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
  - An how they can be generated in the U.S.
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