

TransportationPoint

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The orange square is what we call the HNTB Spark. It has infused every HNTB project since our founding in 1914. The Spark is inspiration, the fire of new ideas and a source of innovation. And, of course, the HNTB Spark builds. It builds technical knowledge, consensus among competing stakeholders and understanding between policymakers and the public.

Remaining relevant in the face of change

Effective toll agencies rely on governance for clear visions and strategies.

The toll industry has seen more change in the past 20 years than it has in the past 200. Agencies have witnessed dramatic advances in technology, as well as tectonic shifts in their relationships with state departments of transportation, elected officials, private enterprises and the public. Tolling entities must develop the capability to remain relevant in the face of these changes or risk becoming obsolete.

What exactly does “remaining relevant” mean? For toll agencies, it means having an ongoing, valuable role in furthering our nation’s mobility. A relevant organization continuously identifies and adapts to the needs and preferences of its market. But, that’s difficult to do because we operate in an era where needs and preferences are continually changing. One minute you’re setting the industry curve, and the next minute you’re playing catch up. That’s the rub! Any organization can be relevant for a day or a moment, but it takes skill to stay there. To remain relevant, you must develop the capability to assess the internal and external forces that shape your organization and respond to those forces.

How? You need to establish a clear vision and clear strategies of how you plan to achieve that vision. A clear vision answers the questions: How will the world be different or better because of our organization? Who will benefit? A clear strategy answers the questions: How will we do it? And, what will it cost to get there?

Good governance — whether it is a commission, board of directors or board of governors — helps you answer those questions. The purpose of governance is to frame a vision for the future, ensure the organization has the resources needed to advance the vision, provide the necessary oversight to achieve that vision and get everyone behind it. Thus, effective toll agencies remain relevant by establishing clear visions, clear strategies and aligning themselves with those directives.

Within IBTTA, our 25-person board of directors has invested a great deal of time and energy to strengthen our governance practices. Our board recognizes that smart governance will enable the association to be more effective in achieving its goals. Much of this article focuses on these governance practices, many of which are being used or adopted by leading toll agencies.

Contrary to popular belief, there is no magic number of members that determines a board’s effectiveness. You can have a terrible five-person board but a terrific 20-person board if that board is comprised of individuals who are in alignment with the organization’s vision and strategy.

At IBTTA, our mission is to advance toll-financed transportation. Everyone within our organization envisions a world in which tolling becomes much more important and prevalent around the world. That is the vision we seek to advance, and our board of directors continually steers us in that direction.

The ability to keep an organization focused and on point is just one habit of a highly effective board. Here are three more:

1. A highly effective board is caring, loyal and obedient.

Your board members are stewards of your vision. While vision and direction should be their primary focus, the specific focus of a board will vary, depending on the organization’s maturity. For a young toll agency with a limited staff, a board member may be called upon both to establish the vision and engage in some of the day-to-day operations. As the organization grows, however, a board member’s focus will change. He or she will concentrate mostly on setting the vision and overseeing the execution of long-term goals.

In addition to their job descriptions, board members have specific legal duties that, when



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embraced fully, contribute to the organization's effectiveness:

- **The duty of care** says board members are expected to stay informed and connected, ask questions and be curious.
- **The duty of loyalty** says board members must show undivided allegiance to your organization's welfare. They must never, for example, use for their personal gain information obtained as a board member.
- **The duty of obedience** says board members should be faithful to the organization's mission and act consistently with its goals.

An effective board understands the gravity of its conduct and is intentional about fulfilling these expectations.

2. A highly effective board practices knowledge-based decision making.

Boards use one of two decision-making models. Either they adhere to a political model, which often is nothing more than a personality contest. Or, they use a knowledge-based model. When practicing knowledge-based decision-making, board members perform due diligence. They will ask what

3. A highly effective board understands the quality of the information going into a decision is more important than who makes the decision.

