

ASSET MANAGEMENT COMMITTEE

Date: November 15, 2012

Committee Members Attending: Commissioner Gruen, Commissioner Connell, Commissioner Barry

Others Attending: Commissioner Reiff, Commissioner Peterson, Commissioner Gilliland, Don Hunt, Debra Perkins-Smith, Tim Harris, Scott Richrath, JoAnn Mattson, Tony DeVito, Dave Wieder, Steve Rudy (DRCOG), Jim Moody (CCA), Tom Peterson (CAPA)

Minutes:

- Commissioner Gruen welcomed attendees to the Asset Management Committee meeting. He thanked staff for their hard work and noted the importance of asset management. The Committee members then approved the minutes from the September and October meetings.

- **Least Cost Analysis:**

Scott presented a quick overview of the least cost analysis memo provided in the Commission packet. The memo describes how the pavement model was modified to apply the least cost approach to very low volume roads and reviewed what other states have found with this approach. The memo provides staff's draft resolution language for the Committee to consider, applying this approach to very low volume roads.

Director Hunt disagreed with the draft resolution, and stated that it should be more comprehensive rather than a piecemeal approach using only very low volume roads. Commissioner Connell asked for more information and Scott stated that staff has not yet done the analysis on additional tiers and staff is willing to have these discussions to move forward. Driveability may be the way to proceed. Director Hunt asked staff to bring back comprehensive recommendations on which portion of the network should use remaining service life and which portion should use least cost analysis. Scott asked about driveability at all levels, which would be the other extreme. Director Hunt asked that staff bring back whatever the analysis provides, and Commissioner Gruen noted that staff should consider MAP-21 moving forward.

Tony DeVito asked about the draft resolution language permitting the RTDs to approve reconstruction on very low volume roads. Commissioner Gruen stated that the Committee is not ready to comment on resolution language and that the RTDs might not end up with that discretion.

- **Fleet Asset Management:**

Scott began the presentation noting that staff is providing a fleet presentation today and an ITS presentation next month, and that Dave Wieder has joined us today to answer questions pertaining to the fleet. Scott provided an overview of the fleet equipment, including number, types, and average age of equipment. He noted that using a formula called out by Procedural Directive, older equipment is accelerated in the replacement plan by a factor. The fleet averages around 75% useful life, assuming that dollars are spent on July 1 of the fiscal year when in reality equipment is replaced throughout the course of the year, and this will be an enhancement to the Multi-Asset Management System in the future. Scott showed the impact of assuming inflation at 3% vs. 7% on the fleet deterioration curve. Director Hunt noted that the inflation rate discussion last month was in relation to MLOS, and that for fleet it is more difficult to achieve efficiencies than it is in maintenance activities, which involve labor.

The Committee members concluded that staff should develop scenarios assuming a 3% inflation rate.

Scott showed the fleet deterioration curves, demonstrating that a \$5 million dollar increase to the fleet budget has a significant impact on the fleet equipment. Director Hunt noted that you can move the needle for fleet, and that having newer equipment improves morale. Commissioner Gruen asked Scott about his confidence in the fleet budget curves. Scott replied that staff has only been working on this tool for a year, and his confidence is about 75% and that next year he will have more confidence in the tool. Commissioner Gruen stated that from what he can see from the graphs it is clear what needs to be done.

Scott noted that improvements will be made to SAP's fleet equipment management. Commissioner Gruen asked about the power of SAP and when we will see SAP improvements to fleet management. Dave stated that he has hired a consultant to leverage additional capabilities in SAP for fleet and they will be in place by the time CDOT makes the next fleet replacement plan, which will include an analysis of downtime and repair costs. Commissioner Gruen asked Dave to prepare a report for the December meeting detailing the past, present and future plans for fleet equipment in SAP, and provide information regarding what CDOT is paying the current consultant. Fleet represents a significant investment of \$14-19 million per year for capital and more than \$20 million per year for region maintenance of fleet equipment, and staff is working to better understand the capital and maintenance relationships.

Scott showed the net present value for a random piece of equipment (a "widget") over time with two scenarios: 'do nothing' vs. 'replace in year 5'. This represents a 180-degree difference in the way CDOT does business today. If CDOT were to do business this way, then staff would determine based on the condition and age of the equipment which equipment should be replaced and request those funds from the Commission, rather than simply accepting a budget and doing the best it can. Committee members and other commissioners all agreed this is what asset management must accomplish. Scott noted that the MAMS tool and SAP have gotten us to this point, but he will not have all of the answers by next month. Commissioner Gruen commended staff for progress to date and noted the need to continually push ahead on this analysis.

- Assumptions for December:

Use 3% for inflation.

Use a baseline budget for fleet of \$19 million.

The group reviewed the FY14 budget for the five assets (Nov. 15th draft budget), and then how things have looked on average for the last three years.

Director Hunt noted that he and Tim have been working on advancing the program. He thinks we can sustain \$200M/year for surface treatment.

Commissioner Gruen concluded the meeting noting how important this topic is and how critical it is for staff to continue pushing ahead.