EFFICIENCIES IN THE CONSTRUCTION AND OPERATION OF STATE TRANSPORTATION PROJECTS

July 24, 2013

BERK
STRATEGY ANALYSIS COMMUNICATIONS

consulting scanlan

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CONSULTING

Introductions & Presentation Objectives

PRESENTATION OBJECTIVES

- Provide an overview of our project team, approach, and schedule
- Share findings from initial conversations on cost drivers
- Hear from JTC Members
  - Thoughts on cost drivers
  - Important considerations
  - Desired outcomes
  - Questions

Project Objectives & Approach

PROJECT OBJECTIVES

- To develop a broad understanding of the costs of transportation projects and what drives these costs
- To identify potential efficiency measures or reforms
- Results of this effort will support policy discussions regarding potential transportation funding package

KEY ELEMENTS OF APPROACH

- Integrate the Advisory Panel and Staff Workgroup to facilitate common understanding
- Develop a robust and objective assessment of cost drivers and the relationship to policies and practices
- Clearly identify policy trade-offs and implications of potential efficiency measures
- Effectively communicate study results

PROJECT TEAM

- Michael Hodgins, Project Manager (BERK)
- Allegra Calder, Advisory Committee Facilitator & Policy Analyst (BERK)
- Kathy Scanlan, Policy Analyst (Scanlan Consulting)
- Kjristine Lund, Strategic Advisor (Lund Consulting)

