



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>

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HDA-WA/301

Mr. Roger Millar
Secretary of Transportation
Washington State Department of Transportation
310 Maple Park Avenue SE
Olympia, Washington 98504

FFY 2018 Performance Letter

Dear Mr. Millar:

Based on the inspections, reviews, program evaluations, and specific project and program involvement conducted by the Washington Division of the Federal Highway Administration (FHWA) in Federal Fiscal Year (FFY) 2018, 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 public agency (LPA) projects.

Our office is responsible for stewardship and oversight of the Federal-aid highway funds allocated to the state of Washington. Your agency is the state agency responsible for delivering these Federal-aid funds. Annually, hundreds of millions of dollars of Federal highway funds flow into Washington State. In Federal Fiscal Year (FFY) 2018 (October 1, 2017 - September 30, 2018), Washington State obligated \$629,275,153.74 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 66 percent (\$427,907,104.54) of those Federal highway funds were obligated for state projects and 32 percent (\$201,368,049.20) were obligated by LPAs (cities and counties) for road projects during FFY 2018. Washington transferred an unusually large amount of funding to other agencies this FFY including the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA), the Bureau of Indian Affairs (BIA), and the Western Federal Lands Highway Division totaling over \$106,718,129.29. An average year is usually a total transfer amount between \$10-15 million. A large amount of the nearly \$107 million was transferred to FTA for the "Coleman Dock Project". In total, Washington State's FFY 2018 Federal-aid apportionment was over \$735 million.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and LPAs. We also review and approve standard plans, special provisions, manuals, and other program documents. For FFY 2018, we conducted numerous reviews of WSDOT's procedures and practices in project development and implementation.

Following are the reviews conducted and a brief synopsis of the findings. The full reports are available in our office.

National Bridge Inspection Standards (NBIS) Annual Review - The 2018 NBIS review incorporating an oversight process that is risk-based, data-driven, and evaluates 23 metrics is fully underway. Our office has worked in cooperation with WSDOT to gather bridge data, review bridge files, and conduct field visits to assist in the compliance determinations for the calendar year (CY) 2017 NBIS review and the current CY 2018 review. The results of the 2017 NBIS compliance review for Washington included 19 metrics in full compliance, four metrics in substantial compliance with improvement plans developed to resolve minor discrepancies, and no metrics in non-compliance. The results continue to show significant progress by state and local agencies to improve their bridge inspection programs. The current 2018 NBIS compliance determinations on all 23 metrics are scheduled to be completed by December 31, 2018.

Federal-aid Grants Management Review - Our Finance Team conducted a review of the toll credit calculation. With the assistance of your staff, the review looked at the methodology and data used to calculate the amount of certified toll credit. The sources of the data were identified and reviewed, and the decision to include or exclude any sources of revenue or expenditures was reviewed to ensure eligibility based on the FHWA toll credit guidance. The results of our review found the toll credit calculation is within compliance with the most recent guidance by FHWA, Toll Credits for Non-Federal Share, November 20, 2015. To date, Washington State has certified \$3.2 billion in Toll Credits.

Federal-aid Billing Review (State and Local Agency Projects) - During Performance Year 2018 (June 1, 2017 – May 31, 2018) the collective Federal-aid reimbursement was \$770,223,551 of which \$594,229,319 attributed to State expenditures and \$175,994,232 or roughly 23% to Local Agencies. The State expenditures covered approximately \$355 million in “highway construction”. Our Finance Team conducted a billing review of payments and tested randomly selected transactions for accuracy, completeness, and adequate supporting documentations. The review disclosed that all samples selected were fair, reasonable, and properly supported and no major incompleteness were identified. Minor improvements were noted and passed on to WSDOT project staff.

