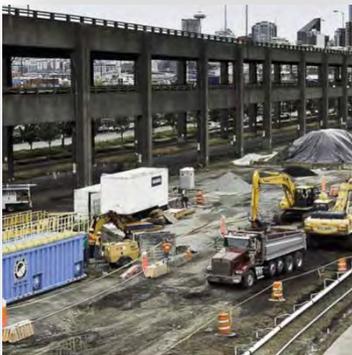


Moving Washington Forward

Paula Hammond, P.E.
Secretary of Transportation



Jerry Lenzi, P.E.
Chief Engineer

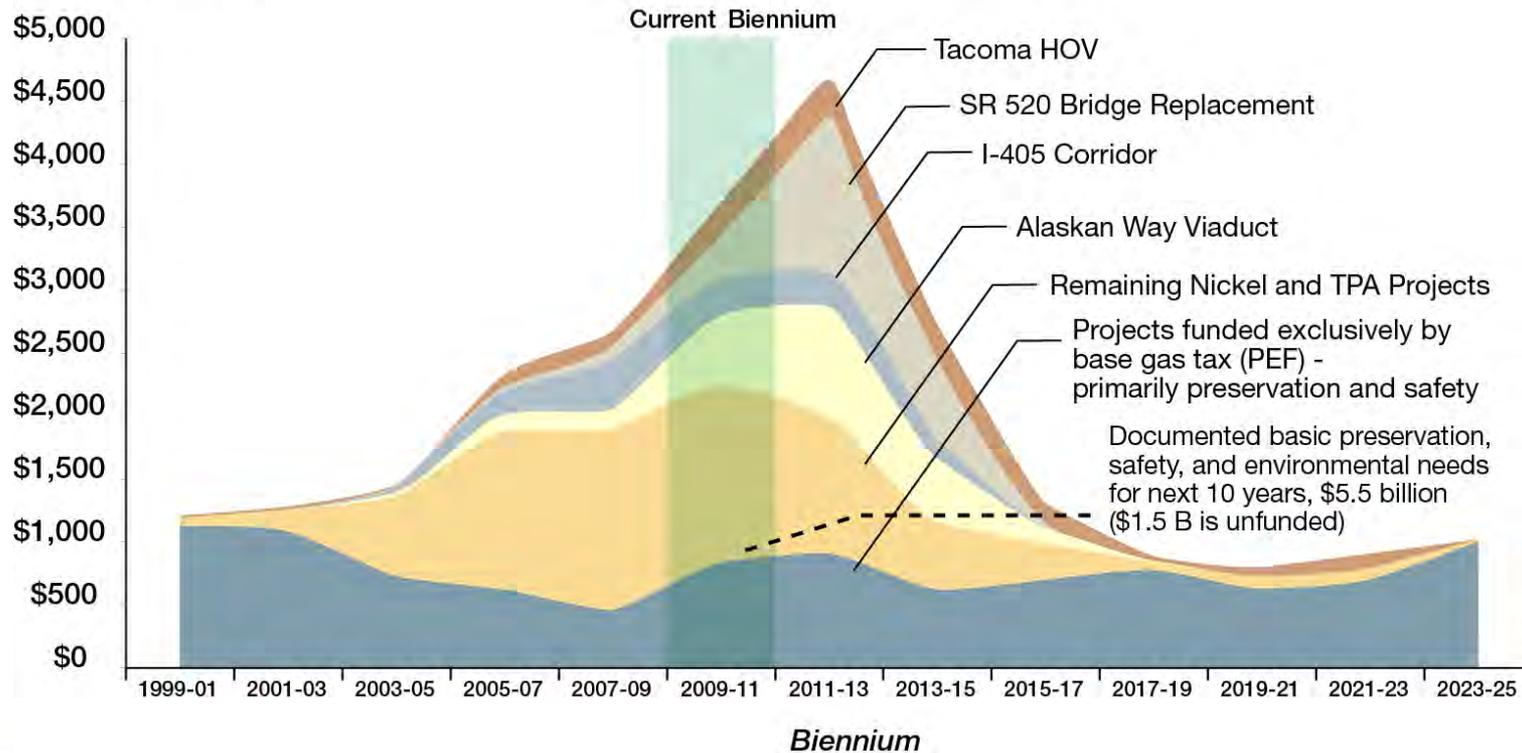


WSDOT highway construction program

All funds from the 2003 and 2005 gas tax increases are committed.

