



U.S. Department  
of Transportation

**Federal Highway  
Administration**

Washington Division

Suite 501 Evergreen Plaza  
711 South Capitol Way  
Olympia, Washington 98501-1284  
(360) 753-9480  
(360) 753-9889(FAX)  
<http://www.fhwa.dot.gov/wadiv>

November 8, 2013

HDA-WA/301

Ms. Lynn Peterson  
Secretary of Transportation  
Department of Transportation  
Olympia, Washington

### **FFY 2013 Performance Letter**

Dear Ms. Peterson:

Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted by the Washington Division of the Federal Highway Administration (FHWA) in Federal Fiscal Year (FFY) 2013, I find:

The Washington State Department of Transportation (WSDOT) has complied with federal laws and regulations in expending the federal-aid highway funds allocated to the state of Washington on state and local agency projects.

Our office is responsible for stewardship and oversight of the federal-aid highway funds allocated to Washington State. Your agency is the state agency responsible for delivering these federal-aid funds. Annually, hundreds of millions of dollars in Federal highway funds flow into Washington State. In FFY 2013 (October 1, 2012 - September 30, 2013), Washington State obligated \$612,851,609.45 in formula and discretionary federal-aid funds. These funds were used to improve mobility and safety and reduce congestion through the construction of new roads and bridges, as well as the enhancement and preservation of existing infrastructure. Approximately 65 percent (\$396,514,991) of those Federal highway funds was obligated for state projects and 35 percent (\$216,336,618) was obligated by local agencies (cities and counties) for road projects during FFY 2013.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies. For FFY 2013, we conducted numerous reviews of WSDOT's procedures and practices in project development and implementation. Following are the reviews and audits conducted and a brief synopsis of the findings. The full reports are available in our office.

**Construction Inspections During FFY 2013** – FHWA conducted 44 highway project construction inspections throughout the state (32 state and 12 local agencies). We conducted 11 inspections on Transportation Investment Generating Economic Recovery (TIGER) funded projects, and the remaining 33 on regular federal-aid funded projects or state-only funded projects. Summarizing all the inspection reports, WSDOT provides excellent oversight and administration of its construction program. The projects FHWA reviewed were built in conformance with the approved plans and specifications. We discussed our findings and recommendations for these projects with the appropriate Project Engineer, resolved any issues, and shared the results with your Headquarters Construction and Highways and Local Programs (H&LP) offices via hard copies of the reports. We also noted numerous instances where innovative construction techniques and good contract administration practices were being used.

**National Bridge Inspection Standards (NBIS) Annual Review** – The 2013 NBIS review incorporating an oversight process that is risk-based, data-driven, and evaluates 23 metrics is fully underway. Our office has cooperated with WSDOT to gather bridge data, review bridge files, and conduct field visits to assist in the compliance determinations for 2013. WSDOT continues to work on a Plan of Corrective Action (PCA) to resolve issues with inspection frequency. The 2013 NBIS compliance determinations on all 23 metrics are scheduled to be completed by December 31, 2013.

**Design Stewardship Reviews** – WSDOT Assistant State Design Engineers and our Area Engineers conduct annual Design Stewardship Reviews to assess WSDOT’s design process used on federal-aid projects. These reviews provided evidence that WSDOT’s design documentation, project record files, and Plans, Specifications, and Estimates (PS&E) are consistent with applicable state and federal requirements. In 2013, our Area Engineers conducted PS&E reviews instead of the traditional design stewardship reviews. We conducted 14 reviews: 6 on local agency projects and 8 on state projects. We had no significant findings from these reviews. Based upon the results of the review of documents, FHWA found PS&E packages comply with Title 23 USC requirements, WSDOT design policies and procedures, and the WSDOT/FHWA Stewardship Agreement.

**Federal-aid Grants Management Review** – The Alaskan Way Viaduct (AWV) and Seawall Replacement Program replaces the seismically vulnerable waterfront portion of the AWV on State Route (SR) 99. FHWA conducted this review to ensure that contractor payments submitted for reimbursement were fair, reasonable, and properly supported in accordance with WSDOT’s Construction Manual and Design-Build (DB) Contract. To validate the appropriateness of payment, our office reviewed the supporting documents associated with contractor invoices for the AWV Tunnel DB contract. Our review found that the project office had sufficient documentation to support the payments to the contractors in accordance with the WSDOT Construction Manual. FHWA staff was able to select a billing submitted for reimbursement and find the supporting documentation for all of the activities selected.

