



March 31, 2010

Mr. Joung H. Lee, Deputy Director
AASHTO Center for Excellence in Project Finance
444 North Capitol Street N.W., Suite 249
Washington, DC 20001

Dear Mr. Lee

High Street Consulting Group, LLC is pleased to submit this proposal for the development of a transportation briefing paper entitled *Use of Advance Construction (AC) in Financing Transportation Projects*. Our proposal follows this letter as well as biographical sketches for each of the staff that will be assigned to this engagement.

We have assembled a team that is uniquely qualified to conduct research on the use and administration of the AC Federal-aid financial funding tool. As the principal author, I offer the proven ability to lead research on complex financial policy issues and will provide the insights I have gained through working with states and FHWA on innovative finance approaches for nearly 20 years. I will be supported in this effort by Craig Secrest and Karin DeMoors, also of High Street, and Max Inman of Mercator Advisors. Mr. Secrest is well respected for the past financial policy research he has performed for AASHTO and other transportation organizations; Ms. DeMoors will provide important research support to the streamlined study effort; and Mr. Inman is arguably the nation's leading authority on Federal-aid funds management and will provide invaluable insight from his prior experience administering AC for FHWA.

The High Street team will complete this project for a firm fixed fee of \$20,000 and commits to do so within time constraints identified in the RFP. Please call me at (240) 252-5111 if you have any questions. We very much welcome the opportunity to conduct this important piece of research for CEPF and the highway community.

Sincerely,

A handwritten signature in black ink that reads "Tamar Henkin". The signature is written in a cursive, flowing style.

Tamar Henkin
Partner

Briefing Paper Proposal:
Use of Advance Construction in Financing Transportation Projects

Project Understanding

Advanced Construction (AC) is the ability of states to accelerate federal projects using non-federal funds while maintaining eligibility to be reimbursed with Federal-aid funds at a later date. While the practice has existed since the early days of the the Federal-aid Highway Program, the rules related to its use have been greatly liberalized over the last two decades – first through pilot programs and administrative waivers under ISTEA’s TE-045 program and later through the National Highway System act of 1995 and subsequent reauthorization acts.

Despite the continued evolution of AC rules to expand eligibility and flexibility, a wide disparity appears to exist in how states use AC – some states consistently and aggressively use it as an integral part of their financial management strategy; some states make selective or sporadic use of AC centered around unique project and program considerations; and some states make little or no use of it. Now, with state DOTs facing increased budgetary challenges, it is an appropriate time to review AC practices across the country, evaluate potential benefits and challenges associated with using AC, and identify best practices. Specific questions and issues this research should seek to address include the following:

- What are the current broad trends with respect to use of AC?
- How do states generally feel the AC mechanism, as currently administered by FHWA, is working?
- Is there a relationship between federal program categories and the extent of AC use? If applicable, why do some programs have high use of AC and others have low usage?
- Do states tend to use AC with specific types of programs and projects? If so, why?
- What institutional factors influence use of AC (e.g., state statutory requirements, budgeting and funding allocation procedures, organization culture, and historical precedent)?
- How have state AC conversion practices and rates changed over the years? What factors influence how states choose to seek AC conversion?
- How are states using AC in association with debt programs (e.g., in conjunction with GANs, GARVEE bonds, and other state or local debt issuance)?
- What is the relationship between current AC balances and what states really intent to convert? How is this influenced by use of AC with debt issuance programs?
- How have recent state and federal budget events (e.g., Highway Trust Fund insolvency, reduced state resources, and reauthorization delays) affected use of AC?
- Are there specific costs or administrative burdens that tend to influence use of AC?
- How do FHWA division office practices or other FHWA organizational factors (e.g., knowledge of resource center staff) influence use of AC?
- Is FHWA providing sufficient information, training, and technical assistance to ensure states maintain adequate knowledge and familiarity with AC rules?
- What AC policy changes could potentially make the mechanism more useful and effective?

