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March 26, 2013

The Honorable Jaime Herrera Beutler
U.S. Representative
General O.O. Howard House
750 Anderson St., Suite B
Vancouver, WA 98661

Dear Rep. Herrera Beutler:

Thank you for your letter dated March 6, 2013, requesting clarification on a number of questions related to Columbia River Crossing (CRC) project expenditures, construction costs and state contracting practices. The Washington State Department of Transportation (WSDOT) and our partners at the Oregon Department of Transportation (ODOT) are proud to serve the region and both states in delivering this critical bi-state project.

There is no question that the I-5 bridges need to be replaced. Each day we delay the project is another day that we are at risk that an earthquake could close I-5. The current Interstate Bridges were built in 1917 and 1958. Wooden pilings supporting the piers extend into the sandy river soils approximately 70 feet, but not to solid rock. There is a risk of a structural failure of the bridges in the case of a significant earthquake, which could cause the river soils to liquefy. It is important that we continue to move forward with this project to avoid losing this critical corridor for commuters, businesses and freight moving commerce on the I-5 corridor.

We agree that transparency is critical and have responded to many of your questions through our nearly 18 months of work with the Washington State Joint Transportation Committee CRC Oversight Subcommittee, Oregon Joint Legislative Oversight Committee and ongoing responses to questions asked by legislators in both Oregon and Washington.

Let me assure you that all of the expenditures to date have complied with federal and state laws, and in fact have been made or planned in response to policy direction, federal approval of the project's Record of Decision, and to meet federal and state regulations that require project mitigation. The costs and expenditures to date are well within national norms for projects of this scale.

Ruby Junction light rail maintenance facility

Expansion of the existing Ruby Junction maintenance facility in Gresham, Oregon is necessary to accommodate the light rail vehicles that will operate on the new I-5 bridge. Storage of train cars is required during off-peak travel times and to conduct regular maintenance, cleaning and repair. Expanding an existing light rail facility rather than building a duplicate one in Clark County with duplicate maintenance personnel provides the most cost effective solution. As you

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cited, the preliminary 2011 estimate to expand the existing Ruby Junction maintenance facility in Gresham is about \$50 million. This is in addition to the \$36 million needed to expand the facility for the Portland to Milwaukie light rail project to accommodate a similar number of vehicles. Additional refinements of the CRC cost estimate related to Ruby Junction are in process and expected to result in lower costs that are reflective of advancements and additional certainty in design.

Light rail operations center

The TriMet operations center in Gresham could not accommodate the addition of the Portland to Milwaukie light rail project and the most cost-effective solution was to relocate the facility. The center was relocated to existing facilities at TriMet's Center Street location. The facility will accommodate both the added trains from the Portland to Milwaukie project and the extension of light rail to Vancouver. TriMet and CRC will share the expansion costs. A preliminary 2011 estimate for CRC's contribution is \$2.7 million to accommodate added control center capacity (e.g. overhead screens, control consoles, software) for the expanded system.

Steel bridge improvements

Trains that travel from Vancouver to downtown Portland must cross the Steel Bridge across the Willamette River. All trains that cross at this point, including trains from Clark County, will need to increase their travel speed at this crossing in order to avoid system delays. Modifications to the Steel Bridge would improve the existing light rail transit track and electrical system, and increase the overall system capacity by allowing increased travel speeds and therefore more trains per hour. The estimated Steel Bridge improvement cost is about \$300,000.

Light rail cost per mile

CRC's work has been overseen by the Federal Transit Administration since 2005, through approval of the project's Purpose and Need, and subsequent ongoing oversight of the light rail extension design beginning in 2009, after acceptance into the preliminary engineering phase of our \$850 million New Starts grant application. The project's construction cost estimate has received that agency's review on an annual basis and is deemed to be reasonable against all other applicant projects across the country.

Differences in light rail corridor construction costs are a result of several factors, as you've noted, including the number and type of structures, stations, parking facilities, costs associated with right of way purchases, and other geographic and system variables. Project unit costs and totals will vary based on each project's specific purpose, designed function and physical location. These factors can be seen at work in our own project with various segments' cost per mile.

Segments of the project with more significant structural work, particularly the approaches to the bridge, have costs per mile that are higher than those portions with little or no structural elements, as seen on the Vancouver side of the river.