**Federal-aid Billing Review #1 (State Projects)** – This review determines whether claims submitted for federal reimbursement between June 1, 2012 and May 31, 2013, were fair, reasonable and properly supported. Collectively, the federal-aid reimbursement during this time period amounted to \$904,934,239. For this review, we selected “highway construction” for

testing. The charges attributable to “highway construction” on projects for this period were \$650,703,983. In order to verify the validity of these charges, we conducted a review of two projects in Project Engineer offices in WSDOT’s Northwest and Eastern Regions. Our review disclosed that documentation was generally adequate to support contractor payment and subsequent federal reimbursement. However, there were areas where documentation could be improved and these were discussed with WSDOT staff.

**Federal-aid Billing Review #2 (Local Agency Projects)** – This review determines how well local agencies carried out their documentation responsibilities. Our sample included three local agency projects in WSDOT’s Olympic and Northwest Regions. During the period of June 1, 2012, to May 31, 2013, we reviewed reimbursement for contractor payments to see if they were fair, reasonable, and properly supported. Collectively, the federal-aid reimbursement for this period amounted to \$904,934,239 with the charges attributable to local agencies for this period being \$215,924,571. Our review disclosed that documentation was generally adequate to support contractor payment and subsequent federal reimbursement. All observations or findings were resolved with the timely assistance of H&LP. No further documentation was required.

**Inactive Projects Audit** – The FHWA Financial Integrity Review and Evaluation (FIRE) Order requires a quarterly review of inactive projects that fall into three tiers. Tier I includes projects that have been inactive for 12 months or longer with an inactive balance greater than \$200,000. Tier II includes projects that have been inactive for 18 months or longer with an inactive balance greater than \$50,000 to \$200,000. Tier III includes all projects that have been inactive for 36 months or longer less than \$50,000. Each quarter, our office requires a review of projects that fit into the three tiers and requests justification for the inactivity. We began FFY 2013 with local and state projects in the three tiers with a total unexpended balance of \$19.9 million (3.4 percent of FY2013 apportionment). These figures fluctuated through the year, and ended FFY 2013 with \$18.7 million (2.9 percent of apportionments).

**Americans with Disabilities Act (ADA)/Pedestrian Access through Work Zones Review** – FHWA Division staff conducted this review in collaboration with WSDOT’s H&LP Office. This review evaluates local agencies’ implementation of the ADA Title II maintenance requirements, as they pertain to pedestrian facilities in construction work-zones. A small sampling of local agency projects under construction in WSDOT’s Northwest, Olympic, and Southwest Regions were visited. The review also included interviews of public works staff (including project management staff) from seven local agencies. This review concluded that there is still work to be done in the area of ADA awareness and implementation of ADA requirements. FHWA made six recommendations. An action plan was developed and is currently being implemented.

**Quality Assurance (QA) Stewardship on Local Public Agencies Review** – This review looks at WSDOT’s QA program to assure conformance with the regulatory requirements of 23 Code of Federal Regulations (CFR) Part 637 Subpart B. In particular, this review focused on compliance for locally administered federal-aid projects on the National Highway System (NHS). While a 2011 QA Stewardship Review found WSDOT’s program to be in compliance with federal requirements, that review did not include locally administered projects specifically.

With the increase in NHS mileage at the local level, and the number of new agencies owning NHS mileage, a review of materials QA procedures at the local level was necessary to accurately determine WSDOT's stewardship of the program. FHWA and WSDOT collaborated to develop an Action Plan that included an education and outreach program for all local agencies that own mileage on the NHS. In addition, WSDOT's Materials Laboratory and H&LP will develop a joint plan to determine how the QA requirements on the locally owned NHS mileage will be met by June 1, 2014.

**Planning Finding and Statewide Transportation Improvement Program (STIP) Review –** Our office and the Federal Transit Administration (FTA) Region 10 Office conducted reviews of WSDOT and Metropolitan Planning Organizations (MPOs) and their statewide and metropolitan transportation planning processes for calendar year 2013. These included reviews of self-certification supporting documentation, federal certification of Transportation Management Areas (TMAs) within the state, and federal involvement in the state and MPO transportation planning processes. As a result, FHWA and FTA jointly found the transportation planning process substantially meets the requirements of 23 U.S.C. Sections 134 and 135 and 49 U.S.C. Sections 5303-5305. The finding can result in approval of the entire STIP, approval of the STIP subject to corrective actions, or approval of a partial STIP under special circumstances. FHWA, FTA, and WSDOT undertook extensive review and coordination during FFY 2013 that included discussion of specific issues related to fiscal constraint, full funding, and administrative modification criteria for metropolitan transportation improvement programs and the STIP. Resolution to these issues is currently underway.