Relevant High Street Team Experience

Tamar Henkin will serve as the principal author for the High Street Consulting Group team. Ms. Henkin is a widely recognized expert on innovative finance in transportation. Over the course of her career she has led or participated in numerous project- and program-level financial consulting engagements for AASHTO, US DOT, state DOTs, metropolitan planning organizations and local agencies, and other entities, and is known throughout the industry for the quality and depth of her research and analytical work. Ms. Henkin will be advised on the engagement by Craig Secrest (also of High Street), a leading national authority on Federal-aid funding and the Federal Highway Trust Fund, and Max Inman of Mercator Advisors, who offers unrivalled knowledge of the Federal-aid program and the federal rules regarding fund management. The team also will be supported by Karin DeMoors who will provide critical research support for this streamlined research effort. These individuals have worked with a wide cross-section of FHWA and state DOT personnel that are directly involved in the application and/or administration of AC and other innovative finance mechanisms. They also have worked with numerous states on the use of AC mechanisms as both a cash management strategy and in association with financing approaches. Examples of their most relevant experience include:

- **Performance Review of US DOT Innovative Finance Initiatives** – for FHWA, High Street staff participated in a review of federal innovative finance programs that included case studies on projects that utilized innovative finance tools such as advance construction, state infrastructure banks, flexible match, federal credit (TIFIA), GARVEEs, and toll credits.
- **Texas Department of Transportation Performance Review** – High Street staff conducted a performance review of Texas DOT’s financial management program, including its application of innovative finance, cash forecasting, and leveraging techniques.
- **Michigan Highway Funding Strategy Primer** – High Street staff developed a Funding Strategy Primer for the Michigan DOT that inventoried revenue and financing options.
- **Federal-Aid Highway Program Report** – for the Massachusetts Turnpike Authority, High Street staff developed a comprehensive description of the Federal-aid Highway program. The report served as a key component of the materials provided to credit rating agencies to support the issuance of Grant Anticipation Notes (GANs) backed by future Federal-aid funding.
- **Debt Finance Synthesis Report** – for the Transportation Research Board, High Street staff authored a TRB Synthesis Report on debt finance practices deployed by state transportation agencies. This report includes the results of a 50-state survey as well as a guidebook on debt finance decisionmaking.

Project Approach

The High Street team will follow a streamlined, systematic methodology to complete the project research and deliver a briefing paper within the 2-month time frame stipulated in the RFP. The following proposed approach leverages our strong knowledge of Federal-aid fund management tools as well as our familiarity with many of the individuals throughout the industry responsible for implementing them.

Project Kick-off – The High Street High Street team will meet with CEPF personnel in the second week of April to establish project expectations, review our proposal, and make any needed adjustments with

respect to the scope of issues and questions to be explored through the project research and the approach we will use to conduct the research and develop the briefing paper. We also will use this meeting to identify any assistance we may need from AASHTO to help ensure willing support and quick responses to data requests from FHWA and state DOT personnel.

Initial Research – The High Street team will work through the FHWA Office of the Chief Financial Officer to query FMIS data on AC balances. This will include current overall state-by-state AC balances, but we also anticipate it will be possible to obtain information by program for preceding years. As part of this effort, the High Street team will interview current and past FHWA officials to establish a firsthand historical perspective on how use and administration of AC has evolved over the years. We also will interview selected FHWA field personnel (e.g., staff from the FHWA Resource Centers and Office of Innovative Program Delivery) to identify states who may reflect best practices in the use of AC and gain their insight about what is working well and where there is room for improvement from a federal perspective.

Follow-on Research – Based on results from the initial research step and feedback from CEPF staff, the High Street team will select up to ten states for follow-on interviews (either by phone or, where extensive travel is not required, in person) to further explore and document their experience using AC. The interviews will target state DOT CFOs, but could include other staff such as policy and planning directors. The target group will include both states that have made extensive use of the AC mechanism and several who have not to capture the full range of current knowledge, issues, and questions of interest to state DOTs. The team also may interview one or more MPO representatives and representatives from states' treasury offices or outside financial advisors. As part of this effort, the High Street team will review relevant existing literature and information, such as cases studies from FHWA's Office of Innovative Program Delivery website, articles from *Innovative Finance Quarterly*, and past reviews of FHWA's innovative finance program, many of which High Street team members were involved in.

Draft and Final Briefing Paper – The High Street team will develop a concise 15 – 20 page briefing paper to document research results and address the questions and issues identified above in the project understanding section. The final product will be a print-ready document that 1) presents current and historical data and trends on AC usage; 2) identifies what is working well and where problems appear to exist with either current law or FHWA's administration of AC; 3) documents best practices with the use of AC; 4) provides observations and recommendations about future state use and FHWA administration of the AC mechanism; and 5) identifies areas where additional research is needed.

Practicality and Usefulness of Research

The content of the briefing paper developed through this engagement will serve three primary purposes. First it will provide much needed documentation of how broadly and in what new ways AC is being used by state DOTs. Second it will help inform the policy debate about future directions for the AC mechanism by evaluating what is working well and where actual or potential limitations exist on the effectiveness of current rules and policies. Finally, it will document specific successful practices from around the country that other states can use to improve and expand their use of the AC mechanism.