Project Participants

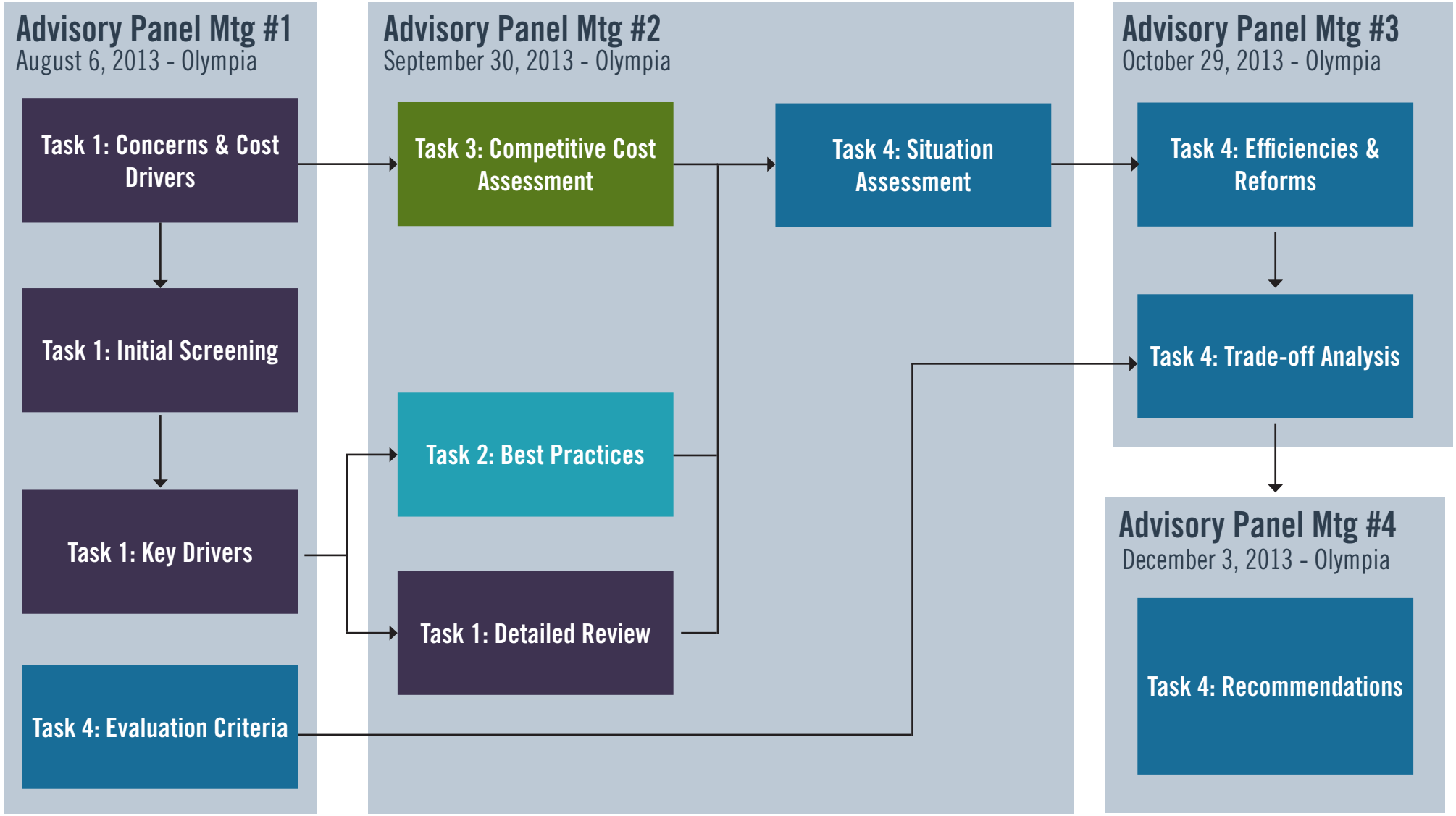
ADVISORY PANEL

- Rep. Judy Clibborn
- Sen. Curtis King
- Sen. Tracey Eide
- Rep. Ed Orcutt
- WSDOT Secretary Lynn Peterson
- Carrie Dolwick, Transportation Choices Coalition
- Mike Ennis, Association of Washington Businesses
- Vince Oliveri, Professional and Technical Employees, Local 17
- Duke Schaub, Associated General Contractors

STAFF WORK GROUP

- Beth Redfield, Project Manager, JTC
- Mary Fleckenstein, JTC
- Alyssa Ball, House Transportation Committee
- Amy Skei, House Transportation Committee
- Clint McCarthy, Senate Transportation Committee
- Lyset Cadena, Senate Democratic Caucus
- Jackson Maynard, Senate Majority Coalition
- Samantha Gatto, House Republican Caucus
- Rashi Gupta, House Democratic Caucus
- Cheri Keller, OFM
- Jay Alexander, WSDOT, Capital Program Management
- Pasco Bakotich, WSDOT, Development Division
- Keith Metcalf, WSDOT, Chief Engineer
- Matt Neeley, WSDOT, Capital Program Management
- Other agency staff may be added