**Highway Performance Monitoring System (HPMS) Annual Review –** In FFY 2013, an HPMS review of WSDOT and local agency routes was conducted in the Eastern and North Central Regions. Our staff reviewed these routes after WSDOT submitted the statewide 2012 HPMS dataset to FHWA's Office of Highway Policy Information (OHPI) on July 2, 2013. WSDOT's submittal was completed using updated software developed by FHWA HQ. The data elements considered are those easily observed or measured in the field, and are based on the guidance provided by OHPI. Our office reviewed a subset of 30 road segments in the field, as well as an additional 20 road segments using State Route View (SRWeb and SRView) and found only minor discrepancies. FHWA HQ has accepted the entire dataset submitted by WSDOT in July. Our office will provide a final HPMS report to FHWA's OHPI office by December 15, 2013.

**Truck Size and Weight Review –** This annual review of WSDOT and Washington State Patrol's (WSP) operation is conducted to ensure the state meets the federal regulatory requirements of vehicle size and weight laws. The size and weight enforcement program is designed to monitor and prevent premature deterioration of the highway pavement and structures and provide a safe driving environment. In FFY 2013, WSP submitted the required 2013 State Enforcement Plan (SEP) on time and in the appropriate format. Our office submitted the certification and the evaluation report for the State's SEP on October 1, 2013. In addition, the Division held a coordination meeting with WSP to discuss potential research activities and future funding opportunities; this coordination meeting includes the Commercial Vehicle Division at WSDOT.

**TMA Certification Review** – The TMA Certification Review, which looks at how the metropolitan transportation planning process is being carried out in an area, was completed in 2013 for the Southwest Washington Regional Transportation Council (RTC). The review consisted of a desk audit of the current planning documents which began in August 2012, and a subsequent site visit on October 30 through November 1, 2012, where FHWA, FTA, WSDOT, and RTC planning staff spent three days discussing the details of metropolitan planning for RTC. The review found several commendable issues, recommendations for improvement, and deficiencies that require corrective actions. FHWA and FTA submitted the final report to the RTC Policy Board March 26, 2013, and initiated coordination with RTC to address those findings.

The following review(s), initiative(s), and scans were also completed with involvement and assistance of your staff:

**Ohio DOT and Division Office Staff Visit Washington State for Tolling and Operations Peer Exchange** – Staff from the Ohio DOT and Ohio Division Office were in Seattle from April 29 to May 1, 2013 for a peer exchange with WSDOT staff. The peer exchange focused on WSDOT's organizational structure, planning, and implementation of tolling, managed lanes, and freeway operations projects and initiatives. The discussion covered: Active Traffic Management (AcTM) systems where a combination of variable speed limits, dynamic lane use control, and queue warning signs are used jointly on freeway facilities; High Occupancy Toll (HOT) lanes; conversion of High Occupancy Vehicle (HOV) lanes to Express Toll Lanes; and tolling system enterprise architecture. The group also toured freeway facilities in the Seattle area with AcTM, tolling, and other operations strategies deployed.

**California Visits Washington on Local Public Agency (LPA) Peer Exchange** – During the week of July 22, 2013, the FHWA California Division, California Department of Transportation (Caltrans) and the City of Santa Rosa visited with H&LP and our office to discuss Washington State's administration of its local agency program. The California Team wanted to understand Washington State's administration of the local agency federal-aid program and identify any enhancements to the efficiency and effectiveness of the California local agency program. Caltrans was particularly interested in WSDOT's LPA Certification Program as emphasized in the Every Day Counts II, Local Agency Initiative.

We congratulate and commend WSDOT for:

**Project Delivery Over the Previous 10 FFYs** – Our office recently gathered data on the number of projects and costs of those projects within the 10-year period from October 1, 2003, to September 30, 2012. Over those 10 years, WSDOT completed and opened to traffic 4,821 projects totaling \$12.58 billion! During that time, Washington State passed two state gas tax increases – the Nickel in 2003 and the Transportation Partnership Account in 2005 – totaling 14.5 cents per gallon. This increase in state funding, combined with a larger formula federal-aid program, the American Recovery and Reinvestment Act (ARRA) funding beginning in 2009, and the Transportation Infrastructure Generating Economic Recovery (TIGER) funding, resulted in doubling Washington State's expenditures on highways, roads, and streets over the 10 years. This increase in funding presented many challenges, but your hard-working and dedicated staff

in partnership with cities, counties, metropolitan and regional transportation planning organizations, consultants, and contractors delivered this huge program. What's more impressive is that it was done with the vast majority of projects coming in on or under budget and on or under time!