2011 Governor-proposed budget request - program total with select mega-projects highlighted

Dollars in Millions



74% of highway program dollars are contracted to the private sector.

\$6 B of the \$15.5 B in Nickel and TPA will be delivered through our design-build program.

54% of the design effort for Nickel and TPA was delivered by consultants.

WSDOT is delivering Nickel and TPA projects.

The **2003 and 2005 revenue packages** supported **\$15.5 billion** in infrastructure improvements.

Nickel and TPA delivery performance (as of March 31, 2011)

- Of the **300 projects completed**, more than **90%** are “**on time**,” and **92%** are “**on or under budget**.”
- **By 2011-13 biennium’s end**: 92% of the projects will be either complete or under contract.

Nickel and TPA projects create jobs.

- The **2003 and 2005 gas tax funding packages** are estimated to **support** an average of **10,000 direct, indirect, and induced jobs** each year over a 10-year period.
- The vast **majority of the jobs supported** by the Nickel and TPA are **performed by the private sector**.

Source: WSDOT Strategic Assessment Office



New Funding Created a Need For New Approaches

- Program size and schedules exceeded capacity of state to self-perform all work
- WSDOT focused on “strong owner” role
- Design split of 46% in house, 54% consultant (PE expenditures)
 - Varied by location and project
 - Puget Sound mega-projects typically much higher consultant use

Innovations Implemented

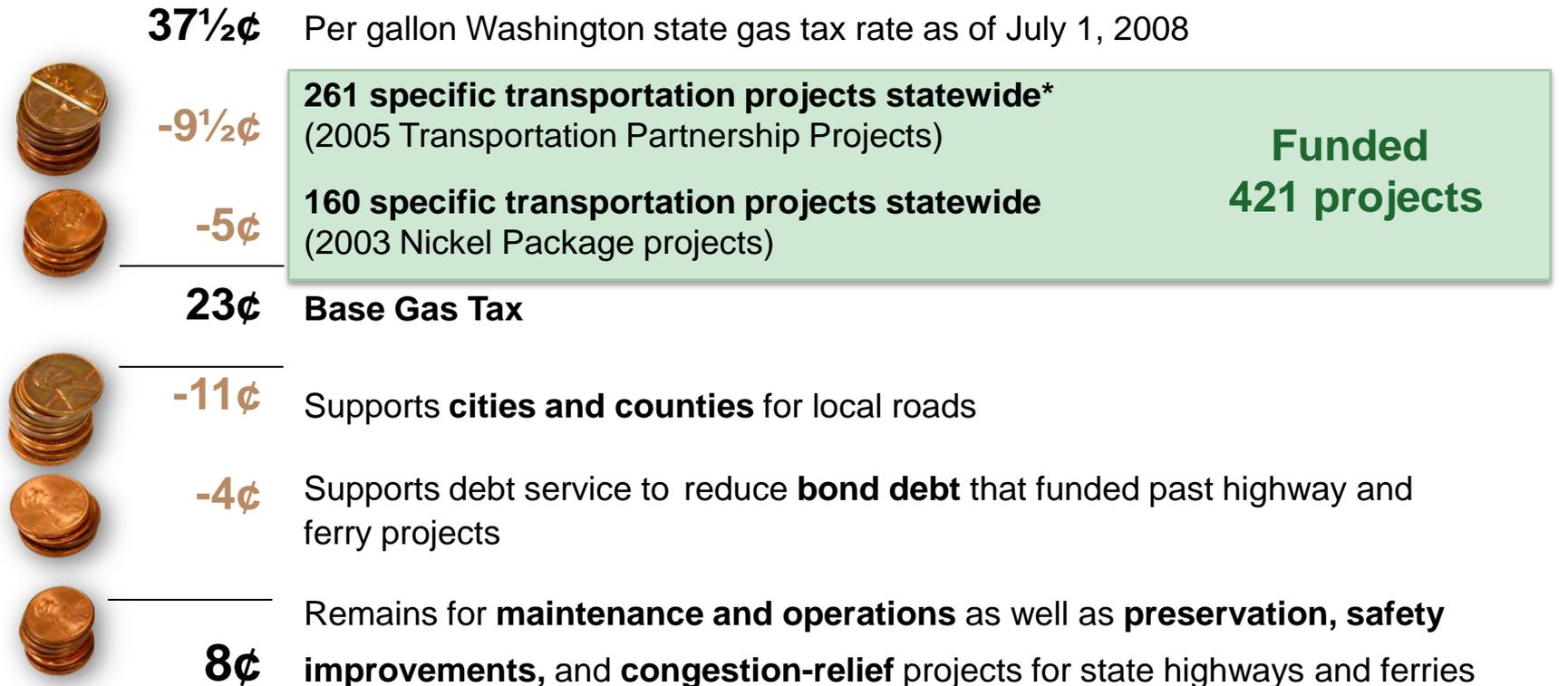
- Workforce balancing - Internal workforce sharing statewide across regional and functional boundaries
- Responsiveness - General engineering consultants (GEC)
- More alternative contracting - Design-build, A (cost) + B (time) bidding, fixed priced, variable scope contracts
- Risk identification and management - Cost risk analysis and CEVP
- Environmental Permit Streamlining - Multi-agency permitting process
- Greater focus on performance contracting - Contract incentives and damages
- More job bundling - Combining of multiple projects into one contract to lower public impacts or costs and gain administrative efficiencies