Proposed Project Budget

High Street will complete this project for a firm fixed fee of \$20,000. The following table provides a breakdown of the anticipated level of effort and associated cost for each team member. To stretch the limited funding available for this important project, we have discounted our normal AASHTO rates by roughly 15% and will not bill any travel or other direct costs to the project. (We plan to attend the kick-off meeting in person, but will do so in conjunction with other business to defray costs.)

Team Member	Role	Hourly Rate	Hours	Cost
Tamar Henkin	Principal Author	\$220	35	\$7,700
Craig Secrest	Senior Advisor	\$200	10	\$2,000
Karin DeMoors	Research Analyst	\$123	43	\$5,306
Max Inman	Senior Advisor	\$227	22	\$4,994
Total			110	\$20,000

Biography

Tamar Henkin is a founding partner of High Street Consulting Group, with over 18 years experience providing management and financial advisory services to public agencies responsible for delivering transportation and related infrastructure as well as private infrastructure providers and financiers. Ms. Henkin has advised the US DOT and many state and local agencies in the design and implementation of cutting-edge policy, finance, and management initiatives. She also has delivered training workshops and serves as a financial advisor to US DOT's federal credit program. In addition to national level work, Ms. Henkin advises state and local governments in assessing federal financial programs and developing alternative funding approaches. She is a frequent speaker at national conferences, has testified before legislative bodies on finance trends and innovations, is an active member of TRB's Taxation and Finance Committee, and serves on the Steering Committee for the upcoming National Finance Conference.

Selected Client Engagements

- **Technical Advisory Services to National Surface Transportation Infrastructure Financing Commission.** Ms. Henkin served as a technical advisor and staff director to the National Surface Transportation Infrastructure Financing Commission. In this capacity, Ms. Henkin provided a wide range of analytical, research, writing, and advisory services in support of the Commission deliberations and report drafting.
- **US DOT Federal Credit (TIFIA) Credit Review and Negotiation.** Ms. Henkin has supported US DOT in implementing the TIFIA program since the program's inception. As financial advisor, she has been involved in some of the largest and most cutting-edge transportation investments involving a range of financing structures, from public sector delivery to concessions with the private sector.
- **Performance Review of US DOT Innovative Finance Initiatives.** For FHWA, Ms. Henkin participated in a review of federal innovative finance programs, culminating in a report to Congress. Ms. Henkin directed preparation of case studies on the use of finance tools such as advance construction, SIBs, flexible match, federal credit (TIFIA), GARVEEs, and toll credits.
- **Synthesis Report: Debt Financing Practices for Surface Transportation.** Ms. Henkin authored a TRB Synthesis Report on debt finance practices deployed by state transportation agencies. This report includes the results of a 50-state survey as well as a guidebook on debt finance decisionmaking.
- **Michigan Highway Funding Strategy Primer.** For the Michigan DOT, Ms. Henkin developed a Highway Funding Strategy Primer that inventories revenue, financing, and cash management options for the State's transportation capital program and provided related classroom training.
- **Louisville-Southern Indiana Ohio River Bridges Financial Plan.** For the Kentucky Transportation Cabinet and Indiana DOT, Ms. Henkin authored a mega-project financial plan for the multi-billion dollar Ohio River Bridges Project. This included analyzing funding and finance options as well as cash management alternatives such as advance construction and grant anticipation borrowing.
- **Texas Department of Transportation Performance Review.** Ms. Henkin conducted a performance review of Texas DOT's financial management program, including use of innovative finance, cash forecasting, and leveraging techniques such as GARVEEs/GANs, federal credit, advance construction, and bond financing. Ms. Henkin testified before two committees of the Texas Legislature.

Education

Masters of Public and Private Management (Finance), Yale University, 1991
AB, Public Policy Studies, Duke University, 1987

Biography

Karin DeMoors has over fourteen years of experience in financial and management analyses, performance measurement, strategic planning, and program research and evaluation. For the last six years, Ms. DeMoors worked as a Senior Managing Consultant with Public Financial Management (PFM), where she managed the provision of financial advisory services to state and local municipalities and supported the execution of financing transactions totalling approximately \$2 billion. Her responsibilities included negotiating project finance credit agreements, identifying financing alternatives for capital projects, analyzing debt capacity, structuring complex debt issuance, and negotiating bond pricing levels. In this capacity, Ms. DeMoors also directed teams of capital markets professionals including financial advisors, investment bankers, commercial bankers, credit rating analysts, and bond counsels.

