning for future investment needs.



Yours, Mine, and Ours – Asset Data Collaboration (1 of 2)

- The **Computerized Maintenance Management System (CMMS)** is the tool for AM teams to centralize the asset inventory with location, cost, and condition data, and attach work orders to manage maintenance and track life cycle costs.
- Even when the CMMS system is mature and data-rich, there are limits to the cost data that will be maintained. The “soft costs” that are part of the total cost to place an asset into service are not tracked in CMMS systems, limiting these systems usefulness for financing and funding planning.





Yours, Mine, and Ours – Asset Data Collaboration (2 of 2)

Fixed Asset Register is a wealth of data that can be put to good use right away.

- Assets recorded when placed into service
- Includes full cost to place into service
- Depreciation anchors to useful life and informs financial lifecycle risk and policy
- Sources rating agency scoring on system age proxy for asset condition

AM industry objection to using finance records for asset planning:

- Validity of useful life assumptions
- Lack of asset specific condition data
- Capitalization practices that do not sufficiently separate components with different useful lives

Both CMMS and finance systems will track assets at different levels of detail and for somewhat different purposes – best of both worlds can be accessed by connecting these two with an asset ID key.



Reporting

“The exposure draft sets out suggested requirements covering the definition, recognition and measurement of infrastructure assets. It also addresses related note disclosures and required supplementary information schedules.

For infrastructure reported at historical cost net of accumulated depreciation, the draft includes **guidance on identifying and accounting for significant components including distinct recognition and depreciation of those parts.**

The document also highlights an obligation for governments to **periodically reassess the estimated useful lives** and salvage values used in calculating depreciation of infrastructure assets.”

GASB sets out draft rules to overhaul infrastructure asset reporting



The GASB based the proposals on user feedback from project research and comments on its 2024 Preliminary Views document. Credit: Dave Hoeek/Shutterstock.com. · The Accountant · Dave Hoeek/Shutterstock.com.

Status An Exposure Draft of a proposed Statement, *Infrastructure Assets*, was approved for public comment in March 2026. The comment period concluded on June 26, 2026.

Recent Activities An Exposure Draft of a proposed Statement was issued for public comment. The first of three public forums on the proposal was held on June 23, 2026.



Rating Agencies are Paying Attention:

10% of Moodys' Scorecard rating is based on Asset Condition.

"Asset Condition" is measured in a way that represents remaining useful life in the system: NBV/Depreciation.

"The consequences of failing to fund depreciation can be costly. Implicit in this measure is the concept of deferred capital investment. Utilities that delay investing in their systems, replacing aging plant and equipment, and modernizing their facilities often find it more expensive to do so later. Capital investments are ordinarily more expensive when deferred."

Factor: System Characteristics (30%)

EXHIBIT 2

System Characteristics (30%)

		Aaa	Aa	A	Baa	Ba	B and Below
Asset Condition (10%)	Net Fixed Assets/Annual Depreciation :	> 75 years	75 years $\geq$ n > 25 years	25 years $\geq$ n > 12 years	12 years $\geq$ n > 9 years	9 Years $\geq$ n > 6 Years	$\leq$ 6 Years
System Size (7.5%)	Water and/or sewer / Solid Waste:	O&M > \$65M	\$65M $\geq$ O&M > \$30M	\$30M $\geq$ O&M > \$10M	\$10M $\geq$ O&M > \$3M	\$3M $\geq$ O&M > \$1M	O&M $\leq$ \$1M
	Stormwater:	O&M > \$30M	\$30M $\geq$ O&M > \$15M	\$15M $\geq$ O&M > \$8M	\$8M $\geq$ O&M > \$2M	\$2M $\geq$ O&M > \$750K	O&M $\leq$ \$750K
	Gas or Electric:	O&M > \$100M	\$100M $\geq$ O&M > \$50M	\$50M $\geq$ O&M > \$20M	\$20M $\geq$ O&M > \$8M	\$8M $\geq$ O&M > \$3M	O&M $\leq$ \$3M
Service Area Wealth (12.5%)		> 150% of US median	150% $\geq$ US median > 90%	90% $\geq$ US median > 75%	75% $\geq$ US median > 50%	50% $\geq$ US median > 40%	$\leq$ 40% of US median

Source: Moody's Investors Service



Finance Key Responsibilities in Asset Life Cycle Management

Plan

Financial plans, Capital Improvement Plans and Prioritization, Operations and Maintenance budgeting, Reserves Management

Acquire

Procurement, Contracting, Accounts Payable, Compliance, Collect asset information to book to asset registry.

