



November 2, 2012

Washington State Legislative Oversight Committee
Congresswoman Jaime Herrera Beutler
Concerned Citizens

Dear Elected Officials and Fellow Citizens:

Re: Report #4 Columbia River Crossing – Funding Plan Analysis

Thank you for the opportunity to communicate to you and your colleagues the results of my forensic accounting analysis of the Columbia River Crossing (CRC) project.

The CRC project is a bi-state highway and transit project along the Interstate 5 corridor between Oregon and Washington that proposes to rebuild interchanges in both states, build a new bridge across the Columbia River, and extend light rail transit from Portland, Oregon into Vancouver, Washington.

While our work is funded by a private citizen, the results of these findings are not a private matter. Our client wishes for any findings to be shared with the citizens of Washington and Oregon, their elected officials, and other interested parties who need the information to make informed decisions.

Executive Summary

Acuity Group was hired in April 2011 to analyze documents and compile data in an attempt to provide clarity related to the expenditures of the Columbia River Crossing project. Our previous reports have documented questionable contracting practices, apparent contract overruns, potential violations of the Washington State Open Public Meetings act, and proposed CRC expenditures outside the scope of the CRC “project area” costing tens of millions of dollars.

This report is a result of our analysis of the funding plan for the CRC project.

It is our opinion that the CRC project office continues to mislead both the public and legislators by claiming the total costs of the project to be \$3.5 billion. These costs represent solely the costs to construct the project. The CRC project office’s current funding plans call for an additional \$2.0 billion in debt service costs, toll collection costs, and ongoing operation and maintenance costs; bringing the total cost of the CRC project to approximately **\$5.5 billion.**

It is also our opinion that the CRC project office has misled the public by indicating that just \$1.2 billion in tolls will be collected as payment for this project. The CRC project office's own documents clearly indicate that the \$1.2 billion in toll collection represents only capital related costs. According to the CRC's finance plans, an additional \$2.0 billion in tolls will need to be collected for the aforementioned debt service and bridge operation and maintenance costs. In fact, the CRC debt service schedules estimate that a total of **\$3.3 billion**, not 1.2 billion, in tolls will be collected over a 30 year period.

The remaining costs of the project, **\$2.2 billion**, are slated to come from state and federal funds (\$900 million from Oregon and Washington, \$850 million from FTA New Starts grant funds, and \$400 million from Federal Discretionary funds, with \$147 million already committed and spent). It is our opinion that the \$400 million Federal Discretionary funds will not be realized. Our opinion is based on the testimony of the WSDOT CFO, Amy Arnis, who reported to legislative officials that this discretionary funding program is no longer a part of the United States' budget, and hasn't been for at least a year.

Lastly, given the billions of dollars in unfunded liability on current Washington State transportation projects, we are concerned about the legislature's willingness to incur additional debt. The CRC funding plan requires that both Washington and Oregon state legislators commit \$450 million each (\$900 million total) to the project. In the event that state funding is not committed, the ability for the CRC project office to obtain the additional \$850 million in FTA New Starts funding is in jeopardy.

Specifically, we will report to you:

1. Total Cost of the CRC Project = \$5.5 billion

- Capital costs = \$3.5 billion
- Financing, tolling and operation and maintenance costs = \$2.0 billion

2. Required \$2.15 billion in State and Federal Funds Remain Uncommitted

- Washington State = \$450 million
- Oregon State = \$450 million
- New Starts = \$850 million
 - Requires that Washington and Oregon first commit \$900 million
 - Requires 9 years of New Starts applications and receipt of maximum amount available of \$100 million in 8 of those years.
- Federal Discretionary = \$400 million
 - Program no longer in existence
 - Originally called for CRC project to receive \$400 million of total \$500 million in available funding for all projects in the nation.