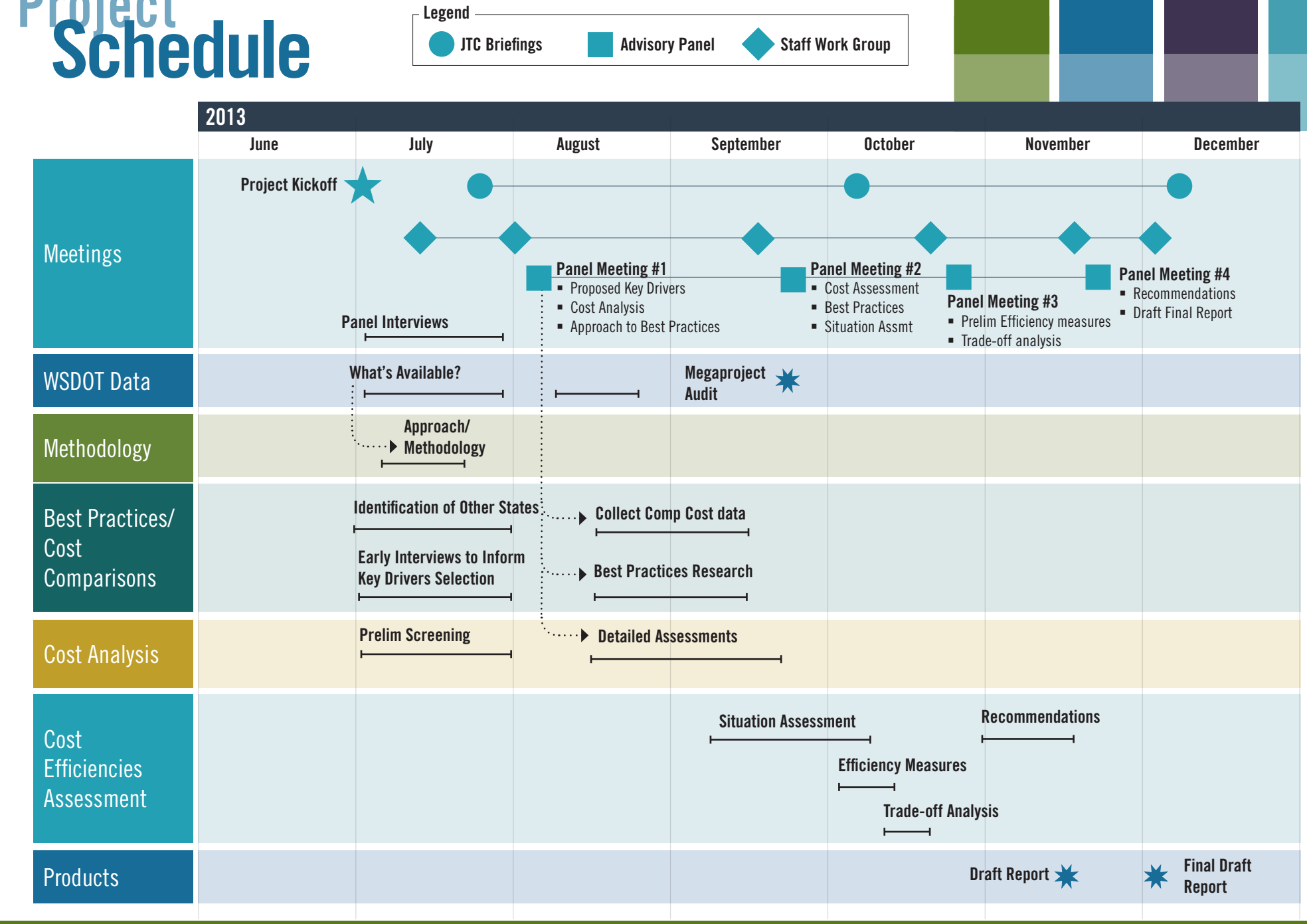
Technical Approach
Overview



Approach to Best Practices & Cost Assessments

- **Define current practice**
  - Which state agencies, in addition to WSDOT, are involved?
  - What is required by RCW and what is the legislative intent?
- **Review applicable federal requirements**
  - Do our legislative requirements differ from federal requirements?
- **Identify costs of current practice**
  - What does the current practice cost?
  - On what types of projects?
- **Review practices in other jurisdictions**
  - How do these practices differ from ours?
  - Could a different practice reduce costs or increase efficiency if applied here?
- **Define potential changes**
  - Administrative
  - Legislative
- **Assess potential changes**
  - Identify potential savings
  - Identify policy implications

Project Schedule



Concerns Raised During Session

THE RFP IDENTIFIED THE FOLLOWING CONCERNS:

- Long environmental permitting processes
- High mitigation expenses
- Prevailing wage administration requirements that may be more costly for both public administrators and private companies
- Project management inefficiencies
- Higher public sector design, operations and maintenance and preservation costs as compared to the private sector
- Size of contingency funds for each project
- Tax laws and financing practices that drive up costs
- Workforce challenges, e.g. apprenticeship requirements and an aging workforce
- Specific instances where state standards are higher than federal standards; and
- Inclusion of bike and pedestrian elements in highway projects

Additions from Preliminary Interviews

IN ADDITION TO THE CONCERNS OUTLINED, INITIAL INTERVIEWS HAVE ALSO SURFACED THE FOLLOWING:

- Project lifecycle - start and stop nature of some large projects during planning stages
- Excessively high engineering and environmental standards
- Projects that are overdesigned - need for rightsizing
- Insufficient use of Design/Build contracting
- Balance of transportation demand management and capacity needs to shift
- Short closure windows to complete construction (to minimize traffic disruptions)
- Risk sharing
- Financing costs and use of debt for projects with shorter lifecycles
- Buy local requirements

Preliminary Cost Drivers
By Construction Phase

COST DRIVER	PROJECT PHASE					
	Planning	Permitting	Design	Construction	Finance	Operations
Permitting						
Long permit times	■	■				
Cost of local permits		■	■			
Environmental standards	■	■				
Consecutive vs. concurrent		■	■			
Design elements						
Local preferences	■	■	■	■		
Non-highway features		■	■	■		
Engineering standards	■	■	■			
Design/build utilization			■	■		
Demand forecast	■		■	■	■	
Prevailing wage						
State vs. federal				■		
Calculation method				■		
Project criteria				■		
Administration				■		
Mitigation						
SEPA / NEPA	■	■				
Cost vs. schedule			■	■		
Local agreements	■	■	■	■		

Preliminary Cost Drivers
By Construction Phase

COST DRIVER	PROJECT PHASE: Planning	Permitting	Design	Construction	Finance	Operations
Estimating/budgeting						
Contingencies	■		■	■		
Schedule vs. Cost	■	■	■	■		
Treatment of risk/uncertainty	■		■	■		
Planning without secure funding	■					
Contracting						
OMWBE requirements				■		
Risk assignment				■		
Use of private contractors			■	■		■
Apprenticeship				■		
Construction						
Materials cost				■		
Short closure windows				■		
Change orders				■		
Project/program management				■		
Sales tax on construction				■	■	

Questions & Discussion

- Are the cost drivers identified to date the right ones? What's missing?
- Our definition of operations is roadway maintenance and operations. Is that consistent with how you think about it?
- What considerations should we keep in mind as we begin our work?
- Other questions or comments