Operate

Operating and maintenance budget management. Sourcing funds and appropriation for emergency repairs.

Maintain

ACFR and compliance reporting. Asset depreciation and book value tracking.

Dispose

Asset retirement, impairment, disposal. When booking a replacement, identifying or adjusting for retiring the original asset.



How Important is Planning for Replacement and Rehabilitation (R&R) CIP?

“Nearly 80% of forecasted spend—US \$406.4 billion—is slated for upgrades and rehabilitation of existing treatment systems and assets, highlighting the condition of U.S. drinking water and wastewater infrastructure,” says Charlie Suse, Senior Analyst at Bluefield Research. “Given the mounting challenges, utilities need to identify ways to transition from reactive fixes to more advanced long-term asset strategies that improve resilience and contain costs.”

U.S. Water and Wastewater Treatment Infrastructure CAPEX to Surpass US\$515 Billion by 2035,
Shaped by Aging Assets and Regulatory Pressures

Bluefield Research May 2025



Real-World Impacts



Real-World Impacts

News-maker sinkholes resulting from failed utility infrastructure impacted roads in Vancouver, Port Townsend, Portland, Salem, Bellevue, and Mountlake Terrace in recent years. In the case of sewer lines, failures impacted local water quality as well when sewage flowed into local streams.

WASHINGTON STATE

Couple climbs out of SUV as it fills with water after driving into Washington sinkhole

By Helena Wegner

Updated January 22, 2024 11:33 AM |  Gift Article



A couple drove into a 4-foot deep sinkhole that formed in a roadway Jan. 20 in Vancouver, Washington, after a water main line broke, officials said. They had to crawl out of their SUV. *Screengrab from KPTV*



Listen to this article

A couple crawled out of their SUV's windows after it was nearly swallowed in a 4-foot deep sinkhole in Washington, officials and multiple news outlets reported.



Major water main break creates sinkhole in Bellevue intersection

by KOMO News Staff
Mon, May 26, 2025 at 8:09 AM
Updated Tue, May 27, 2025 at 10:37 AM

BELLEVUE, Wash. — A significant water main break on Monday morning has disrupted traffic at the intersection of NE 20th Street and 148th Avenue NE, causing all lanes leading into the area to be closed indefinitely.

The Bellevue Fire Department announced the closure shortly after 6:30 a.m. and advised drivers to "pack your patience and find alternative routes."

"The main priority is to stop the water flow, get water service back to the area, and then we've got to assess the damage and figure out what to do from there," City of Bellevue Public Information Officer Michaelene Fowler told KOMO News.



“ Utilities crews are actively working to repair the broken pipe and restore service, but expect a long-term road closure today. Once the road reopens, expect rough road conditions and active construction for up to two weeks. Both the City of Bellevue and City of Redmond are responding to the incident located on the cities' border. Water service has been restored to most Bellevue businesses in the area, leaving outages remaining at the Bellevue Marketplace and IHOP. More info will be posted when available.



PORTLAND

Water main break in Northeast Portland causes street flooding, traffic detours

by: [Jenna Deml](#), [Danny Peterson](#)

Posted: Mar 14, 2026 / 08:01 AM PDT

Updated: Mar 14, 2026 / 08:11 PM PDT





Loss of Service and Sewage Flooding

“Heavy flows and corroded pipe caused two main sewer lines to burst in the days after Christmas – cutting of service to West Salem and causing 19.3 million gallons of sewage to overflow into nearby farm fields, creeks and the Willamette River.”

