Annual Statewide Project Engineers Conference

Paula J. Hammond, P.E.
Secretary of Transportation

David L. Dye, P.E.
Deputy Secretary of Transportation

Steve Reinmuth
Chief of Staff

Hon. Chris Gregoire
Governor

March 2009

Washington State Department of Transportation

WSDOT PROJECT COUNTS
(As of February 28, 2009)

- Total Nickel and TPA projects: 391
- Complete: 186
- Under Construction: 69
- Going to Advertisement in next 6 months: 28
- 283/391 projects will be either completed or under construction in the next 6 months.

Washington State
Department of Transportation

The Ups and Downs of Transportation

- The transportation ***system needs are increasing***, and ***existing funding forecasts are not keeping pace***.
- ***Inflation*** is driving up the cost of construction materials.
- ***New environmental regulations and engineering standards*** contribute to higher project costs.
- Integrated transportation ***solutions need to reflect the values of our communities***, and meet the needs of our state.
- One size does not fit all, the state's ***unique transportation problems require unique solutions****.*
- We must ***balance investments*** by adding capacity, managing demand, utilizing technology and increasing efficiency.

Washington State Department of Transportation

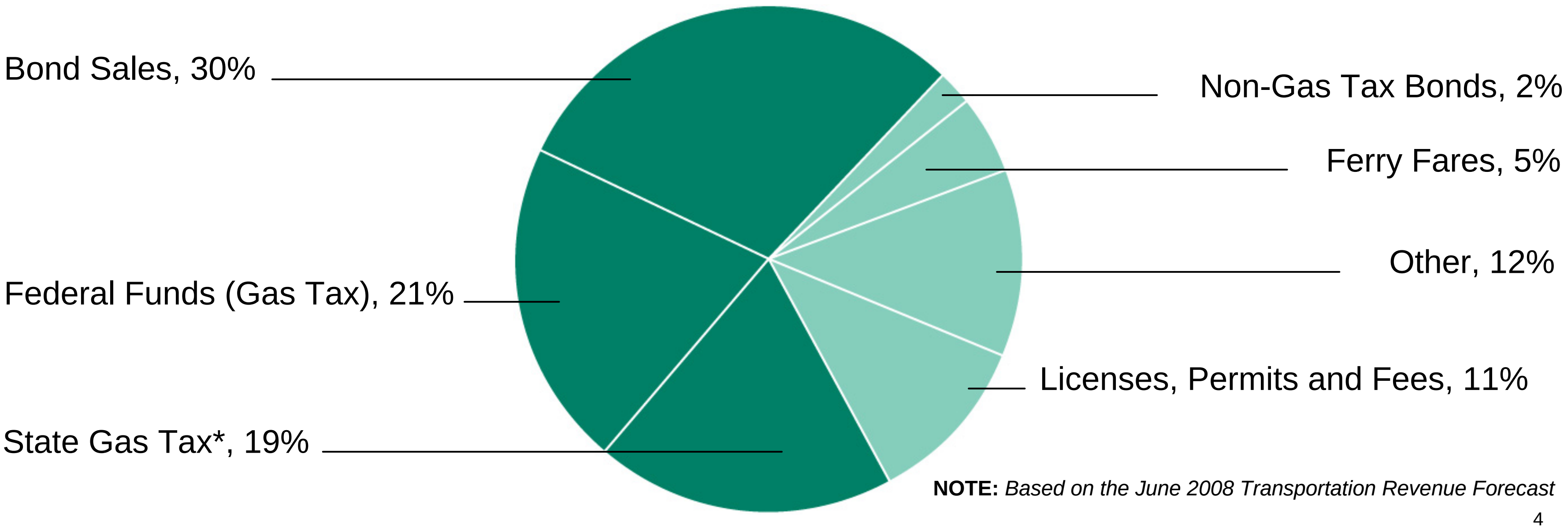
WSDOT Depends on Many Fund Sources

(2007-09)

State Gas Tax*	$1,115.5	19%
Federal Funds (Gas Tax)	1,210.9	21%
Bond Sales	1,763.1	30%
Non-Gas Tax Bonds	144.5	2%
Licenses, Permits and Fees	612.8	11%
Ferry Fares	302	5%
Other	678.8	12%
Total	**$5,827.4**	**100%**

