



## TRANSPORTATION PLANNING INFORMATION EXCHANGE

# Asset Sustainability Index

Performance Measures for the  
Sustainability of Highway Assets



# Agenda

- Three presentations
  - Gordon Proctor on the concepts of asset sustainability indices
  - Chris Champion on the use of financial plans and metrics to support decision making in Australia
  - Shobna Varma on the ability to generate sustainability metrics using readily available U.S. transportation asset data

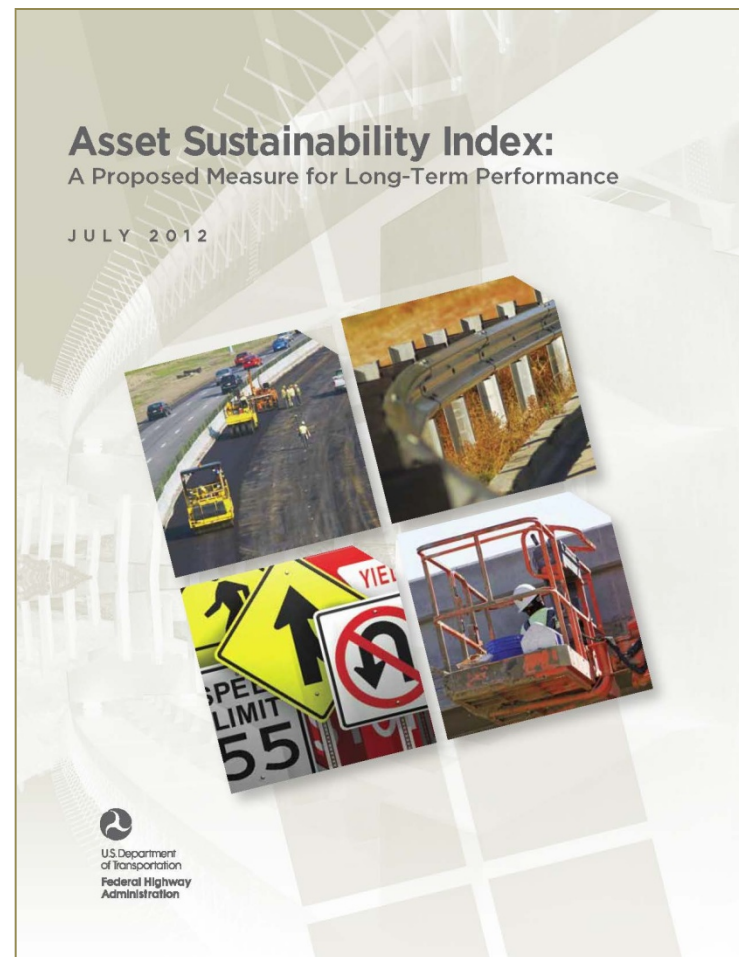


# Gordon Proctor



# Asset Sustainability Index Report

- The report describes financial sustainability measures as used
  - In the corporate world
  - In Australia
  - And how they can be generated in the U.S.
- [http://www.fhwa.dot.gov/planning/processes/statewide/practices/asset\\_sustainability\\_index/](http://www.fhwa.dot.gov/planning/processes/statewide/practices/asset_sustainability_index/)



# Project Intent

- Test another tool to communicate the magnitude of investment need
- Summarize asset management data into one financial index to be tracked over time
- Develop a leading indicator, as opposed to lagging indicators
- Illustrate the story of what happens if we continue on this path
- Do we leave a legacy or a liability for our children?



# Financial Sustainability Discourse

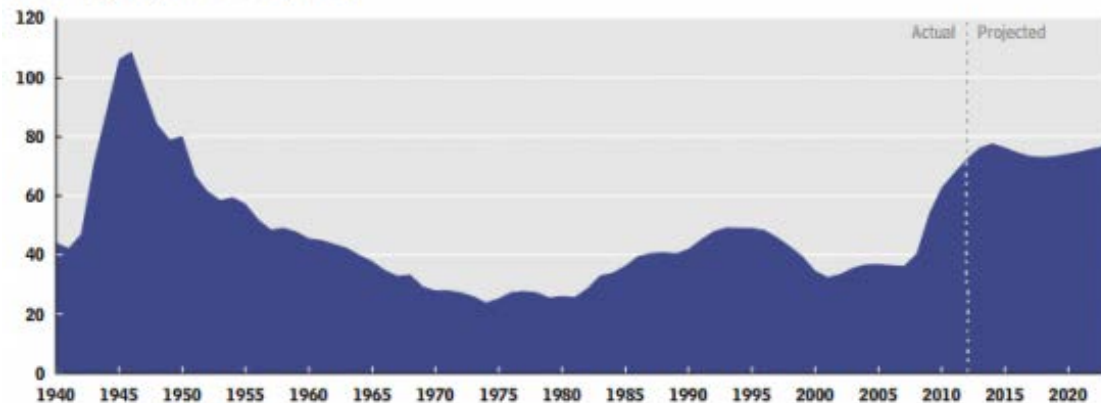
Issues of long-term financial solvency dominate public debate

- Social Security
- Medicaid/Medicare
- Highway Trust Fund
- Overall federal budget

**Summary Figure 1.**

## Federal Debt Held by the Public

(Percentage of gross domestic product)



Source: Congressional Budget Office.