Stewardship and Oversight on Construction Activities During FFY 2018 - Our office is using a risk-based approach to stewardship and oversight on WSDOT's construction program. The goal of risk-based stewardship and oversight is to optimize the successful delivery of programs and projects and help ensure compliance with federal requirements. Our risk-based approach involves three main avenues of project involvement: 1) project approval actions; 2) data-driven compliance assurance, i.e., the Compliance Assessment Program (CAP); and 3) risk-based stewardship and oversight involvement in Projects of Division Interest (PoDI).

- 1) **Project Approval Actions** In FFY 2018 we conducted eight site visits on projects throughout the state and two work zone reviews in Eastern Region. We participated in several Local Programs Project Management Reviews in North Central Region. We approved nine change orders on Alaska Way Viaduct (AWV) and several change orders on various State Route (SR) 520 bridge projects (West Approach Bridge North (WABN) and Floating Bridge & Landings). We participated in a Value Engineering study and attended several interdisciplinary team (IDT) meetings for the I-90 Snoqualmie Past East projects (Phases 3, 4, and 5). We participated in the Cost Estimate Validation Process on the Gateway projects and on the SR 520 Rest-of-the-West projects. We also participated in several WSDOT quality assurance / quality control reviews. We have performed two billing reviews of the Bellevue / Redmond (BELRED) Street Network Transportation Infrastructure Finance and Innovation Act (TIFIA) projects.
- 2) **Compliance Assessment Program (CAP) Reviews** The purpose of the CAP is to help provide reasonable assurance that Federal-aid highway projects comply with key Federal requirements. The CAP helps provide this assurance by assessing a statistically valid sample of projects such that the results inform FHWA nationwide, with an acceptable level of certainty, of the degree of compliance. CAP reviews commonly take the place of construction inspection or document reviews. We reviewed a total of 57 construction projects (30 WSDOT and 27 LPAs) authorized for FHWA funding between January 1, 2017 to December 31, 2017 using the 10 Core CAP Questions. We did identify three concerns we plan to follow up on to identify if there are more effective ways or any efficiencies to the current processes that can help ensure compliance with any future reviews. All findings were considered very low risk and we have worked with WSDOT and Local Programs to address future occurrences. Based on our PY 18 CAP review findings, we are highly confident that construction projects are in compliance with Federal regulations.
- 3) **Projects of Division Interest (PoDIs)** are those projects that have an elevated risk, contain elements of higher risk, or present a meaningful opportunity for FHWA involvement to enhance meeting program or project objectives. Our offices work together to identify PoDI projects. In FFY 2018 we identified four projects currently in the construction phase as PoDIs (I-90 Snoqualmie East, US 395 North Spokane Corridor (NSC), Alaska Way Viaduct (AWV) Tunnel Replacement, and BELRED Street Network TIFIA project). During FFY 2018, WSDOT started procuring several fish passage projects as Design-Build prior to National Environmental Policy Act (NEPA) environmental clearance. Since Design-Build prior to NEPA (DBpN) is a new process, we also identified these projects as PoDIs and have been working with WSDOT to ensure the process was completed in accordance with federal regulations. Along that same line there is a similar local agency project that is using the new Progressive Design-Build Approach and we are providing extra oversight on it as a PoDI as well.

Summarizing all these activities, we are confident WSDOT provides quality oversight and administration of its construction program.

Review of the Outdoor Advertising Control Program - We conducted a review of WSDOT's Outdoor Advertising Control Program. We reviewed laws, regulations, agreements and operations manual that control and guide WSDOT's Outdoor Advertising Control Program. The team also conducted a field review of signs along I-5 from Olympia to Vancouver, I-90 from North Bend to Ellensburg, and US12 from I-5 to Morton. The review team indicated WSDOT does an excellent job controlling outdoor advertising in Washington. Their review noted minimal locations that require site-specific follow up. WSDOT is to be commended on the effectiveness of their program that includes diligence in validating the inventory regularly.