Current Efficiency Efforts

- Strategic planning and initiatives
 - Low-cost solutions
 - Technology solutions
 - Process improvements
- Overhead reductions
 - Reducing \$65 million in 09-11 and 11-13 in administrative and overhead costs throughout agency
- On-going programs
 - Value engineering
 - Cost reduction inventive proposals (CRIP)
 - Construction contract partnering
 - Materials and methods research and development

Washington's primary transportation revenue source is limited, committed, and doesn't keep up with inflation and growing demand.

76% of all state transportation investments are financed by the gas tax.



**Funded
421 projects**

* Of the 9½ cents, 8½ cents is used by the state for highway projects, 1 cent goes to cities and counties for improvements to streets and roads.

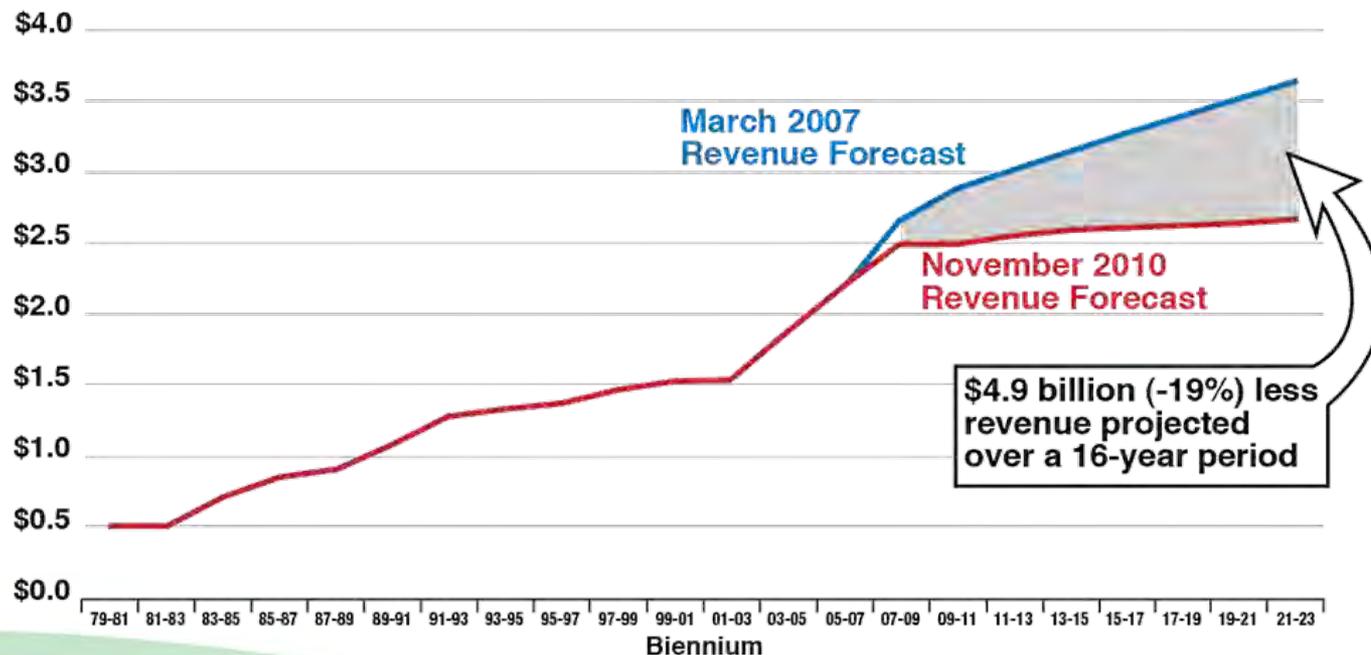
Purchasing power of transportation revenue is declining