An issue may be so important the entire board needs to participate in the decision-making process. Other times, the board may choose to delegate the act of decision-making to a committee — a subset of board members who have invested their time in really understanding the issue. A question I often hear is: If the entire board will be held accountable for the decision, why wouldn't you want the entire body to vote on it? Because who makes the decision is less important than the quality of the information on which the decision is based. As long as the decision makers have the highest quality of information available, there is no reason why a board should not delegate the decision-making authority to others in specific circumstances. Effective boards realize their time is valuable, and they choose to spend it wisely. Sometimes that means delegating the decision making.

The role of governance in our industry's future

Effective board governance is more important today than ever before. Scarce resources and the rapidly changing political, economic, social and

technological environments demand that organizations be nimble and adapt quickly. As I said at the outset, a relevant organization continuously identifies and adapts to the needs and preferences of its market. The goal of effective governance is to help organizations not only be relevant today. The goal must be to develop the inherent capability to remain relevant on an ongoing basis. That's what knowledge-based governance is all about.

In transportation's need-rich, resource-poor environment, your vision must be clear. A clear vision, coupled with knowledge-based decision-making, will help you steer your organization to its highest purpose, its greatest relevance. It is your North Star. Good governance helps you locate that star, and set your compass by it. ■

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stakeholders think about a particular issue. They will want to know how other organizations are addressing similar situations. They will inquire about the organization's capacity to support the various options on the table. And, they will explore the ethical implications.

This process encourages meaningful discussion steeped in real-world knowledge. Board members arrive at a decision based on what they know about the organization's internal strengths, external forces and the advantages and risks rather than lining up behind team captains as schoolchildren would in a kickball game. Effective boards understand information is power. Knowledge-based decision making is a framework for dialogue and deliberation that IBTTA's board has adopted and been trained in. Some toll agency boards also are being trained in this technique.

10 keys to a strong tolling arm

Many cash-strapped DOTs are choosing to incorporate a direct user-financed option into their system management plans.

The list of reasons driving many cash-strapped departments of transportation to consider tolling continues to grow. The gas tax is in decline, primarily due to higher fuel efficiency. Higher gas prices are leading many to use public transit. The fleet of alternative fuel vehicles is growing. And, many state road funds continue to be raided to support other activities.

As a result, many state DOTs are looking at how to solve their own problems with little hope Washington will be part of the solution. Some are speculating that Congress won't approve borrowing to support the Highway Trust Fund, which means DOTs could face a 50 percent decline in federal support of highway funds by October 2011.

The resulting shift toward self-reliance indicates a need for a new delivery model dependent on direct user fees, or tolling. In fact, the interest in tolling now is greater than at any other time in the past 30 years:

- U.S. Transportation Secretary Ray LaHood has said the Federal Highway Trust Fund is out of money and that tolling and public-private partnerships are the wave of the future.
- Given a choice between new roads funded by a) an increased gas tax, b) new tolls or c) no new roads, 41 percent of Americans who responded to a 2010 HNTB America THINKS survey prefer tolls. A strong majority of respondents (84 percent) said they think tolls should be considered project by project or as a primary source of transportation revenue.

If the use of tolling on interstates is expanded — either for existing facilities, new capacity or both — cash-strapped DOTs interested in establishing a toll program will need guidance. Following are 10 keys to creating a strong tolling arm:

1. Conduct a three-point assessment. DOTs with the right strategic visions and values are completely capable of operating toll agencies. Experts in the

private sector will argue otherwise, citing three things they can deliver that state DOTs cannot:

- **The ability to raise tolls predictably.** To have a successful tolling arm, the public sector must have the political wherewithal to adjust toll rates regularly.
- **The ability to amortize debt over a longer period.** Generally, 30 to 40 years is the limit to recovering debt, but some private organizations say they can amortize their debt over 75 years. If the public sector can amortize over the same length of time, they can level the playing field.
- **Low labor costs.** Often, the public sector is saddled with onerous agreements that cause exorbitant labor costs, whereas “lighter” private entities can operate without such legacy costs.