70% of transportation funding is generated through gas tax

** State Gas tax reflects the net amount after distributions to cities and counties, refunds, and debt service have been made.*

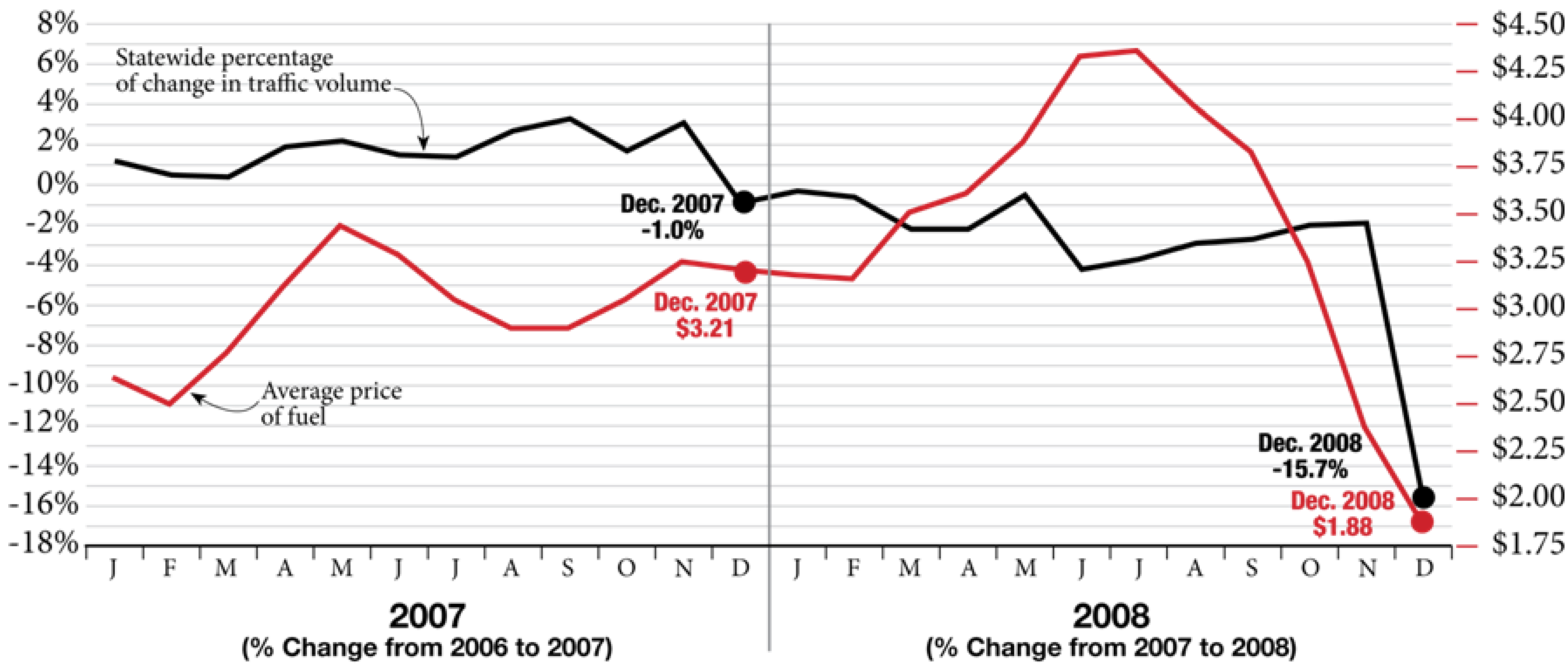


NOTE: *Based on the June 2008 Transportation Revenue Forecast*

Statewide Traffic Volume* and Monthly Average Price of Fuel

Update through December 2008 (preliminary data**)

*2008 Traffic volumes and Washington State average gas cost per gallon*** - all grades and formulations*



In December 2008 all of Washington State was affected by a major snow and rain storm. The effects of the storms were snow/ice on the roadway which in some cases caused traffic delays and closures. Immediately following the snow/ice storm was a warming trend and rain which caused massive flooding/landslides throughout the state and numerous closures and traffic delays.