Heavy flows and corroded pipes caused two main sewer lines to burst in the days after Christmas — [cutting off service to West Salem and causing 19.3 million gallons of sewage to overflow](#) into nearby farm fields, creeks and the Willamette River.

City and private construction crews worked around the clock for 53 hours in the rain to replace 700 feet of damaged pipes.

The repairs cost an estimated \$170,000, which includes 205 hours of staff labor. The city is expecting an invoice up to \$150,000 from a private construction company.

Here's an update on the timeline, the cost and extent of the overflow and what still needs to be done to prevent another break.



Salem Public Works crews worked overnight in late December to repair a 400-foot section of corroded pipe that disrupted wastewater service to West Salem. *Provided By The City Of Salem*



Port Townsend, WA Sewer Main Break

PRESS RELEASE - SEWER MAIN BREAK AND ROAD CLOSURE UPDATE

PORT TOWNSEND, Washington 12/28/2022– City crews discovered a failing sewer main on Tuesday, December 27, 2022. The sewer main appears to have completely failed causing a sewer backup yesterday late in the morning. The location of the failed sewer main is near the intersection of Water Street and Gaines Street as shown on the map below. This sewer main serves all of Downtown and most of Uptown and thus is an important sewer mainline with relatively high flows. Crews stabilized the situation yesterday by using pumps to bypass the failed section of pipe. While raw sewage overtopped the maintenance hole, thanks to the hard work of city crews, no sewage flowed directly into the Bay. The City is working diligently to make an emergency repair and will be contracting with Seton Construction beginning today. The City asks that people avoid the area and to expect construction activity in the area over the next few days until the repair can be made.





Water main break gouges sinkholes under Mountlake Terrace streets

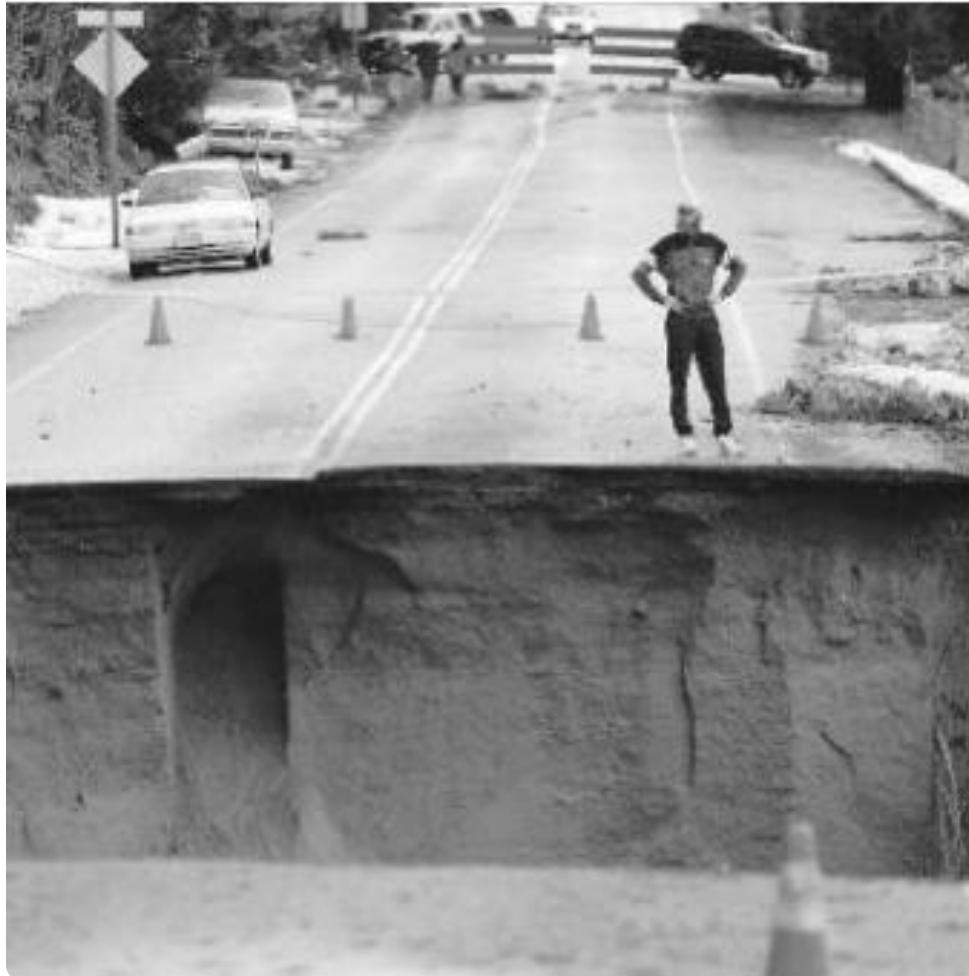
by KOMO Staff | Thu, January 17, 2019 at 9:21 AM