If a DOT can meet those three prerequisites, it can be every bit as nimble and focused as the private sector. The public sector isn't always going to be the best option, though. Whether a state goes the public route or the private route depends largely on the individual DOT's specific objectives. And, every DOT is different.

2. Establish a statewide strategic vision.

Tolling works best when it is incorporated as part of a statewide strategic vision with buy in from the state legislature, the governor's office and those affected by the new division.

To establish such a vision, DOTs have to ask themselves some provocative questions: Why does our organization exist? What does success look like for us? How does tolling fit with our mission?

Without answers to those questions, it is difficult to manage a parent organization let alone a new, statewide toll program. Adding a tolling arm is much simpler and will work better internally — and for customers — if DOTs understand why they are creating it.

3. Learn by example. Consult other state DOTs with established programs. Best business practices by independent toll agencies and private sector toll



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facilities can be invaluable input for a program under consideration or in early stages of development.

4. Focus on the customer. A tolling entity knows who its customers are, what they want and how to provide it to them. Toll organizations sell value in the form of safety, service and convenience for X cents a mile. And, toll customers pay directly for that value.

Tolling is not a panacea. However, it is becoming a real solution to funding and maintaining America's overburdened and deteriorating roadways. Because DOTs can use tolling to address crucial, high-profile problems and generate critically needed revenue, they should be able to add it to their transportation funding toolboxes.

5. Be performance minded. Meeting commitments to bondholders, such as putting a toll project in revenue service by a certain date and at a certain cost, is a must.

6. Stress fiscal connectivity before physical connectivity. Florida's DOT faced this issue when selling its tolling program to state legislators in the 1990s. These lawmakers had a difficult time envisioning a statewide system where the projects didn't touch each other. What they learned is that it is more important for projects to connect to a toll system trust fund, than it is for them to connect physically.

7. Think total impact. DOTs need to become system-centric organizations, not project-based organizations. That means asking fundamental questions, such as: How will the improvements we make to corridor A affect corridor B? Will those improvements enhance overall system mobility or just that stretch of highway? The key always is to work for the system's greater good.

8. Do it for the right reasons. Certainly, revenue is a key building block, but a tolling system's primary purpose should be to promote mobility through projects that are locally supported, environmentally sound and economically feasible.

9. Take the lead. A national survey sponsored by the American Association of State Highway and Transportation Officials shows state DOTs are the most trusted voice in transportation — more than Congress, the U.S. Department of Transportation, governors or state legislatures. DOTs can use their inherent credibility and take the lead in delivering mobility through statewide tolling systems.

10. Encourage coalitions and partnerships.

While it is up to each DOT to take a leadership role from a statewide perspective, it should seek collaboration and input from other public and private sector toll agencies to meet the state's transportation needs. Doing so certainly will help develop a seamless system of user-financed facilities.

Tolling is not a panacea. However, it is becoming a real solution to funding and maintaining America's overburdened and deteriorating roadways.

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Creating and operating a successful toll practice

Two respected executive directors share their experiences, concerns and advice.

Highway Trust Fund revenues now only fund approximately 44 percent of the U.S. transportation system's needs. Since 2008, the primary source of transportation funding has received three emergency infusions to remain solvent. And, no one is counting on a spending increase in the next transportation authorization bill to offset the fuel tax's dubious state. In fact, some anticipate a decrease.

Passed in 2005, SAFETEA-LU provided approximately \$244 billion for transportation. If the next bill keeps funding at SAFETEA-LU levels, it will be the equivalent of a spending cut due to inflation.

The bleak outlook leaves departments of transportation no alternative but to become more self-sufficient in how they fill the widening gap between demand and supply. Industry experts predict self sufficiency will result in an alphabet soup of funding and financing methods that includes tolling.

Indeed, curiosity about direct user fees is building among DOTs that feel pressured to explore alternative solutions despite some agencies having no legislative authority to execute them. To help state DOTs expand their tolling knowledge, *Transportation Point* turned to two of the industry's most respected executive directors:

- Mike Heiligenstein, Central Texas Regional Mobility Authority
- Javier Rodriguez, Miami-Dade Expressway Authority

TP: What is the No. 1 piece of advice you would give a toll startup?