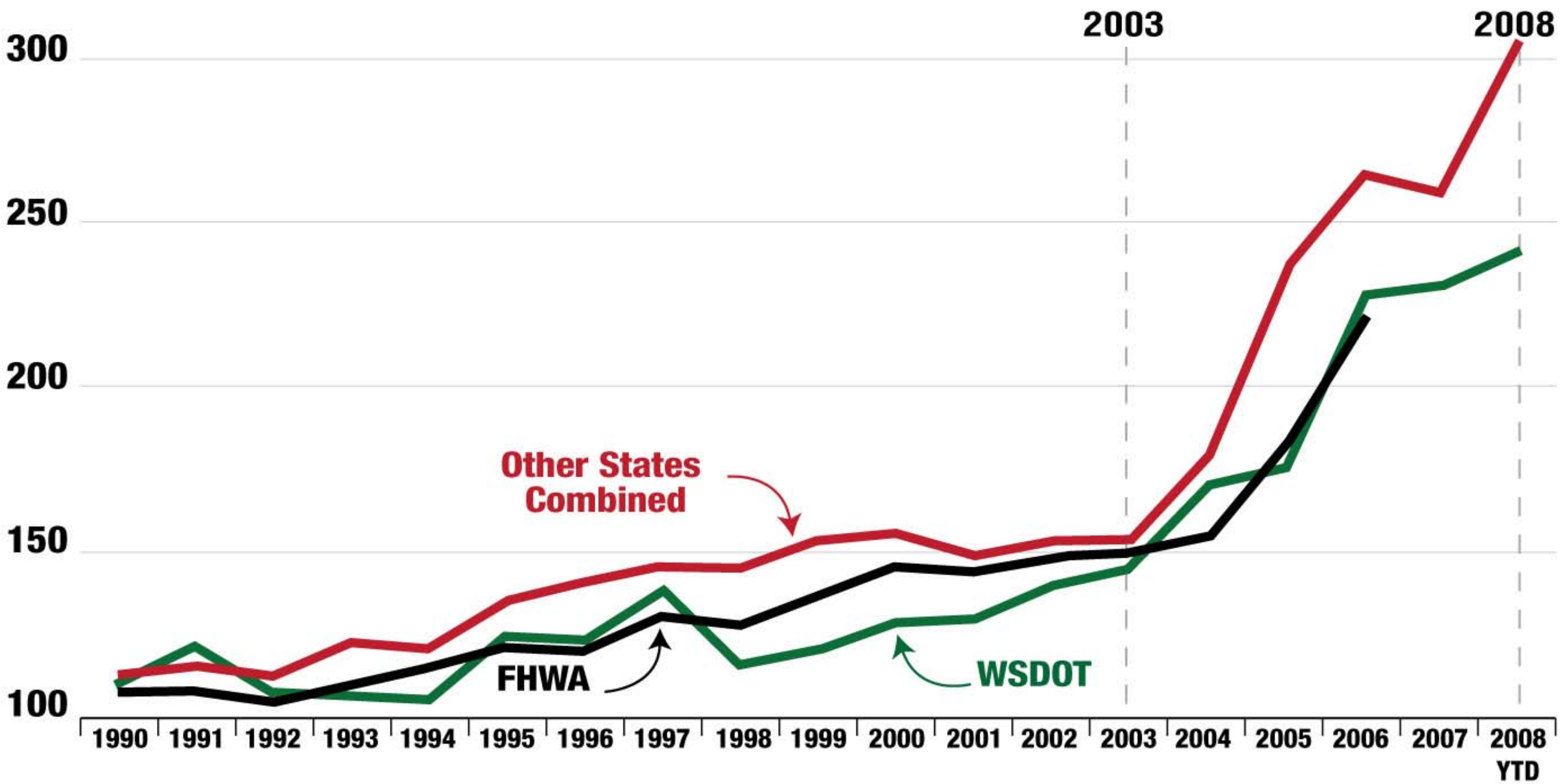
* Statewide Traffic Volume Change is a weighted average of traffic volume changes among all reportable Automated Traffic Recorder (ATR) sites. Weights are calculated proportional to the amount of monthly vehicle travel miles (VMT, 2007) based on highway functional class and volume.

** 2008 data is preliminary (unvalidated) and it is subject to revisions.

*** Retail price of gasoline. Does not include diesel.

Data Source: Automated Data Recorder Sites.

