

D.C.'s innovative approach to capital planning

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WASHINGTON — The District of Columbia has begun producing some of the most comprehensive and detailed infrastructure asset data in the business, and may influence the practices of other large frequent issuers.

The District's Capital Asset Replacement Scheduling System, or CARSS, is a digital inventory of 100% of the city's assets. It contains information down to a level of detail that is rare if not unprecedented in municipal infrastructure management, including pertinent maintenance information on more than 640 municipal buildings and thousands of police, fire, and other District-owned vehicles down to the numbers on their odometers.

While the creation of such a system is unlikely to become anything like industry standard because of the significant investment it requires, analysts see value in it and other large cities have already approached D.C. leadership to learn more about the system.

The CARSS saga began in 2015 when the D.C. Council required the Office of the Chief Financial Officer to develop a replacement schedule for capital assets and report its status in October of each year. The goal is to provide a report that assists the mayor and other policy makers in understanding the District's infrastructure funding gap. Despite D.C.'s strong economy, that gap is still substantial: \$3.3 billion over a six-year period ending in 2024. But the CFO's office estimates that the city can "reasonably address" those needs over the next decade, thanks in part to the long-range planning made possible with CARSS.

Development of CARSS began in June 2015 with a "proof of concept" phase focusing on inventorying vehicles, facilities, and "horizontal infrastructure" such as streets, sidewalks and

bridges. Much data was incorporated from city agencies that already maintained it. From there the system was expanded and enhanced through third-party software partners, including the ability to map all streets and sidewalks in the District and to “drill down” on details about the condition of each vehicle in the city's fleet.

“You have to understand what you own, and what condition those assets are in,” said Darryl Street, a senior financial policy advisor in the DC CFO's office. “It's a really big endeavor.”

Once that endeavor is complete, Street said, it gives policymakers the ability to rank and prioritize needs during the budget process.



Washington D.C. has inventoried detailed data on all of its vehicles as part of its efforts to analyze the city's long-range infrastructure needs.

"We have a finite amount of financing we can do and only so much cash we can put into it," said Dave Clark, director of the Capital Improvements Program within the CFO's office.

The CFO's office has been approached about CARSS by other local governments, including San Diego, Baltimore, Denver, Frederick County, Maryland, and Syracuse, New York.

"One of the first questions they always ask is, How did you guys do this?" Street said.

Tim Barrett, an S&P Global Ratings analyst who has seen the city's data, said that the effort the District put into its system plays into the agency's assessment of D.C.'s strong fiscal management.

"Their level of sophistication is absolutely exceptional," Barrett said. "They have a level of detail that is very strong. It's a level of detail that is, I would say, exceptional."

Lisa Schroeer, a senior director at S&P, agreed.

"It absolutely feeds into our big-picture view of their very strong management," she said.

Analysts from all the largest credit rating agencies have viewed the district increasingly favorably in recent years. From economic near-ruin 25 years ago, D.C.'s GO bonds are now rated Aaa by Moody's Investors Service and AA+ by both S&P and Fitch Ratings.

Joseph Krist, a partner at Court Street Group Research and longtime analyst on both the buy and sell sides, said an issuer putting a high level of detail into its analysis of its infrastructure needs is useful to analysts who are taking an increasingly quantitative approach. But it also establishes credibility about the issuer's management skills, he said.

"What's important about it is that it shows evidence that they are thinking about the issue," said Krist. "Thinking about this stuff is half of the problem."

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