



Oregon

John A. Kitzhaber, M.D., Governor

Department of Transportation

Office of the Director

1158 Chemeketa Street NE

Salem, OR 97301

Phone: (503) 986-3289

Fax: (503) 986-3432

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The Honorable Peter Courtney, Senate President
The Honorable Richard Devlin, Oregon State Senator
The Honorable Ted Ferrioli, Senate Republican Leader
The Honorable Dave Hunt, Oregon State Representative
The Honorable Mary Nolan, Oregon State Representative
The Honorable Bruce Hanna, Co-Speaker of the House of Representatives

Dear Senators and Representatives:

In October 2010, you received a memorandum from Mr. Chris Girard, president and CEO of Plaid Pantries, Inc. and an attached report prepared by Mr. Joseph Cortright. The report raised questions about cost estimation, traffic modeling and financial planning methodologies used for the Columbia River Crossing project (CRC). The Oregon Department of Transportation (ODOT) has prepared this letter to address and correct the inaccuracies and misrepresentation of the CRC included in the report. I am pleased to take this opportunity to share my confidence in project planning conducted to date and the ability of the department, along with the Washington State Department of Transportation (WSDOT), to deliver this critical project on budget.

The report references the recently-completed analysis by the CRC Independent Review Panel (IRP) convened by the Oregon and Washington governors, but did not include the IRP's primary conclusion. In the IRP's cover letter to the Governors, the panelists, all recognized national authorities in their areas of specialization, wrote:

The IRP is unanimous in assessing that the CRC must move forward with a new crossing to be built at the earliest possible date...This report outlines the IRP findings regarding the work to date and offers recommendations to serve as a "road map" for Oregon and Washington toward project completion. Complying with these recommendations will be the most expeditious path for the CRC and bring substantial long-term benefit to the region. (Cover letter dated July 27, 2010, CRC Independent Review Panel.)

Like the conclusion of the IRP, Mr. Girard writes that, "There is no doubt that we need to address the congestion on the I-5 system." I am in agreement with this statement. I am also in agreement with Mr. Girard's summary sentence that "We need to come up with an affordable, responsible, and buildable solution that works for Oregon and its taxpayers, especially small businesses, and all stakeholders who depend on a well-functioning I-5 system." I am confident that the CRC project will accomplish our shared goal.

Traffic forecasts

Mr. Cortright alleges that CRC traffic volume forecasts are not accurate. Specifically, he states that CRC will make the Rose Quarter area of I-5 more congested and that the tolling forecasts also are inaccurate.

Response: Mr. Cortright's conclusion is based on traffic counts for the I-5 bridge, which have shown a recent decline with the current recession. It is typical for traffic volumes to decline during a recession and to rise during boom periods. These fluctuations are expected. Based on the most recent counts, evidence suggests that traffic volumes are resuming their long-term upward trend on both I-5 and I-205.

Estimating future traffic volumes requires a dynamic model with inputs on land use, socioeconomics, trip origins and destinations, and travel mode and route choice. CRC's traffic analysis comes from Metro's nationally-recognized travel demand model. This is the same model all regional transportation projects have used, including the recently completed MAX Green Line. A multi-jurisdictional team, including all of our local partners, has reviewed CRC traffic modeling forecasts. In addition, an expert review panel composed of national experts in the field of traffic modeling conducted an independent analysis in 2008 and validated the methods and results. The panel found that the travel demand model used for CRC is an advanced trip-based tool and that it was a valid tool for a project of this type. Specifically, the experts concluded:

- Vehicle operating cost assumptions, of which fuel costs are a component, were reasonable. Vehicle operating cost (gasoline, oil, tire and general maintenance costs on a per mile basis) was found to be the appropriate measure to use as it reflects the long-term relationship between fuel price and vehicle fleet fuel efficiency.
- The overall approach to the tolling analysis is within standard practice and the methods used are reasonable.
- The traffic analysis and forecasts, including vehicle miles traveled results, are reasonable.