**SR 520 Floating Bridge and Landings Project Financial Activities** – FHWA's TIFIA Office staff and WSDOT closed on the \$300 million TIFIA loan for the SR 520 Floating Bridge and Landings project on Thursday, October 25, 2012. The TIFIA interest rate is 2.99 percent. The TIFIA loan will fund the westbound bridge between the west-end landing of the new floating bridge and Montlake. Construction will begin in 2014 and is expected to be complete in 2016.

**Washington State's Second GARVEE Bond Sale** – The Second Grant Anticipation Revenue Vehicle (GARVEE) Bond Sale occurred on September 17, 2013. The bond proceeds associated with the sale are \$323 million. The bond revenue will be used to pay for a portion of the design and construction of the SR 520 Bridge Replacement and HOV program. The first GARVEE bond sale for this project was on May 22, 2012, for \$600 million. This is the last GARVEE bond sale associated with this project, for a total of \$923 million in bond proceeds. The GARVEE agreement allows WSDOT to be reimbursed for debt service associated with these bond sales.

**Washington Named the No. 1 "Bicycle-Friendly State" Again** – Congratulations to WSDOT for its part in helping Washington State being named the No. 1 "Bicycle-Friendly State" in the country for the sixth year in a row on May 1, 2013, by the League of American Bicyclists. WSDOT's numerous programs in support of bicycling play a key part in this recognition. We appreciate WSDOT's efforts in accommodating other modes of transportation.

**I-5 Skagit River Bridge Response** – We'd like to recognize the outstanding response WSDOT provided in the face of the collapse of the northerly span of the I-5 Skagit River Bridge on the evening of May 23. You and your staff worked around the clock to establish a detour, assist the National Transportation Safety Board (NTSB) in its investigation, rapidly install temporary bridges in less than a month's time, and use the slide-in bridge technology to install the permanent span in 19 hours on September 14-15. We also appreciated WSDOT hosting the I-5 Skagit River Bridge Replacement Showcase on Friday, September 6, 2013, in Bellevue. Approximately 100 attendees, mostly from western states, heard about the project, the response, and the plans for the slide-in of the new permanent span to replace the temporary Acrow bridges.

**The Start of Tunneling on the AWW Replacement Project** – Congratulations to WSDOT for start-up on the world's largest single-bore tunnel for the replacement of the Alaskan Way Viaduct along Seattle's waterfront. On Tuesday, July 30, 2013, "Bertha" the tunnel boring machine (TBM) started the two-mile journey beneath downtown Seattle.

**WSDOT Publishing the 50th Quarterly Performance Report** – Congratulations to you and your staff for publishing the 50<sup>th</sup> edition of WSDOT's Gray Notebook on September 13, 2013. The Gray Notebook continues to be recognized nationally as the "gold standard" of transportation systems quarterly performance reporting.

In addition to the above-mentioned program oversight and review activities, my staff has specific project involvement responsibilities, as well. As noted in the Stewardship Agreement, we had project specific environment, design, ROW, and construction involvement on many Interstate and major/unique projects under development and construction in Washington State. Therefore, I am confident in the finding made at the beginning of this letter.

We wish to thank you and your staff for their professionalism, integrity, and innovation in carrying out the delivery of the federal-aid funds during FFY 2013. I also applaud your staff for their work in delivering the nearly \$613 million in federal-aid (formula funds and discretionary) at a time when you're in the midst of one of the largest state construction programs in history.

This is the 12<sup>th</sup> annual Performance Report. Performance Reports for FFYs 2002 through 2013 can be found on our website at <http://www.fhwa.dot.gov/wadiv/preports/>.

If you have any questions or need further information please feel free to contact me via phone at (360) 753-9480 or via e-mail at [Daniel.Mathis@dot.gov](mailto:Daniel.Mathis@dot.gov).

Sincerely,

Original /s/ Daniel M. Mathis, P.E.

DANIEL M. MATHIS, P.E.  
Division Administrator

cc: Governor Jay Inslee  
Dan O'Neal, Chair, Washington State Transportation Commission  
Curtis King, Co-Chair, Senate Transportation Committee  
Tracey Eide, Co-Chair Senate Transportation Committee  
Judy Clibborn, Chair, House Transportation Committee  
Ed Orcutt, Ranking Minority Member of House Transportation Committee  
Cam Gilmour, Deputy Secretary, WSDOT  
Linea Laird, Assistant Secretary for Engineering and Regional Operations, WSDOT  
WSDOT Regional Administrators  
Kathleen Davis, Director, Office of Highways & Local Programs, WSDOT  
Kevin McLaury, Acting Director of Field Services-West, FHWA  
Butch Waidelich, Associate Administrator for Infrastructure, FHWA  
Mike Graf, Program Management Initiative Team Leader, FHWA