Since 2003 Inflation Skyrocketed



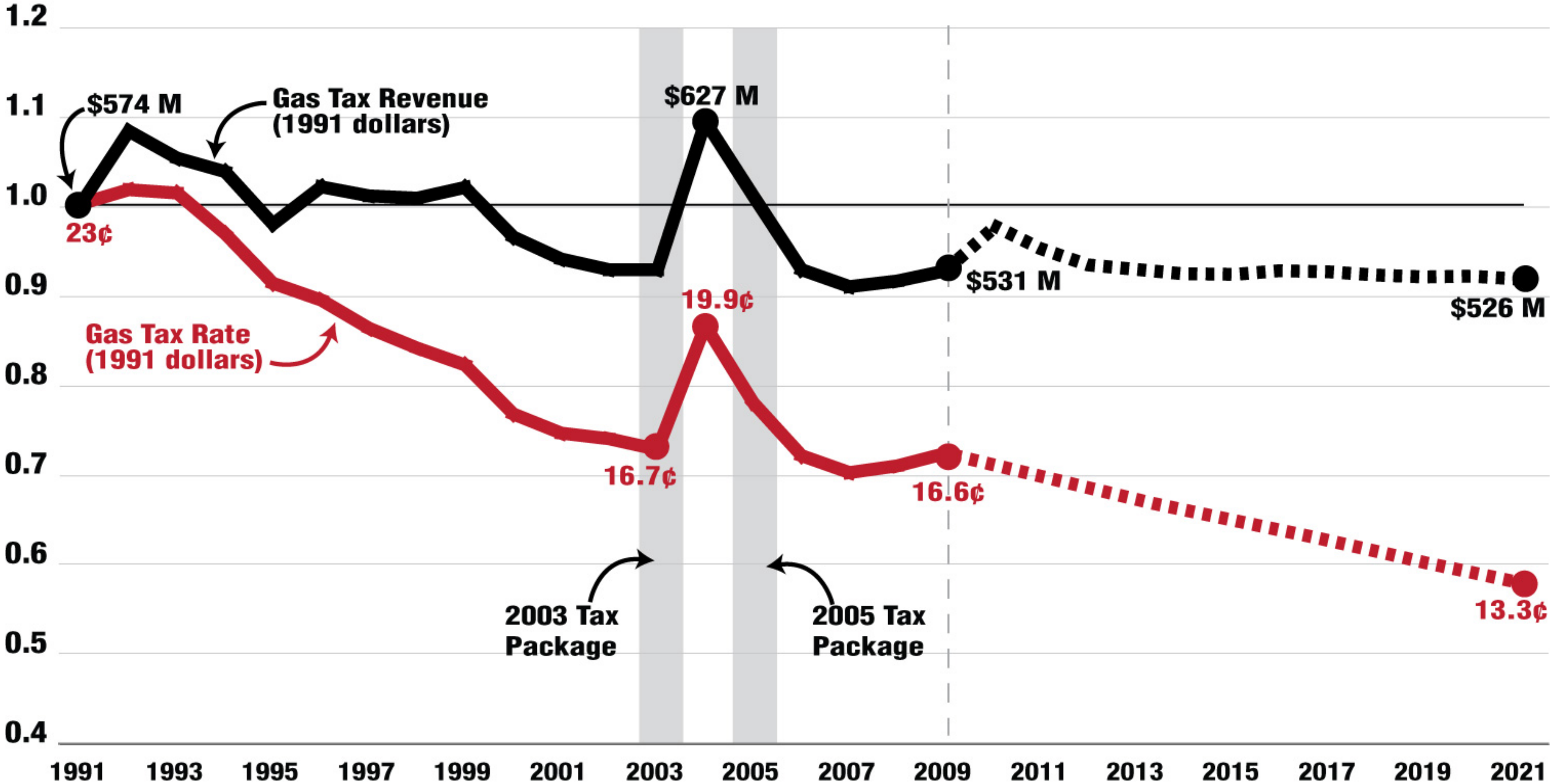
WSDOT base 1990 = 110
FHWA and other states base 1987 = 100
Other states: California, Colorado, Oregon, South Dakota and Utah

WSDOT 2008 index is for Quarter 1 and 2
FHWA index discountinued in 2007
Other states 2008 data is the average of Colorado, Oregon, South Dakota and Utah first quarter indices.