Rodriguez: A well-thought out public outreach program is essential. You need to cultivate champions in the community who support and understand why you are a tolling agency and the mission you are trying to achieve with tolls.

Heiligenstein: Think regionally and think high-level staffing. One big reason tolling sells in Texas is that we presented it as a regional solution. We also stressed that revenues would remain in the region. A quality staff also is critical.

Second, invite presentations from organizations that have made tolling work in their regions. The CTRMA is more than willing to share its best practices. I've done several presentations myself.

Third, don't underestimate the power of your board of directors. I have the best board in the state of Texas. All seven volunteer members have a regional prospective and a deep commitment to public service. Their ability to work through difficult issues and provide leadership in the community is invaluable.

TP: Starting from scratch, how would you structure a new toll agency?

Heiligenstein: You don't need a big staff, but you do need the best staff. Find good people, pay them well and make sure they have an entrepreneurial spirit. By that, I mean hire self-motivated, problem-solving people who are sales oriented. Too often, we get wound around the axels of administrative and bureaucratic issues, and we forget to sell our product. When a DOT builds a road, users will come. If a toll agency builds a toll road, users will come only if the agency markets it.

Rodriguez: If the new agency decides to outsource its back office, I would not outsource the manager. Your back office is a direct link to your customer. For that reason, I believe the manager should be part of your internal organization. MDX generates 350,000 transactions per day. Those are 350,000 opportunities to interact with our customers. I'm ultimately responsible for those customer relationships. When problems arise, I want someone who is as invested in the agency as I am to take ownership of the situation in a way a third party can't. A third party will comply with its contract and do an outstanding job, but it will never be as committed as an employee will be.



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TP: Would you recommend outsourcing certain aspects, such as the back office?

Heiligenstein: When the CTRMA was created, we had two key objectives: establish credibility in the community and creditability in the bond market. In order to meet the latter, we had to be careful about loading up on staff, so we outsourced.

Our position on in-house back offices is that they distract agencies from their missions. We outsource our back office to the department of transportation, and we outsource our video tolling to a private-sector partner. The private sector has been exquisite at handling it.

Rodriguez: The MDX is 44 staff members strong. We outsource everything from engineering, construction, and toll system and operations to back office, customer service and roadway maintenance. In-house, I have highly qualified people who manage each of those operations. That is our model, and it works for us.

TP: What performance metrics would you recommend a new entity adopt?

Heiligenstein: We have several ways to measure overall performance, as well as the performance of individual disciplines. For example, from a financial perspective, we use response to our bond offerings as a performance metric. We really had to struggle to hit our first bond issuance, but the last time we went out for funding, we were oversubscribed. We knew we were a success.

Rodriguez: We use cost-per-transaction comparisons to determine how much it costs us to collect each transaction, and we strive to keep that cost low.

TP: Name one best practice you would institute in a new toll authority.

Rodriguez: The MDX emphasizes integration. All disciplines, whether engineering, tolling operations or finance, are fully involved in the design and deployment of our tolling system and its operation. Many times, as toll authorities, we focus too much on the technical aspects of operation. We don't give enough thought to the financial aspects, not just how you fund the project but how you finance the day-to-day operations.

Heiligenstein: Don't become a foxhole manager. Conduct surveys and focus groups. Go to the state capitol and visit your legislators. Know your key stakeholders, their concerns and their preferences. And, know what your end users are thinking all of the time.

TP: Turning to technology, should a new toll entity automatically install all-electronic tolling?

Rodriguez: Without question, a new entity should consider AET for greenfield projects. The start-up operations are much easier. However, if an agency is established and has cash collections on a closed system, I wouldn't automatically advise them to change over. There has to be a reason to convert. Are they having issues with mobility or capacity? Do they need to expand their toll plazas? If so, and they have issues with community and right-of-way, then I would suggest a hybrid of cash and AET express lanes. The MDX is in a highly urbanized, highly congested area. Acquiring right-of-way is cost-prohibitive. So, we had to find a solution that would generate more capacity on our roadways without expanding them, and AET afforded us that solution.