- Revenue forecasts have been reduced

- More fuel-efficient and alternative-powered vehicles, along with a weaker economic recovery from the recession
- Since March 2007, projected fuel tax revenues have fallen by \$4.9 billion over a 16-year period

Gross fuel tax history with forecast comparison: March 2007 vs. November 2010

Dollars in billions



Federal revenues will likely stay the same or decline

- **SAFETEA-LU** (authorizing legislation), and **current year** (FY 2011 appropriations funding) **extended through March 4, 2011**
- **Congressional transportation committees will try once again to pass a multi-year bill**, but odds are against passage until 2013. Administration promises a proposal in spring 2011.
- **Funding levels are in flux. In February/March, Congress will determine the final funding levels for FFY 2011 and begin to negotiate the FFY 2012 levels.**
 - Earmarks discontinued in House, may be discontinued in Senate, for FFY 2012 and 2013
 - There is some bipartisan support for exempting transportation from the earmark ban
- **WSDOT anticipates federal funding reductions, and forecasts receiving an average of \$580 million in formula funds in each of the next few years – about 20% less than in previous years.** (66% goes to state projects and 34% for local projects).
- **It is critical to our investment strategy to gain federal acceptance of tolling on major state and interstate highways.** This policy shift could be enacted in spite of a stalled authorization bill but is necessary as a piece of the financial plan.

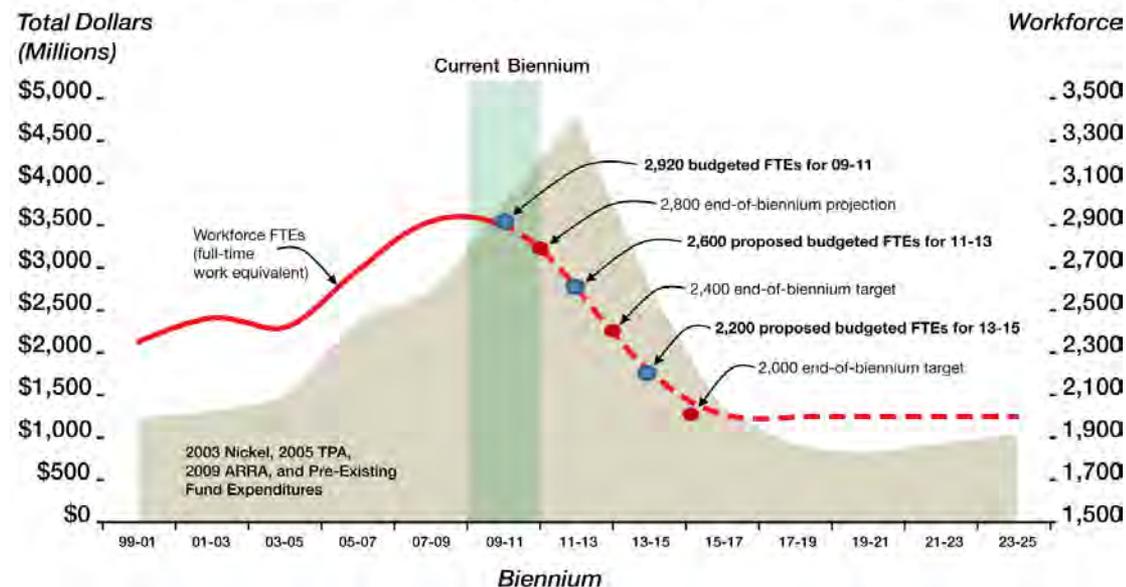
Engineering and Technical Staffing Levels

- No new revenue future
- Overall program size and composition drives need for smaller workforce
 - Phase of work
 - Amount of work
- Managing transition is challenging
 - Deliver the program
 - Future uncertain

2011 Agency budget request (November update) – Highway Construction Program

Program Expenditures and Workforce Projection

Includes the improvement and preservation programs with two exceptions: Excludes expenditures for the Tacoma Narrows Bridge and expenditures in the improvement program reimbursed by Sound Transit.