Right-of-Way (ROW) Acquisition Spot Check Review - We conducted an oversight review in 2018 of WSDOT's Acquisition program, which is carried out under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act). That review showed that WSDOT has a strong and well-documented Acquisition program that is fully consistent with the Uniform Act. We reviewed files from all six Region Offices and found them to be fully compliant with applicable federal and state laws and regulations.

Right-of-Way (ROW) Relocation Review - We conducted an oversight review of WSDOT's Relocation Assistance program, which is carried out under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act). That review showed that WSDOT has a good, well-documented Relocation Assistance program that is consistent with the Uniform Act. We did identify some opportunities for training and program enhancements and provided those to WSDOT on April 19, 2018. We commend your Headquarters Office of Real Estate Services Relocation staff for providing timely and top-quality training and technical assistance to the Regions.

Planning Finding, Statewide Transportation Improvement Program (STIP) Review, and Air Quality Conformity Analysis - Our office and the Federal Transit Administration (FTA) Region 10 office conducted reviews of WSDOT and 12 Metropolitan Planning Organizations (MPOs) and their statewide and metropolitan transportation planning processes during FFY 2018. These included the annual reviews of 12 MPOs' unified planning work programs (UPWPs), the state DOT's long range (20-year) plan (referred to as the Washington Transportation Plan, or WTP), and the Freight Plan, as well as the monthly STIP amendment reviews. Division staff participated with the statewide MPO/Rural Transportation Planning Organization (RTPO)/WSDOT Coordinating Committee Meetings throughout the year to stay current with and provide feedback on planning developments. The Federal team must also review and approve the four-year STIP and assure Transportation Improvement Plans (TIPs) meet the requirements of the Federal Clean Air Act (CAA [Amendment, 1990]), to assure that the state transportation system will not contribute to violations of the National Ambient Air Quality Standards. These reviews resulted in FHWA and FTA issuing a joint finding in January 2018 that the transportation planning process in CY 2017 substantially met the requirements of 23 U.S.C. Sections 134 and 135 and 49 U.S.C. Sections 5303-5305.

Highway Performance Monitoring System (HPMS) Annual Review – Our office reviewed the overall HPMS program with FHWA HQ staff and WSDOT staff. HPMS data elements considered are typically those easily observed or measured in the field, or using WSDOT's State Route Web Tool "SRweb" (an application that allows users to view digital images of the

Washington State Highway System via a web browser). FHWA HQ provides a thorough report card on thousands of data points reported from each state. WSDOT staff continue to deliver information well, and very few deviations are typically noted by FHWA HQ. The FHWA Division and HQ conducted an HPMS workshop for and with WSDOT Data and Materials Lab staff in early October 2018 to meet not only the new performance measure reporting requirements (under Moving Ahead for Progress in the 21st Century (MAP-21)), but to provide a forum to support new state managers and staff as they move into the new FFY and to assure succession training.

Truck Size and Weight (TS&W) Review - WSDOT staff successfully delivered the first State Freight Plan required by Federal law under the Fixing America's Surface Transportation Act or the FAST Act, on deadline in December 2017. The FHWA Washington Division supported WSDOT's Freight office throughout this effort. In addition to the freight plan, the Division conducted its annual review of WSDOT and Washington State Patrol's (WSP) operation that ensures the state meets Federal regulatory requirements of TS&W 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 2018, WSP submitted its 2019 State Enforcement Plan (SEP) on time. Our office approved WSDOT's certification data from 2017 and submitted the evaluation report for the State's SEP to FHWA HQ.

State Planning and Research Review (SPR Review) Program - Division staff are charged with certifying the WSDOT's biennial SPR process and report. FHWA's review assures that funds focus on research in new knowledge areas, adapt findings to practical applications by developing new technologies, and transfer these technologies to users. FHWA worked with WSDOT Planning and Research managers to more specifically focus the draft SPR report into a document based on expenditures over the 2017-19 biennium, as well as showing results of the previous biennium. FHWA certified WSDOT's SPR program for 2017-2019 on June 28, 2017, and conducted a mid-biennial review in the summer of 2018 to assure that the expenditures were on track.