Updated Thu, January 17, 2019 at 11:55 AM



Not recent but, wow

A giant sinkhole opened in Shoreline, north of Seattle, at the intersection of Northwest 175th Street and Sixth Avenue Northwest on New Year's Eve 1996. It was caused by a sewer line break.





Head-Winds – Rising Costs



Clean Water Infrastructure Funding Gap

The U.S. Environmental Protection Agency (EPA) has projected that **\$630 billion will be necessary** to upgrade and maintain the nation's wastewater, stormwater, and other clean water infrastructure between 2022 and 2041, marking a 73 percent increase from 2012 estimates. This substantial rise in investment requirements is driven by aging systems and the escalating impacts of climate change.

EPA reports \$630B needed for U.S. wastewater infrastructure over next two decades

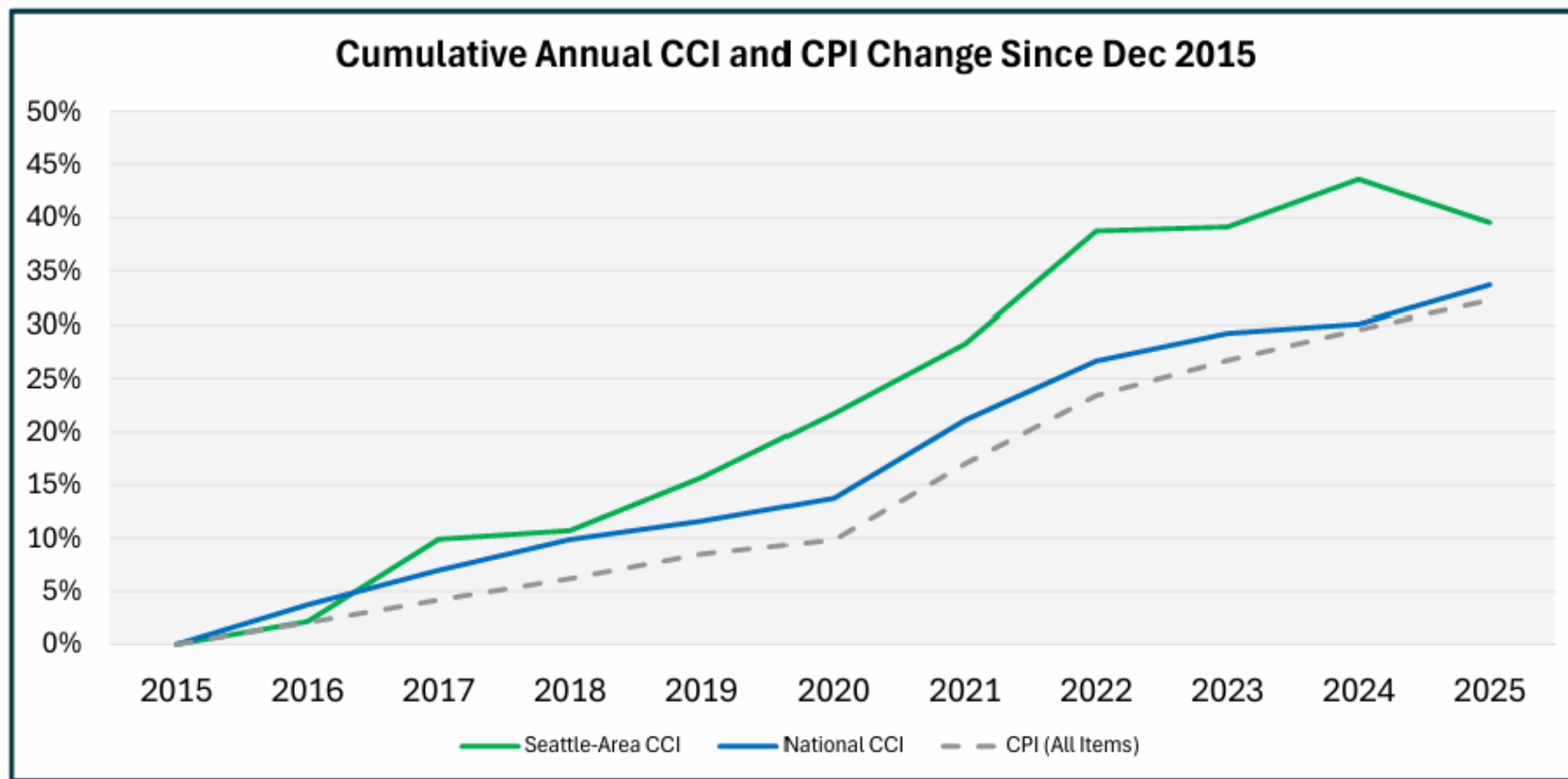


Credit: Pablo González-Cebrián/SWM

<https://www.epa.gov/system/files/documents/2024-05/2022-cwns-report-to-congress.pdf>



Seattle area construction costs have outpaced inflation



Source for Seattle-area and national CCI: Engineering News-Record

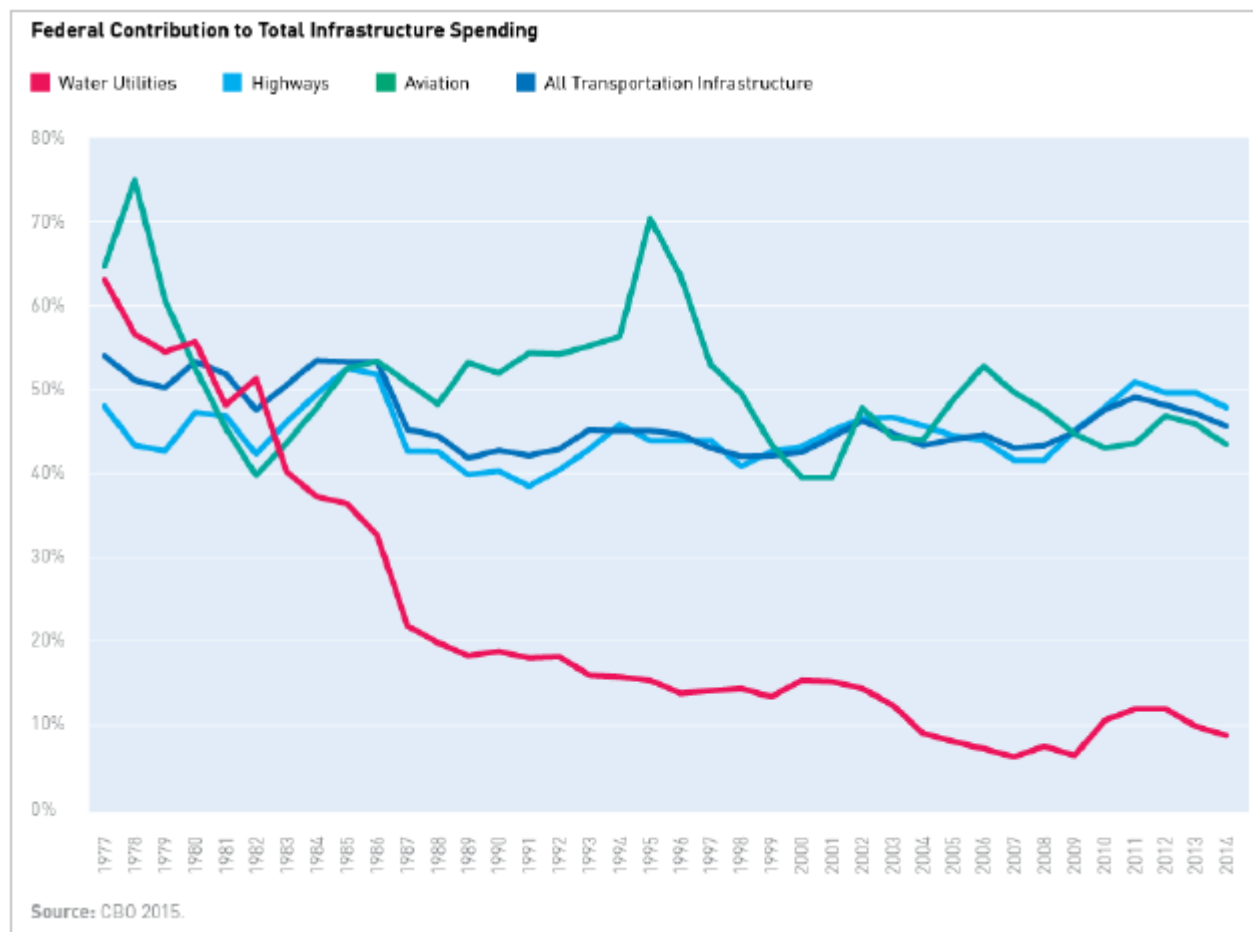
Source for CPI (All Items): Federal Reserve Bank of St. Louis