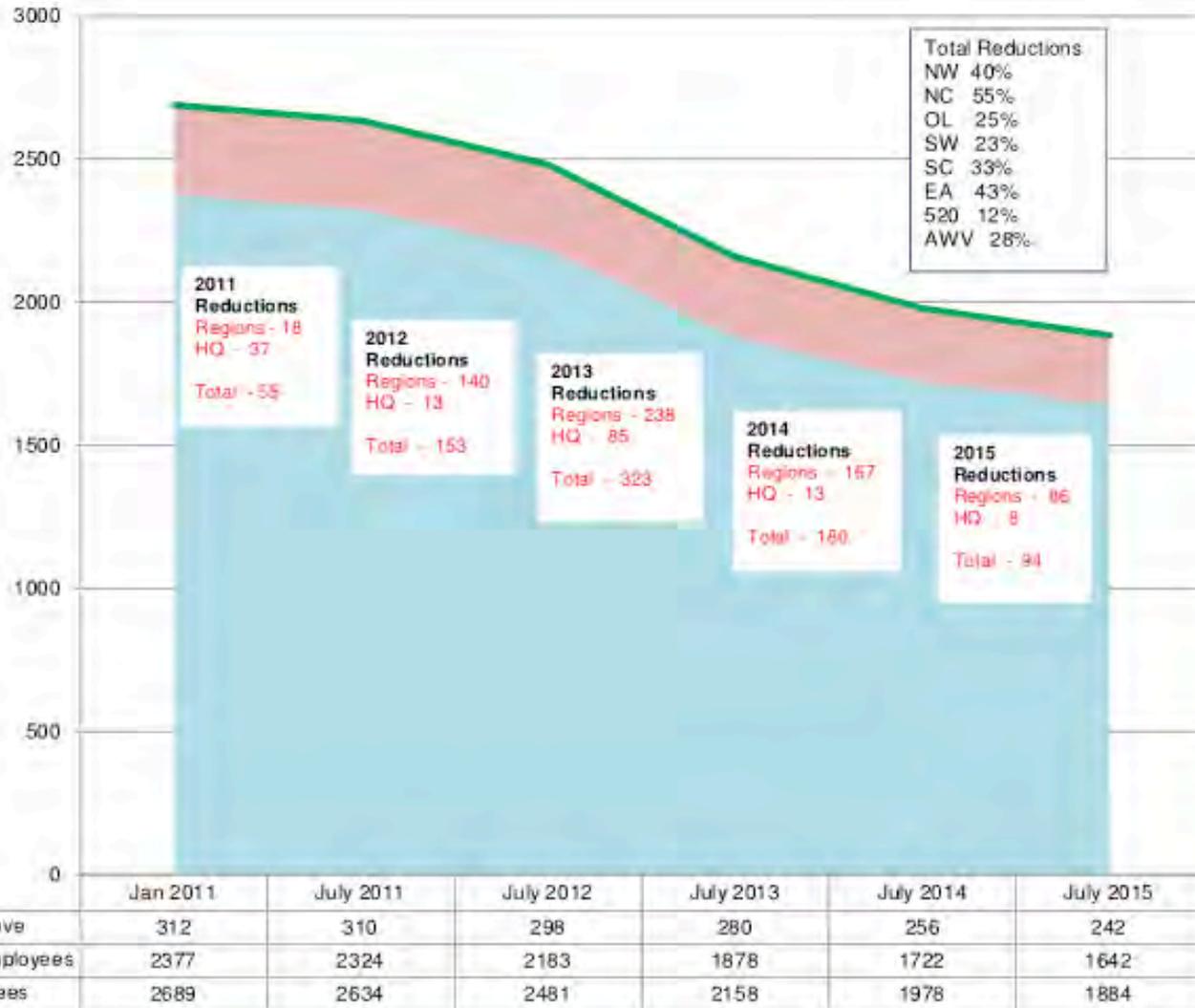


Reducing WSDOT's Workforce

Employees at all levels of organization will be affected

- Basic approach:
 - About 200 employees per year on average, each year for four years
 - Program reductions and changes drive who, where and when
 - Predictable layoff cycle - annually
 - Seniority driven
 - At-risk letters for fall 2011 reduction
 - Some RIF's have already occurred, others are scheduled
- RIF avoidance tools
 - “Normal” attrition
 - Voluntary Separation Program incentives
 - Employee resource center