Prior to joining PFM, Ms. DeMoors worked as a transportation policy, management, and financial consultant with TransTech Management, Hagler Bailly, and Apogee Research where she played key roles on engagements for US DOT, FHWA, US EPA, AASHTO, numerous state departments of transportation, MPOs, and related associations. Her work included financial analysis, research, planning and policy analysis, and management consulting. In this capacity, Ms. DeMoors assisted a number of states in analyzing opportunities to take advantage of federal innovative finance opportunities.

Selected Experience

- **Dulles Metrorail Project.** Ms. DeMoors developed a financial plan and structure for locally funded portion of Dulles Metrorail project.
- **TIFIA Program Support.** Ms. DeMoors conducted financial analysis and negotiations with applicants for the Transportation Infrastructure Finance and Innovation Act of 1998 program in conjunction with U.S. Department of Transportation.
- **Credit Programs.** On behalf of NCHRP, Ms. DeMoors conducted a study of potential federal credit reform initiatives and legislation that would allow state DOTs to access unobligated balances through a variety of credit mechanisms.
- **State Infrastructure Bank Implementation.** Ms. DeMoors assisted a number of states in developing plans for implementation of SIB programs and analysis of opportunities to take advantage of federal innovative finance opportunities, including work on behalf of the States of Arizona, Massachusetts, Missouri, and Pennsylvania.
- **State Infrastructure Bank Primer.** On behalf of FHWA, Ms. DeMoors developed an introductory primer on the SIB program. The intended audience includes newly designated participating states, members of the financial community, and others interested in the fundamentals of designing a SIB.
- **Michigan Highway Funding Strategy Primer.** For the Michigan DOT, Ms. DeMoors developed a Highway Funding Strategy Primer that inventories options available for financing large projects and delivering the transportation capital program as well as for financing local transportation programs.
- **Long Range Transportation Planning.** For the Jacksonville Urbanized Area Metropolitan Planning Organization, Ms. DeMoors led a team that identified and projected financial resources for the Year 2020 Jacksonville Urbanized Area Transportation Study.

Education

Masters of Public Administration, Syracuse University, Maxwell School, 1995

BA, Economics and Environmental Studies, Binghamton University, State University of New York, 1994

Craig Secrest

Partner, High Street Consulting Group, LLC



Biography

Craig Secrest is a founding Partner of High Street and has over 17 years of experience working on transportation finance, policy, planning, and strategic management issues at the national, state, and local levels. He is a nationally recognized expert on transportation funding and finance, with specific expertise regarding the Federal Highway Trust Fund, transportation revenue and cost forecasting, and financial performance measures. Mr. Secrest recently served as primary staff for the National Surface Transportation Infrastructure Financing Commission and provides ongoing advice to AASHTO on funding and finance issues. He also has worked with several states, including Arizona, Colorado, Indiana, Kansas, Kentucky, Maryland, Mississippi, Missouri, Nevada, North Carolina, Rhode Island, and Virginia to explore innovative finance and public private partnership opportunities.

Prior to becoming a consultant, Mr. Secrest spent three years with the Colorado Department of Transportation, where he helped establish the agency's state infrastructure bank and served in a variety of positions including legislative liaison, interim policy director, and special assistant to the Executive Director. He also served as a Presidential Management Intern with FHWA, where he worked in the Budget, Policy, and the Administrator's Offices.

Max Inman

Senior Advisor, Mercator Advisors LLC

Biography

Max Inman is a senior advisor for project finance and program management initiatives. He has an extensive background in transportation policy and broad knowledge of the Federal-aid Highway Program and the operation of state transportation agencies.

Prior to joining Mercator Advisors in 2007, Mr. Inman worked for the Federal Highway Administration (FHWA) for 33 years. He served for 12 years as Chief of the Federal-aid Financial Management Division, where he was responsible for developing and administering financial policies for the \$30+ billion Federal-aid Highway Program.

Mr. Inman provides advice and assistance to state and local governments in financing their overall highway programs as well as individual projects. At FHWA he directed the development and implementation of various innovation finance initiatives and was responsible for the evaluation of proposals and the execution of agreements involving public-private partnerships. Mr. Inman also has extensive knowledge of federal requirements relating to grants for state and local governments. He was responsible for FHWA's policies concerning cost eligibility, audit requirements and financial oversight. Prior to his Washington Office assignment, Mr. Inman served in FHWA field offices in North Carolina, South Carolina, Washington and Missouri.

Mr. Inman graduated from the University of North Carolina in Chapel Hill in 1973 with a B.S. in Business Administration.