NOTE: 2003 and 2004 WSDOT CCI data points adjusted to correct for spiking bid prices on structural steel

Gas Tax Revenues are Losing Steam

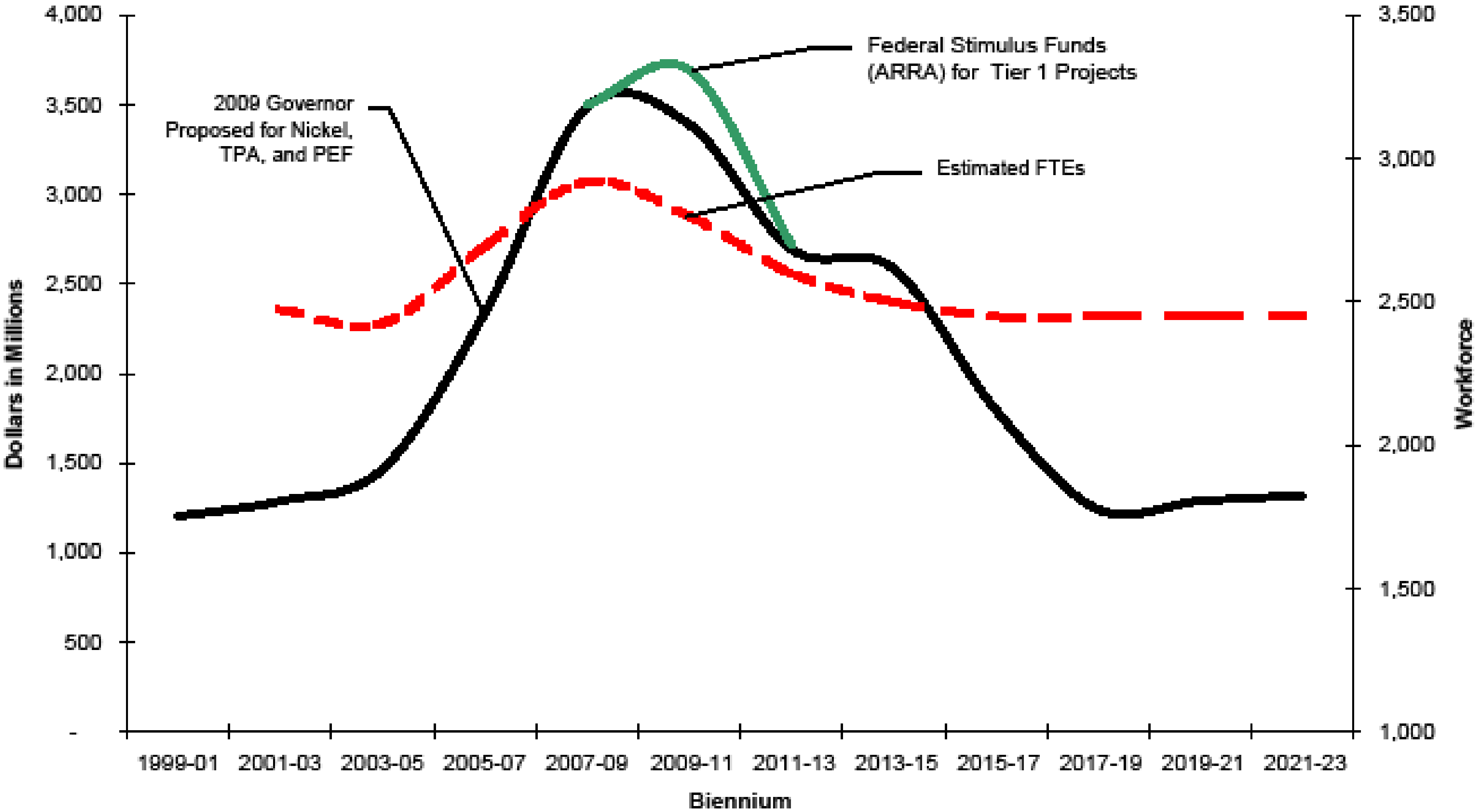
Growth Rates Compared: Gas Tax Revenue, and Gas Tax Rate in 1991 dollars



Data Source: *Based on the November 2008 Transportation Revenue Forecast*

Highway Construction Program, by Type of Funds, with Workforce Projection
2009 Governor Proposed Budget - January 2009

Includes Preservation and Improvement Programs with two exceptions
Excludes expenditures for the Tacoma Narrows Bridge and expenditures in the Improvement Program reimbursed by Sound Transit



Transportation Revenue Forecast
Fuel Tax

- Compared to November, the March forecast for fuel tax (Net for Distribution) is down $27.753 million (-1.18%) in 2007-09 and $53.742 million (-2.1%) in 2009-11. Most of the reduction in the current biennium is the result of declining diesel sales and an increase in tribal refunds.