Heiligenstein: The short answer is yes, but it would depend on the region. In some cases, AET would be difficult, if you share a border with Mexico, for example. In our case, AET from the very beginning would have been beneficial, but you'll need a financial buffer while you get people to buy into the idea.

TP: Thinking back to your agency's earlier years, what was the biggest mistake your organization made?

Heiligenstein: Our biggest mistake was assuming our customers would understand what we were doing and would accept it. Proposing toll roads for the region made sense to us because there was no funding available for traditional project delivery. Toll roads were financial engines that would benefit the region for the next 50 years, but our customers didn't see it like that. We had leapfrogged over their understanding of where transportation was. We

forgot to explain the problem and our solution to it. Now, every piece of marketing collateral we produce continually strives to inform our stakeholders of the "why." When you are in the business of tolling, you are in the business of educating the public. They go hand in hand.

Rodriguez: I would tell readers to build in more time if they are planning to convert to open road tolling. When you are dealing with technology and changing systems, what can go wrong will go wrong. Plan for it. If I had to do it over, I would have allowed more time. ■

ABOUT THE PARTICIPANTS

Mike Heiligenstein is the executive director of the Central Texas Regional Mobility Authority. He joined the Mobility Authority just months after its creation and oversaw the successful financing and construction of the agency's first toll road. Before joining the Mobility Authority, he served 23 years as a public official. Contact him at (512) 450-6281 or mstein@ctrma.org.

Javier Rodriguez is the executive director of the Miami-Dade Expressway Authority. He oversees all aspects of MDX's 20-year Master Transportation Plan, with its current \$503-million, five-year work program. Prior to the MDX, Rodriguez worked with the Florida Department of Transportation for 16 years. Contact him at (305) 637-3277 or jrodriguez@mdxway.com.

Resource Center

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Central Texas Regional Mobility Authority

<http://mobilityauthority.com>

International Bridge, Tunnel and Turnpike Association

www.ibtta.org

Miami-Dade Expressway Authority

www.mdx-way.com

HNTB Corporation

hntb.com

Other helpful websites:

The American Reinvestment and Recovery Act

www.recovery.gov

Approved by Congress in 2009, the Recovery Act's immediate goals are to create new jobs and save existing ones, spur economic activity and invest in long-term growth and foster unprecedented levels of accountability and transparency in government spending.

America THINKS Surveys

<http://www.hntb.com/point-of-view/AmericaTHINKS>

A series of surveys sponsored by HNTB that reveal Americans' opinions on today's important transportation issues.

American Association of State Highway and Transportation Officials

www.transportation.org

AASHTO advocates transportation-related policies and provides technical services to support states in their efforts to efficiently and safely move people and goods.

American Road and Transportation Builders Association

www.artba.org

ARTBA grows and protects transportation infrastructure investment to meet the public and business demand for safe and efficient travel.

Federal Highway Administration

www.fhwa.dot.gov

The FHWA, a major agency of the U.S. Department of Transportation, is charged with the responsibility of ensuring that America's roads and highways continue to be the safest and most technologically up-to-date.

Federal Highway Trust Fund

www.fhwa.dot.gov/reports/fifahiwy/fifahi05.htm

This website describes the history and structure of the Highway Trust Fund.

SAFETEA-LU

<http://www.fhwa.dot.gov/safetealu>

This website links to summaries, fact sheets, funding tables and full text of the 2005 the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.

Tom Warne Report

www.tomwarnereport.com

A weekly report created by sifting through almost 500 events, news stories, news releases and other important transportation-related activities throughout the country.

Transportation Research Board

www.trb.org

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TRIP

www.tripnet.org

TRIP promotes transportation policies that relieve congestion, improve air quality, make highway travel safer and enhance economic productivity.

U.S. Department of Transportation

www.dot.gov

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