3. Economic Impact of Tolls on Southwest Washington

- Plan calls for **\$3.3 billion** in Net Tolling Revenue
 - Capital Costs = \$1.2 billion
 - Financing, tolling and operation and maintenance costs = \$2.0 billion
 - Other (contingency) = \$.1 billion
- Estimated economic impact on SW Washington residents will be approximately \$838 million to \$2.5 billion over 30 years (or \$28 to \$84 million per year)

4. Tolling rates will range between \$5 and \$16 round trip

5. Current Washington State projects call into question WSDOT’s ability to keep tolling rate promises and to manage debt payments

In order for legislators, local elected officials, and voting citizens to make informed decisions, it is important for them to know the true costs of the CRC project, potential impacts on the Southwest Washington economy, as well as the current financing status of other major transportation projects in the State.

It is my opinion that the CRC project’s current funding is in serious enough jeopardy to warrant a call by legislators and local leaders to demand that specific funding for the majority of the project be confirmed prior to incurring additional expenses on the project. I further recommend that contingency funding plans be developed in the event that planned funding is not realized; and that these funding plans be approved by the appropriate legislative bodies.

I reserve the right to amend my findings if new or additional information becomes available.

Detailed Findings and Observations

1. Total Project Costs

The current CRC project “Finance Plan” can be found in Chapter 4 of the Final Environmental Impact Statement “FEIS” (**Exhibit A**) as well as the Capital and Operating Finance Plan “FTA Plan” (**Exhibit B**) reported to the Federal Transit Administration (FTA) in September 2011.

These plans clearly explain that total capital costs (i.e. costs to construct the bridge) of the Project will be \$3.5 billion. And while both point out that tolling revenue must be sufficient to cover “debt service, operation and maintenance costs of toll collection and facility (bridge)”¹, neither document summarizes the total cost of the project in terms of capital, debt service, and operational costs in a single place. By combining the data related to these costs, we can confirm that the estimated price of debt service, toll collection and bridge operation and maintenance will be \$2.0 billion over a 30 year span; bringing the total cost of the CRC project to **\$5.5 billion**.

¹ Page 4-14 of FEIS and Page 34 of Capital and Operating Finance Plan

We can also confirm that the CRC finance plans call for collection of the full \$5.5 billion with \$3.3 billion from tolls and \$2.2 billion from state and federal funding.

We have described the components of the project costs below. Financing of these total costs are described later in this report.

Capital Costs

The CRC project office currently estimates the capital costs of the project to total **\$3.5 billion**. A simple summary of the project can be found at **Exhibit C**, which shows a map of the proposed current project; consisting of roadways and interchanges in both Oregon and Washington, the Columbia River bridge, and the extension of light rail between North Portland and Vancouver.

According to page 7 of the CRC’s September 2011 Capital and Operating Finance Plan (**Exhibit B**)², \$2.6 billion is estimated to be highway related costs and \$944 million is estimated to be transit related (i.e. light rail) cost.

Debt Service and Operation and Maintenance Costs

The CRC project office identifies a total of **\$2.0 billion** in debt service and operation and maintenance costs. Based on CRC documents, we can confirm that this \$2.0 billion consists of the following:

Interest on Debt:	\$1,577,985,396
Tolling and O&M Costs:	\$ 367,800,000
<u>Rehab & Replacement:</u>	<u>\$ 86,520,000</u>
TOTAL	\$2,032,305,396

Each of these components is more fully explained below.

Interest on Debt (TIFIA Loan and State Backed Bonds)

Both the FEIS (Page 4-15) and the FTA Plan (Page 7) call for \$1,004.9 million in toll bond borrowings. Page 35 of the FTA Plan (**Exhibit B**) fully explains the funding mechanisms for each:

- **TIFIA Loan:** \$500 million, Interest of 5.5%, 35 Year Payoff
- **State Backed Bonds:** \$504.9 million, Interest of 6.0%³, 30 Year Payoff

However, the debt service schedules for each of these loans (which were attached as Appendix E, Exhibit 4 to the FTA Plan) show slightly different principal amounts and contain no totals. We have included both the original CRC debt service schedules, as well as our recreation of these schedules (which include totals) at **Exhibits D and E**.

Table 1 is a summary of those debt service schedules, showing interest on bonds expected to cost **\$1,577,985,396 (\$1.6 billion)**.

² In the interest of brevity only Section 1 of the plan is included as an exhibit; the entire plan can be produced upon request.