The traffic analysis shows that CRC will reduce congestion, reduce auto travel, reduce greenhouse gas emissions, reduce energy consumption, and improve safety and trip reliability for all users, as compared to the no-build conditions. This is a result of the multimodal aspects of the project, which add light rail and improved bicycle and pedestrian facilities. Although there still will be congestion at the Rose Quarter after CRC is completed, the analyses have found that the project will not increase congestion there, and the number of auto trips will not change significantly.

The Oregon and Washington Transportation Commission chairs and the directors of the state transportation departments directed a CRC Tolling Study in 2009. The research studied multiple tolling scenarios to understand traffic demand and diversion effects better, as well as toll revenue implications.

During this time, two new analytical surveys validated and updated assumptions used in the model. First an origin-destination survey compared the travel patterns of bridge users forecasted by the model under existing conditions to actual travel patterns in the corridor. If necessary it modified the trip distribution function in the model. The results of this survey performed well to forecast patterns within the corridor. Second, a “stated preference survey” determined a corridor-specific value of travel time for use in the regional travel demand model.

The tolling study analysis shows that most motorists will not change their behavior when forced with a toll on I-5. The largest change in travel patterns will be a reduction in travel demand across the river. Others will change their time of travel to the off-peak times or change their mode of travel. There would also be a small percentage of trips that will divert to I-205 in the tolled scenario, as explained further below.

When looking at the tolled versus no-toll scenarios in the year 2030, the major result is that tolling and transit improvements will reduce auto travel across the river by more than 26,000¹ trips per day (about 13 percent). Across the Columbia River, there will be about a 4.5 percent shift of auto trips on an all-day basis from the I-5 corridor to I-205, with more diversion in the off-peak hours than peak hours. South of I-84, the models estimate that diversion to I-205 will be approximately one percent on an all-day basis.

Cost estimates

Mr. Cortright alleges a capital cost estimate for the project that is much higher than estimated.

Response: Mr. Cortright includes another transportation project in his cost estimate as well as flawed methodologies to overestimate other costs. The ultimate cost and time to construct a project is subject to many variables, including inflation, demand for materials or labor and the availability of funding.

The Washington State Department of Transportation’s nationally recognized Cost Estimate Validation Process (CEVP) has been used to develop cost estimates for the CRC project. These estimates are updated regularly as project plans are developed and refined. CEVP provides a range of costs, determined through a risk-based analysis that estimates the probability that actual construction costs will fall somewhere within the range. The current capital estimates of \$3.2 – \$3.6 billion were developed in 2009². Mr. Cortright disregards this rigorous process used to develop capital cost estimates for CRC.

¹ This value is associated with the toll rate studied for the Draft Environmental Impact Statement, which was a \$1-2 variable rate toll on I-5 and no toll on I-205.

² This cost range is for year of expenditure dollars, i.e. the cost when the funds will be spent, planned for 2013-2019. There is a 40 percent probability that actual construction costs will be higher than \$3.2 billion and a 90 percent probability that actual construction costs will be lower than \$3.6 billion.

Unanimous agreement of the CRC Project Sponsors Council has resulted in design revisions over the past year. These decisions will be factored into the next cost estimate update, expected in early 2011. The recent CRC Independent Review Panel commended the project's risk assessment approach, and recommended this methodology be used again following additional evaluation of the bridge type and design changes which have been made throughout the corridor. This process has been successfully applied to many large projects in the state of Washington. Recent construction bids for the Alaska Way Viaduct project in Seattle were well within the estimated range. Other states in the nation are now using this model.

In making his assertion that project costs will actually be much higher than estimated, Mr. Cortright incorrectly includes in his analysis costs to improve the Rose Quarter. The CRC project includes five miles of highway and interchange improvements, a replacement bridge over the Columbia River, light rail extension from Portland to Vancouver, and significantly better bicycle and pedestrian access and paths. The Rose Quarter is outside of the project area and, therefore, should not be part of the CRC project cost estimates.

The report methodology also incorrectly combines capital costs, operation and maintenance costs, and financing costs in a way that erroneously depicts capital costs. It could be compared best to the following example: A home buyer might need a \$250,000 mortgage to purchase a \$300,000 home. While paying off the 25-year mortgage, the home owner will pay utility bills, maintenance costs and interest costs associated with the mortgage which will total far more than \$300,000 over the 25-year period. However, these other costs do not change the original cost of the home, which is still \$300,000.

