

Rennaker, Joanne (DEQ)

From: Busch, Stephen (DEQ)
Sent: Thursday, August 08, 2013 12:16 PM
To: Shekter Smith, Liane (DEQ); Thomas, Chuck (DEQ); Bloemker, Jon (DEQ); Benzie, Richard (DEQ); Donaldson, Kristina (DEQ); Lachance, Amy (DEQ)
Cc: Willard, Veronica (DEQ); Byrne, Randall (Treasury)
Subject: RE: Assistance for Treasury

Under GASB 34 old infrastructure (pre-1980) was not included in the required valuation of infrastructure assets. However, GASB 34 does provide two methods (Depreciation and Modified) for calculating the value of an infrastructure asset. Despite the 72 line being installed in 1965, perhaps one of these methods could be used to value the asset.

In addition, to estimate historical cost of infrastructure, the government has to calculate the current replacement cost of the infrastructure asset, including the costs of materials, equipment and labor used for construction. It then must apply historical consumer price index values, deflating the current value and estimating the cost of the asset at the time it was placed in service.

The only issue with an older asset such as this is what to do when the benchmark average lifecycle for that asset type is less than the actual age of the asset.

Still trying to follow this approach would at least provide something in line with current accounting and asset management standards.

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From: Shekter Smith, Liane (DEQ)
Sent: Monday, August 05, 2013 3:43 PM
To: Thomas, Chuck (DEQ); Bloemker, Jon (DEQ); Benzie, Richard (DEQ); Busch, Stephen (DEQ); Donaldson, Kristina (DEQ); Lachance, Amy (DEQ)
Cc: Willard, Veronica (DEQ); Byrne, Randall (Treasury)
Subject: Assistance for Treasury

All –

I recently spoke with Randall Byrne (Treasury) and agreed to try to help them with a couple of items. (Randy – sorry it's taken me so long to get this note out).

1. Flint is considering selling the 72-inch pipeline. It was constructed in 1965 for \$6.5M. How would you determine fair market price for such an item? I suggested getting quotes from a couple of contractors for what it would cost to install today and figure some kind of depreciation for a 50 year old pipeline. Other ideas?
2. Highland Park is looking at contracting out their water department for the near future. At this point, they would need a company that could manage their distribution system. Could you please provide a list of names/companies that are already doing this kind of work around the state? United Water and Earth Tech were the ones that came to mind. There must be others.

Thanks much.

Liane

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*** Effective August 12, 2013 my new number will be (517) 284-6543*