# ASI Focuses on Infrastructure Financial Sustainability

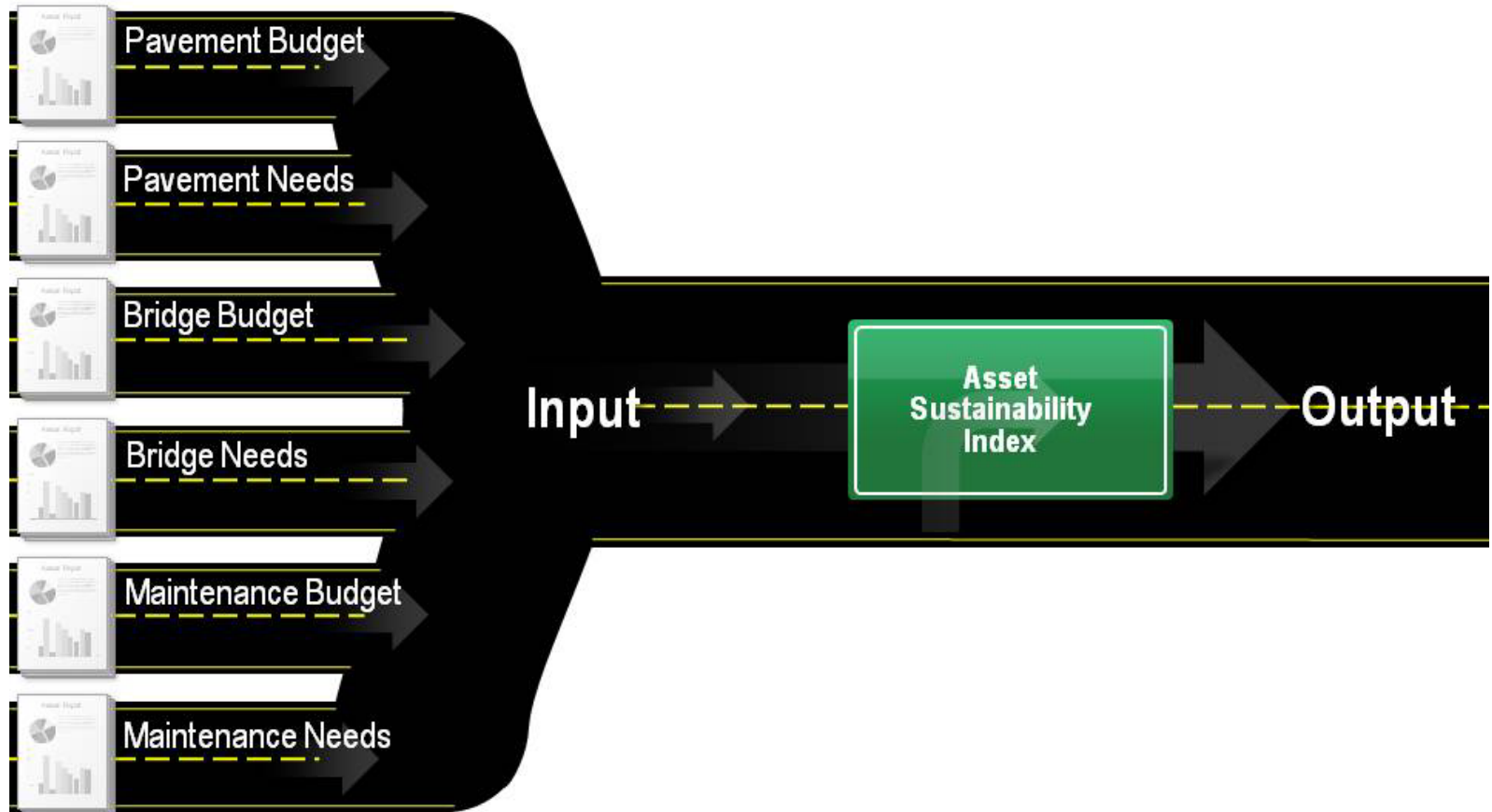
- Forecasting a set of financial sustainability metrics allows discussion of infrastructure's future to be understood
- These metrics illustrate what will be if current trends continue
- By including asset valuation, they can record whether public equity is increasing or declining
- How are we managing the infrastructure 'portfolio'



for our future users?



# Budget/Need = Index



# Common Ratios

- Benefit/Cost
- Volume/Capacity
- Price to Earnings Ratio or P/E
- Earnings per Share or E/S
- Return on Equity or ROE
- Acid Test Ratio or Cash on Hand/Current Liabilities
- ASI provides predictive capability because we can:
  - Forecast revenues
  - Forecast asset condition needs
  - Forecast future asset value
  - Forecast future trends based on current investments



# Additional Insight: Asset Valuation

- GASB 34, a missed opportunity
- Not used much
- GASB looks backward, not forward
- British, Australians tracking asset value more closely
- Like an investment fund manager they consider whether they are growing investor equity or losing investor equity
- Do we leave inter-generation legacy or liability?



# Chris Champion