³ Could be as high as 7.25%

Table 1. Summary of CRC Project Debt Service

	Debt Principal (Capital Costs)	Interest (Additional Costs)	Total	
TIFIA Loan Interest	\$ 615,463,549	\$ 844,495,526	\$ 1,459,959,075	<i>Exhibit D</i>
State Backed Bond Interest	536,442,373	733,489,870	1,269,932,243	<i>Exhibit E</i>
TOTAL	\$ 1,151,905,922	\$ 1,577,985,396	\$ 2,729,891,318	

CRC Project Tolling and Operations & Maintenance Costs

Beginning on page 4-26 of the FEIS (**Exhibit A**); costs related to ongoing bridge maintenance, tolling collection costs, and future capital expenditures are discussed⁴. The CRC describes tolling costs to include wages for staff who will collect tolls, equipment to collect tolls, and the surcharges for collecting tolls. The facility operation and maintenance costs are described as annual landscaping, sign repair, snow removal and an incident response system. Finally, it is estimated that annual insurance will cost \$150 million.

Because all other CRC project costs (like debt service costs and major repair costs) are reported in terms of 30 year cumulative costs, we have multiplied the CRC’s annual estimated operating and maintenance costs to 30 year cumulative totals. See Table 2.

Table 2. Summary of CRC Project Tolling and O&M Costs

	Total Annual Costs	30 Year Cumulative Costs	
Facility O&M Costs ^{1,2}	\$ 1,940,000	\$ 58,200,000	<i>FEIS, Page 4-26</i>
Tolling Fixed Costs ^{1,2}	8,820,000	264,600,000	<i>FEIS, Page 4-26</i>
Insurance ^{1,2}	1,500,000	45,000,000	<i>FEIS, Page 4-26</i>
Variable Tolling Collection Cost ^{1,2}	-	-	<i>Unknown, based on FEIS Page 4-26</i>
TOTAL ANTICIPATED COSTS	\$ 12,260,000	\$ 367,800,000	

1. Reported in 2010 Dollars

2. Reported annual costs multiplied by 30

CRC Project Facility and Tolling Rehabilitation and Replacement Costs

Beginning on page 4-28 of the FEIS (**Exhibit A**) Periodic Rehabilitation and Replacement Costs are explained. Tolls must be collected to cover the costs to resurface the road, inspect the bridge, and repair and replace tolling collection equipment. These costs over 30 years are included at Table 3.⁵

⁴ FEIS Exhibit 4.5-1 (page 4-26)

⁵ FEIS Exhibit 4.5-2 (page 4-28)

Table 3. Summary of CRC Rehabilitation and Replacement Costs

	Total Annual Costs	30 Year Cumulative Costs	
Highway Rehab and Replacement ¹	\$ 1,545,333	\$ 46,360,000	FEIS, Page 4-28
Tolling Equipment Rehab and Replacement ¹	1,338,667	40,160,000	FEIS, Page 4-28
TOTAL ANTICIPATED COSTS	\$ 2,884,000	\$ 86,520,000	

1. Reported in 2010 Dollars

In summary, both the FEIS (**Exhibit A**) and the FTA Finance Plan (**Exhibit B**) account for the debt service, regular repair and maintenance, and future rehabilitation costs of the bridge. These costs, according to the plans will be \$2.0 billion.

It is my opinion that the \$2.0 billion in debt service and O&M costs must be added to the \$3.5 billion in capital costs; and that the total CRC project cost should be reported as **\$5.5 billion**. Reporting the true cost of the project at \$5.5 billion matches the CRC project office’s funding plan (which is described in detail below).