Engineering and Technical Staffing Reductions



What We Have Learned

- Workforce management during large program increases/decreases are challenging and disruptive. In hindsight:
 - Very successful delivery of large capital program (Nickel and TPA)
 - Workforce was grown to “appropriate level” based on key assumptions
 - Many of our assumptions were correct
 - Even so, difficult to plan 10 year workforce with so many variables
 - Attrition rates/retirements did not occur given the economy
 - Prop 1 failed (Puget Sound Regional Transportation District)
 - Level of current staffing not sustainable over time (even with new revenue)

Our Challenge

- What changes to our business model and authorizing environment are necessary to make the transition to a “core workforce?”
- WSDOT should transform to reduce the need to significantly expand and contract as program levels ebb and flow over time.
- Secretary Hammond requested agency team to conduct a comprehensive review of our current business practices related to engineering and technical services

Key goal:

Building on our recent experiences and lessons learned, develop and implement a different business model and staff at the “core workforce” level for WSDOT engineering and technical support staff.

Method of Delivery Review

- Team formed
- Meeting regularly
- Updated business model (work process) guiding questions
 - Can some work be eliminated? What work?
 - Can some work be shifted to others? What work can be consolidated?
 - If work is shifted is risk shifted as well? How do we best assign risk?
 - Is some work better completed in a centralized, regionalized, or decentralized manner?

Assumptions

- Our business and delivery model will be different
- WSDOT engineering and technical services core workforce is sized at a level supported by long-term preservation and safety program levels
- Cap of 2000 FTE's by end of 2015 for programs: Improvement (I) and Preservation (P); reduction of approximately 800 FTE's based on current law budget
- Impacts to multiple budget programs
- More work will be done by the private sector
- Planning for three potential future scenarios:
 1. New revenue
 2. No new revenue – current law
 3. Less revenue
- WSDOT maintains all federal certifications and retains eligibility for receipt of federal funds

Developing a Different Method of Delivery

Structure

- WSDOT's basic matrix structure (HQ and regions) is beneficial
 - OneDot alignment
- Need to retain region structure
 - Provides the necessary local access to and administration of WSDOT activities across all lines of business and should be maintained regardless of engineering staff level changes
 - Promotes strong owner
 - Supports preservation, maintenance, and operations focus

Developing a Different Method of Delivery *continued*

Staffing and resources

- Target overall engineering levels at or near projected 10 year sustainable levels (approximately 2000 FTE's) even if new revenue is provided, +/- 10%
- Consolidate support services for efficiencies
- Centralize needed specialized expertise
- Establish more flexible engineering and technical staff positions that shift from “doing” to “overseeing” work during times of larger programs.

Developing a Different Method of Delivery

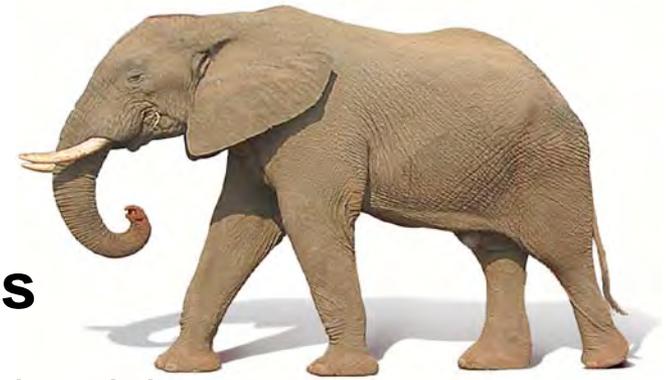
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Consultant use and contracting

- Expand use of alternative contracting methods during times of larger programs
 - Up to 75% in preliminary engineering
 - Expand consultant utilization into construction management
- Continue to work closely with industry to identify innovative contracting approaches
 - Design Build on smaller projects
 - Expanded emphasis for performance specifications and expectations
- Shift quality control and assurance to contractors or third party; implement robust quality verification program

The elephant in the room:

Straight talk about contracting out engineering and construction services



- Washington state employees have collective bargaining rights
 - Rights to positions
 - Rights to “the work”
- WSDOT has a history of contracting out engineering and specialized expertise work – and can continue to do so as long as:
 - Under current law, contracting out cannot result in loss of state employees or employee work (1978) unless agreed to by employees through collective bargaining
 - Employees have right to form “employee business unit” and compete for work
- In the past, “informal accords” have guided use of consultants
 - e.g., TPA – 400 +/- new state employees hired; rest consultants
- We’ll need to reach an accord with the parties to successfully move a new revenue package forward.

It’s a work in progress...

Developing a Different Method of Delivery

continued

Next steps

- Process
 - In progress