Another important factor to consider when comparing different project costs is the use of nominal dollars versus real dollars (accounting for inflation over time). For example, construction of Sound Transit's Central Link light rail occurred between 2003 and 2009. One hundred million dollars in 2003 nominal dollars has the same buying power as \$125 million in 2013 real dollars.¹ Our project's cost estimate is calculated in year of expenditure (real dollars) between 2015 and 2019.

Curation facility

The Vancouver National Historic Reserve is a cultural resource and park resource, including individual archaeological sites. This designation means that federal regulations require mitigation of impacts to the facility. The CRC project will adversely affect the reserve, including a direct acquisition of land that will remove a portion of the Fort Vancouver Village from federal control and protection. This will result in a loss of visitor access and destruction of portions of the Village, as well as the introduction of visual and audible elements associated with project improvements.

The mitigation plan for these impacts was approved in the federal Record of Decision in December 2011, and includes the treatment of significant archaeological resources through collection and documentation during project construction as well as the rehabilitation of a building for a National Park Service museum/curation facility. Interpretive elements will include exhibits on the historic properties that are destroyed or otherwise adversely affected and allow access to these collections by the public, consistent with federal and National Park Service guidelines and policy, particularly 36 CFR Part 79. WSDOT will contribute \$16.9 million toward construction of this facility.

Lewis River and Hood River restorations

Replacing the I-5 Bridge over the Columbia River requires several federal, state, and local permits and approvals that call for compensatory mitigation for unavoidable impacts to aquatic resources.² Without mitigation sites, these permits could not be secured.

Oregon and Washington state laws require compensatory mitigation sites for project impacts located in both states. Mitigation site selection was made in coordination with federal, state and local agencies to meet all regulatory requirements.

¹ http://www.bls.gov/data/inflation_calculator.htm

² Relevant permits include:

- Clean Water Act (CWA) Section 404 permit from the US Army Corps of Engineers
- Removal-fill permit from the Oregon Department of State Lands
- Hydraulic Project Approval (HPA) from Washington Department of Fish and Wildlife (WDFW)
- Clean Water Act Section (CWA) 401 certification from Oregon Department of Environmental Quality (DEQ) and Washington Department of Ecology (DOE)
- Environmental Zone (E-Zone) Overlay within the City of Portland, and Shoreline Management Areas and Critical Area Overlays within the City of Vancouver

The Columbia River has Endangered Species Act-listed salmon species that pass through the project area. The resource agencies directed selection of mitigation sites that would benefit the salmon runs most affected by the project. The compensatory mitigation site identified in Washington is at the confluence of the Lewis and Columbia rivers and is estimated at \$10 million. The potential compensatory mitigation sites identified in Oregon are on the Sandy and Hood rivers and are estimated at \$1.75 million and \$5 million, respectively. The ecosystem benefits provided by restoration activities at these sites are immediately available and are greater than could be reasonably achieved at sites near the project footprint because the potential to improve juvenile rearing habitat is greater in a less urban environment.

Project contracting practices

You asked for clarification about the purpose and expenditures of the project's prime consultant. This matter has been reviewed in detail and found that CRC procurement, management and accounting practices adhere to federal and state law and established agency policies. When the project was begun, the DOTs estimated that \$50 million was a reasonable budget for the initial level of effort to be conducted under this contract. This is also the amount of funding authorized by the legislature at the time the contract was issued.

The original budget amount was not intended to represent the total cost of the environmental and planning work effort leading to permitting and construction. The nature of work on large, multi-disciplinary infrastructure projects is such that the numbers of alternatives to be analyzed and issues to be considered, which drives the level of effort, must take into consideration input from the public and elected officials and new information that is identified over the course of a project. The contract was established and managed on a task order basis.

The CRC project team carefully managed the work effort to move through the federally mandated environmental process and address public input. As the environmental impact statement was developed, WSDOT and ODOT added work tasks and increased levels of technical analysis as the project evolved based on public input from more than 1,000 meetings and events, the guidance of 10 different project advisory committees and recommendations from five expert review panels. Design refinements and analyses defined the level of work elements necessary and contract estimates were updated accordingly. The total level of project expenditures – \$167,894,203, or five percent of the project's budget limit – is well within national norms for projects of this size and complexity.