2. \$2.15 Billion in State and Federal Funds Remain Uncommitted

Page 7 of the CRC Capital and Operating Finance Plan (**Exhibit B**) estimates that the \$3.5 billion in capital costs will be funded by the following revenue sources:

<i>Dollars in Millions</i>		
ODOT/WSDOT Existing	\$	147.40
Federal Discretionary		400.00
ODOT Additional Appropriations		450.00
WSDOT Additional Appropriations		450.00
New Starts Funds		850.00
TIFIA Loan (Repaid by Tolls)		1,004.90
Pre-Completion Tolls		204.40
Residual Toll Revenues		1.20
TOTAL	\$	3,507.90

Based on this funding plan, \$2.3 billion is to come from state or federal funds and \$1.2 billion is to come from tolling revenue. Of the \$2.3 billion in state or federal funds, **\$2.15 billion** remains uncommitted.

During the October 9, 2012, Washington State Legislative Oversight Committee meeting the CRC project office addressed these components of the project.

Federal Discretionary

During the legislative meeting (time stamp 57:55),⁶ WSDOT CFO, Amy Arnis explains that the “story” of the **\$400 million** in Federal Discretionary funds is “not as rosy at the moment”, but that the CRC project office remains “hopeful” that the \$400 million will be eventually received.

According to Ms. Arnis, the MAP 21 program⁷ changed, and that discretionary programs were eliminated, along with earmarks. In other words, there are currently no discretionary or earmark funds available for the CRC project, as has been planned.

Ms. Arnis goes on to indicate that while a program for projects of “national and regional significance” was funded for a total of \$500 million nationwide in fiscal year 2013, this funding was not continued in the current budget cycle.

Instead of presenting legislators with a contingency plan for the lack of \$400 million in project funding, the WSDOT CFO indicates that they remain “hopeful” that the funding will be reinstated and be in place by the “end of the construction period”.

During the meeting (time stamp 59:55), Senator Curtis King asked for clarification about the \$400 million in discretionary funds. He specifically wanted to know whether the CRC project office was asking for \$400 million of the total \$500 million available nationwide. Ms. Arnis confirmed this to be true. She also confirmed that there would be competition for the \$500 million from other projects in the United States, including projects in Washington (e.g. the SR 520 Bridge).

In summary, the \$400 million originally planned for appears aggressive given that \$500 million in funding nationwide was all that was available. Further, given that the Federal Discretionary funding mechanism is no longer in place we question why the CRC office does not have a contingency plan for funding the \$400 million that no longer appears to be available from the federal government.

New Starts Funding

According to the CRC project office finance plan, **\$850 million** is expected to be received from the Federal Transit Administration’s (FTA) New Starts Funding Grant for payment of the light rail costs of the project. It is important to note that the \$850 million will not be received all at once and that the CRC must reapply or “compete” for funds each year, for a maximum amount of \$100 million per year⁸.

During the CRC Washington State Legislative Oversight Committee (time stamp 54:25) it was also reported that before the FTA will commit any funds to the CRC project, both Washington and Oregon must commit their portions of the funding (\$900 million total or \$450 million for each state).

⁶ Meeting video can be found here: <http://www.cityofvancouver.us/cvtv/cvtvindex.asp?catID=999&fileID=15671>

⁷ Moving Ahead for Progress in the 21st Century Act (surface transportation funding program)

⁸ Page 30, Capital and Operating finance plan

State Funds

The CRC project office finance plan calls for both Oregon and Washington to appropriate **\$450 million** each to fund the CRC project. As of the date of this report, neither legislature has committed these funds to the project.

3. Economic Impacts of Tolls on Southwest Washington

We have identified a total of \$5.5 billion in total project costs. Of this, the CRC project office plans for \$2.2 billion to be covered by state and federal funds. The remainder, \$3.3 billion, is slated to be covered by tolls. We can confirm this to be true because the CRC project office’s debt schedules (**Exhibits D and E**) report that “Net Tolling Revenues” of \$3.3 billion will be collected between the years 2019 and 2054. Because those schedules did not include totals, we have listed the net tolling revenue amounts and totaled them at **Exhibit F**.

In an attempt to determine how much of the \$3.3 billion in tolls will be paid by the citizens of Southwest Washington, we have attempted to use the CRC project office’s traffic studies to identify the total number of trips generated by local citizens. Currently, the CRC Traffic Technical Report for the FEIS (**Exhibit G**) reports peak commute time trip origins and shows that during the morning commute, an average of 64% of trips originate within the bridge influence area (i.e. by Southwest Washington commuters). In the evening, it appears that as many as 60% of trips exit within the bridge influence area (**Exhibit G, page 2**).