In addition to the project inspections, program evaluations, systematic reviews, and financial reviews, we receive an annual **Stewardship Indicators Report** as part of the "Stewardship & Oversight Agreement" between our two offices. This agreement to report annually on stewardship indicators for various areas within the Federal-aid Highway Program provides an assessment of the overall health of the program and indicates how several of the responsibilities we have delegated to WSDOT are being performed.

Overall the health of the Federal-aid program in Washington State is very good. There are currently 23 indicators that WSDOT reports to the Division. WSDOT also provides a variety of performance indicators in their "Gray Notebook" which also indicates the overall health of the transportation program in Washington State.

Of the 23 indicators, none showed major compliance violations. Most showed favorable signs that WSDOT is efficiently and effectively spending Federal-aid funding while following the regulations. Seventeen of the 23 indicators were considered "green" or in great health and six

were considered “yellow” or average health. The yellow health indicators typically show there is some room for improvement, or some items that need work but are overall trending in the right direction.

As part of our annual review of the stewardship indicators we will work with your staff to revise, replace, and delete indicators as needed. These changes will be identified in this and future reports.

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

Transportation Management Agency (TMA) Certification Review - Washington FHWA Division and FTA Region 10 staff conducted a TMA Certification Review of the Puget Sound Regional Council (PSRC) in July 2018. The Federal team certified the MPO before the deadline. The PSRC area continues to grow significantly, and PSRC continues to provide financial strategy documentation for transparency to the public, conducts its public participation process using a variety of tools that bridge technology and personal interaction, and has created a solid interagency partnership with its stakeholders and members.

International Mobility and Trade Corridor (IMTC) Program Participation - Both WSDOT and the Division supported the Whatcom Council of Governments in their continued management of the IMTC efforts to improve wait times and create new efficiencies at the U.S. (State of Washington)-Canadian Border. This effort over the last 20 years has led to more than \$40 million in border projects within Washington and British Columbia, including the development of new technologies such as the NEXUS pass, with IMTC participation by over 50 partners representing the governments of Canada and the U.S., cities, counties, and ports.

We congratulate and commend Washington State and WSDOT for:

State Freight Plan - Our staff collaborated with your Freight Office, the Freight Mobility Strategic Investment Board (FMSIB), Washington Freight Advisory Council, the National Freight Council, and FHWA HQ Freight Office throughout FFY 2017 to assure that WSDOT and its partners develop the State Freight Plan according to the FAST Act and FHWA requirements. The result of this collaborative effort is a Freight Plan that was certified by the Division on the December 4, 2017, Federal deadline. Having a Freight Plan in place offers new avenues of funding eligibility to the state and its partners.

In addition to the above-mentioned program oversight and review activities, my staff have 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 \$735+ million in Federal-aid funds during FFY 2018.

This is the 17th annual Performance Report. Performance Reports for FFYs 2002 through 2018 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.

Sincerely,

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

DANIEL M. MATHIS, P.E.
Division Administrator

cc electronically:

Governor Jay Inslee
Jerry Litt, Chair, Washington State Transportation Commission
Steve Hobbs, Chair, Senate Transportation Committee
Curtis King, Ranking Minority Member of Senate Transportation Committee
Jake Fey, Chair, House Transportation Committee
Mark Harmsworth, Ranking Minority Member of House Transportation Committee
Keith Metcalf, Deputy Secretary, WSDOT
Marshall Elizer, Assistant Secretary Multimodal Development & Delivery, WSDOT
Kevin Dayton, Assistant Secretary Regional & Mega Programs / Chief Engineer, SDOT
Kathleen Davis, Director, Office of Local Programs, WSDOT
Travis Snell, Intergovernmental & Tribal Relations, WSDOT
Peter Osborn, Director of Field Services-West, FHWA
Derrell Turner, Acting Associate Administrator for Infrastructure, FHWA