In the case of the CRC project, its capital cost, as stated above, is \$3.2 - \$3.6 billion and not the much higher number that Mr. Cortright asserts. All additional relevant costs to the project are addressed in the project's finance plan (see following answer).

Funding plan

Mr. Cortright's report asserts the CRC project poses a financial risk to transportation finance in the Portland metropolitan region because of cost overruns, revenue shortfalls and schedule delay.

Response: The CRC project has been working to reduce the risk of cost overruns since 2005. As stated above, the Washington State Department of Transportation's nationally recognized Cost Estimate Validation Process (CEVP) is being used to develop cost estimates and manage risks.

To address a recommendation made by the Independent Review Panel about risks associated with the bridge design, ODOT and WSDOT have convened an expert review panel of bridge structural engineers and architects to discuss risks, constructability, aesthetics, and costs for all bridge types that would be feasible for the corridor. A final report is due in January 2011 and will be used to develop the new cost estimate.

It is standard practice for transportation projects to develop a financing plan to fully cover capital construction costs as well as any costs related to its financing process, such as interest. The CRC finance plan fully accounts for all project costs, including capital construction costs, maintenance and operations costs, and financing and interest costs. These are not additional or unaccounted for costs to the project as Mr. Cortright asserts.

Funding for CRC will come from a combination of federal and state funds and toll revenue. Federal highway funds are being sought from a category known as Projects of National Significance. Very few projects in the country and no other projects in the region can compete for these funds. Additionally, the New Starts transit funds will be awarded after a competitive process at the national level. These sources are unique to the CRC project and do not affect other Oregon projects.

The project team seeks the following funding allocations:

Federal highway funds	\$0.40 billion
New Starts transit funds	\$0.85 billion
State of Oregon and Washington	\$0.90 billion
Toll revenues	\$1.36 billion
<u>Existing resources</u>	<u>\$0.05 billion</u>
Total:	\$3.56 billion

The states have not determined the actual toll rate, but they plan rates that vary by time of day. At a later stage, before bonding, the project will conduct an investment grade study.

State and regional benefits

Mr. Cortright's report states that CRC will have negative economic consequences for the region.

Response: This is contrary to the project's economic analysis. The project will also create or maintain 20,000 construction and construction related jobs that are much needed in the region. Additionally, the I-5 bridges over the Columbia River are directly connected to the economic growth and vitality of the state and the region.

One in five jobs in Oregon is trade related, and \$40 billion in freight crosses the Columbia River each year with both the Port of Portland and Port of Vancouver located close to the I-5 bridges. Truck access to the port is a critical statewide issue. It provides the international gateway for eastern and southern Oregon agri-products and manufacturing goods. CRC will enable freight, commuters and all travelers to move more safely and expeditiously through the project area saving millions of dollars per year in excess labor and travel costs that are associated with the significant congestion in the bridge influence area.

In closing, ODOT and WSDOT are employing best practices in all aspects of project planning to support the analysis, planning, construction and delivery of the Columbia River Crossing project. WSDOT researched 10 mega projects across the country to delve into lessons learned about project delivery. Best practices identified are key aspects of the CRC project delivery plan, including a co-located project office; strong ownership by the departments; ongoing management and tracking of scope and budget; a rigorous cost estimation process that accounts for risks and is frequently updated; early and frequent coordination with tribal governments, resource agencies and project partner agencies; and ongoing communication with the public and interested stakeholder groups. In addition, national and international experts have regularly evaluated CRC analyses. This external validation of project traffic modeling, greenhouse gas emissions methodology, value engineering, and construction planning continues to demonstrate that project management and delivery methods recognized as best practices.

The CRC team is committed to using industry best practices and due diligence as the project moves forward. We'll continue to provide updates along the way and are able to meet with you to address any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew L. Garrett", with a long, sweeping horizontal stroke extending to the right.

Matthew L. Garrett
Director

cc: The Honorable Ted Wheeler, Oregon State Treasurer
Paula Hammond, Secretary, Washington State Department of Transportation
CRC Project Sponsors Council Members