Head-Winds – Declining Funding Subsidies



History of Declining Water Industry Federal Funding





Shrinking SRF

Perhaps the most pressing near-term concern is an **impending funding cliff**. Since 2021, supplemental funding provided through the Infrastructure Investment and Jobs Act — a major federal infrastructure package — has significantly boosted SRF resources, temporarily masking the erosion caused by earmarks. When that supplemental funding expires at the end of federal fiscal year 2026, the underlying damage will become fully visible: **states will face an average 75% drop in federal SRF funding compared to current levels** — deepening to roughly 90% if earmarks continue.

New report: congressional earmarks are quietly draining America's water infrastructure funds



[New report: congressional earmarks are quietly draining America's water infrastructure funds](#)

*Photo for illustrative purposes
Credit: González-Cebrián/*



Where that Leaves Agencies – the Bond Market and Rate-Payer Pockets



The Squeeze

- As costs rise for the same portfolio of capital projects
- As regulatory milestones approach
- As lower cost, subsidized funding sources dry up
- As agencies begin running into “consequence of failure” realities and data illustrating the risks above and below ground

The capital funding plan has two places to go:

1. Rate-payer pockets by raising cash for capital from rate increases
2. The bond market to spread payment out over time with attendant interest costs, debt service coverage, and other compliance requirements.



How to Prepare?

- An intentional, policy driven approach to setting an amount to collect from rates each year to fund capital
- Rate levels that produce sufficient debt service coverage to demonstrate to the bond market prudent financial management and lower credit risk
- Cash reserves that demonstrate a healthy rainy-day fund for when even prudent and strategic financial management encounters the unexpected and can continue to repay bond holders while recovering and resetting.
- Visible Asset Management through policy, planning, and project prioritization



Policy, Strategy, and Tools

**Fiscal Approach to Asset Renewal and Replacement -
Example King County WTD**

MRSC - Funding Utility Infrastructure

[Excel Example Walk-through]



Conclusion

Finance has a critical role to play in ensuring utilities plan for and prioritize critical asset infrastructure investments.

Finance is data rich and well positioned to map the replacement liability to support budgeting and funding.

The best long-term approach is a close partnership between Asset Management/Operations teams and Finance to optimize and connect agency asset data.



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Thank you