WSDOT and ODOT have utilized the appropriate contract approach to help closely manage the consultant team's scope of work and level of effort. This contract approach involves a master agreement that establishes the broad range of contract services, timelines and levels of effort, which is then supplemented with individual task orders for specific work efforts and deliverables. These task orders are closely monitored through the contract and invoice payment process. The contracting process included oversight by the project directors, WSDOT and ODOT headquarters, and legal counsel, as well as oversight from our federal partners, the Federal Transit Administration and Federal Highway Administration.

Cost allocation between states

Assertions by some that Washington residents are paying for interchange improvements in Oregon are not accurate. The current project cost estimate includes \$595 million associated with Oregon improvements and \$1.2 billion for the replacement bridge and its approaches on both sides of the river. Governor Kitzhaber signed Oregon's HB 2800 on March 12, 2013, committing \$450 million of state equity funding to meet federal fund matching requirements and begin project construction. Per the Governor's request, the project continues to refine designs for several Oregon improvements in an initial construction phase that could be postponed to meet current fiscal realities while maintaining the benefits of the Locally Preferred Alternative.

Oregon state funds will be applied to Oregon-only improvements, and Washington funds will be used for Washington-only improvements. The bridge construction will be funded by a variety of sources, including state equity funding from Oregon and Washington, Federal Highway Administration programs (including the TIFIA loan program), toll revenue and portions of a grant from the Federal Transit Administration New Starts program. Construction of the bridge cannot occur without also constructing the touchdown points on land in both states.

It is important to note that the project's cost estimate includes inflation on base cost (based on year of expenditure and activity type), base-cost uncertainty, cost risk, cost opportunity and cost of schedule delay. It is incorrect to compare the project's base costs (in 2011 dollars) with these escalated costs.

Subconsultant relationships

David Evans and Associates, Inc. (DEA) is the prime/general engineering consultant for the CRC project. As with all large state projects, both in development and construction, contracts are issued to consultants to provide issue-specific expertise and supplement the state work force. These contracts are limited to a defined scope of work. This approach allows the state to secure the right team members at the times their expertise is most needed. Consultants might work for a few months or a few years, depending on their specific skill set and the needs of the project as it moves from planning through construction. State budgets benefit because government overhead costs do not need to expand and adjust as projects begin and end. Prime consultants and consultants often utilize sub contracts to bring forth complementary yet different skill sets to move projects forward. For a project such as CRC, it is common practice to have services provided by discipline-specific subconsultants.

As prime consultant, DEA acts as the administrator for subconsultants that work for the CRC. DEA submits an invoice to the state(s) for their own work as well as the work of its subconsultants, and the state(s) then reviews the invoice and processes payment to DEA. DEA issues payments to the subconsultants.

Subconsultants accepted by the state are qualified firms and are held to applicable provisions of the prime contract. Employees of previous subconsultants who have started small businesses themselves may be eligible subconsultants, provided they meet these requirements and enter into agreement with the prime consultant.

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Furthermore, the both the states of Washington and Oregon are committed to engaging diverse suppliers of services including contracting opportunities for minority and women-owned firms and veteran-owned firms. At least one of the current subconsultants cited as a concern is registered with the State of Oregon as a federal Disadvantaged Business Enterprise and as a state recognized Minority Business Enterprise, Women Business Enterprise and Emerging Small Business.

Subconsultants to the project and the prime consultant have never been classified as employees of the state. This is not allowed by Washington state, and state contracts reinforce that all employees of the prime consultant as well as any subconsultants are not considered employees of the state.

Rates charged to the state by consultants and their subconsultants are accepted through adherence to state procurement regulations and agency policies. There have been claims that subconsultants are charging rates up to twice previously paid by the state for similar work. This is simply not true. It is incorrect to compare the unburdened raw labor rates of subconsultants in their previous status as employees to their negotiated billing rates as self-employed consultants. Subconsultant's billing rates are negotiated according to standard rates for services provided for similar work.

Thank you for the opportunity to provide you with these details. We hope this information is useful in responding to your constituents. We are available to meet with you, your staff or concerned constituents to address any additional questions in person. Please contact our office at 360-737-2726 if you have questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Boyd". The signature is fluid and cursive, with the first name "Nancy" written in a larger, more prominent script than the last name "Boyd".

Nancy Boyd
Washington CRC Project Director

NB:ro
Enclosure

cc: Document Control