- For next biennium, the reduction again is mostly due to the decline in diesel sales and increased tribal refunds. Additionally, the projected year to year growth rates for gasoline were adjusted from November levels to better reflect recent and historical consumption trends.

Washington State
Department of Transportation

Transportation Revenue Forecast
Licenses, Permits & Fees (LPFs)

- Total revenue from LPFs is forecasted to be down when compared to the November forecast by $18.701 million (-2.02%) in the current biennium and $20.944 million (-2.22%) next biennium.

- This decline reflects the nearly 4% drop in vehicle registrations in the current fiscal year.

Washington State
Department of Transportation

Transportation Revenue Forecast
Tacoma Narrows Bridge

- The slowing economy has resulted in the March traffic forecast declining by 3.9% for FY09, 4.2% in FY10, and 4.5% in FY11 as compared to the November forecast.

- Based on these revised projections, toll revenue is expected to decline by $1.8 million (-2.48%) this biennium.

- For the 2009-11 Biennium, the difference between the November and March forecasts (which assume toll rates of $4 for both ETC and cash transactions) is a reduction of $5.160 million (-4.36%).

- If comparing the November and March estimates that were considered by the CAC ($2.75 for ETC and $4 cash for FY10), the difference for next biennium would be a reduction of $4.639 million.

Washington State Department of Transportation

Transportation Revenue Forecast
Federal Funds

- The recently enacted FFY09 Omnibus Appropriations Act provided for an additional $3.150 billion rescission that is in addition to the $8.7 billion rescission included in 2005 SAFETEA-LU and amended in 2008 PL 110-244.

- To reflect this change, we are showing a reduction to our federal funds forecast of $68 million in FY09; however, the exact distribution and impact of this rescission won't be known until we receive detailed calculation tables from FHWA and assess available obligation authority (OA).

Federal Stimulus Funds
American Recovery and Reinvestment Act of 2009

- $341 million to WSDOT for state highways
  - 35 recommended projects identified by the Legislature
- $151 million to local jurisdictions for local priorities
- $1.5 billion discretionary grant program
  - National competition for funds
  - National, regional or metropolitan significance
  - Applications to be submitted before August 2009

Washington State Department of Transportation

WSDOT Bidding Experience

- Average of 4.1 bidders per contract for the first half of 2008.
- Average of 4.8 bidders per contract for the second half of 2008.
- From January 1, 2009 to February 28, 2009, the average number of bidders per contract was 7.5.
- The advanced schedule of projects through August 31, 2009 shows there are 65 projects ranging from less than $1 million to more than $80 million.
- The ‘less than $1 million’ category has the most projects, at 21 projects.

Washington State
Department of Transportation

2008 Unit Bid Price Changes

In 2008, the annual average price for three of seven materials in WSDOT's Construction Cost Index decreased from 2007:

- Structural Concrete -12.4%,
- Crushed Surfacing -10.1 %
- Steel Reinforcing Bar -3.1%

These decreases were outweighed by increases of:

- Structural Steel +60.4%
- Concrete Pavement +46.7%
- Roadway Excavation +40%
- Hot Mix Asphalt +7.7%

Washington State Department of Transportation

WSDOT's Actions in Response to Rising Material Costs and Supply Issues

- Tracking construction costs and material trends
  - Closely reviewing and updating inflation rates
  - Adding special provisions to construction contracts to address materials cost escalation risk.
- Maximizing bidding opportunities
  - Contacting eligible bidders
  - Bundling small, similar projects
  - Breaking up very large projects
  - Rejecting non-competitive bids
  - Re-advertising contracts
- Focusing on risk allocation
- Maintaining strong industry relations
- Seeking Performance Bond Legislation

Washington State Department of Transportation