What is not clear is the total number of daily trips that originate within the Southwest Washington area.

Based on our professional experience, we believe an analysis of this type would be important, so that the following questions could be answered:

- *What percentage of all daily vehicles (commuter car and freight) originates within the local area?*
- *Applying that percentage against total tolling revenue required, what percentage of toll revenues will be paid for by Southwest Washington citizens?*

If we were to make simple estimates, we could assess the economic impact of tolls on the local economy, as we have done at Table 4.

Table 4. Potential Economic Impact of Tolls on Southwest Washington

Total Tolling Revenue	% Trips from Southwest Washington	Economic Value - Total	Economic Value - Annual
\$3,353,969,345	25%	\$ 838,492,336	\$ 27,949,745
3,353,969,345	35%	1,173,889,271	39,129,642
3,353,969,345	50%	1,676,984,673	55,899,489
3,353,969,345	60%	2,012,381,607	67,079,387
3,353,969,345	75%	2,515,477,009	83,849,234

In simple terms, if it is assumed that 50 percent of tolls expected to be collected come from Southwest Washington citizens, this equates to a 30 year drain of \$1.67 billion or \$55.9 million per year from the local economy. That economic value would change depending on the number of trips generated by Southwest Washington citizens. Because no data exists to provide us with either an estimate of total daily trips generated by Southwest Washington citizens or an estimate of the total value of tolls expected to be paid by Southwest Washington citizens, Table 4 serves to provide decision makers with a potential range of values.

In addition to the annual costs estimated above, one would need to add the costs to operate and maintain light rail in Clark County. Currently, page 4-30 of the FEIS estimates that C-Tran (Clark County's Transportation Benefit Authority) will need approximately \$4.24 million in funds each year to operate and maintain the light rail. At present, C-Tran plans for these costs to be paid for by a combination of rider fares and increased sales taxes.

It is important to consider that a typical Southwest Washington commuter is also paying 9% income tax to the State of Oregon and will be required to endure 8 or more years of construction. It is our opinion that legislators should consider whether the economic impact of tolls, increased sales taxes, and construction will cause Southwest Washington citizens to relocate to Oregon in order to be closer to their jobs.

4. Toll Rates Will Range Between \$5 and \$16 Round Trip

As noted in the CRC debt service schedules (**Exhibits D and E**) tolling revenue is expected to be \$3.3 billion.

Currently, the FEIS and FTA plans⁹ show that tolling rates will range between \$2.00 and \$3.00 during peak commute hours. However, these schedules explain that these rates are what tolls would have cost in 2006. We question why tolling rate schedules, published in September 2011, report tolls in terms of 2006 year dollars.

Instead, the CRC footnotes these toll rates with the following language:

"Toll rates are shown in 2006 dollars. Toll rates are assumed to escalate 2.5% per year. Thus, for example, a \$2.00 toll in 2006 dollars would be about \$2.21 in 2010 dollars."

Further, toll rates are only reported in one-way amounts. However, page 32 of the FTA plan clearly calls for two-way tolling:

"Toll rate schedules are shown for 'post-completion tolls' which is when two-way tolling starts after completion of the new southbound I-5 bridge..."

The FTA finance plan (Page 31) also includes language as follows:

"In addition, the toll revenues may provide capacity to address any project cost overruns and/or revenue shortfalls in other project revenues."

⁹ FEIS, Page 4-11; FTA Plan, Page 33

To-date we have not been provided with any cost overrun estimates. However, we did note on Page 40 of the FTA finance plan, that the CRC has a plan to “Adapt Tolling to Different Circumstances if required to Rebalance the Funding Plan:

“Toll rates can be adjusted within reasonable amounts if additional funding capacity is required. Tolling analyses found that gross toll revenues can be increased by raising toll rates up to almost \$6.00 (2006 year dollars) each way, after which the diversion impacts of higher rates exceeds the added revenues the higher rates produce.”

In order to understand what toll rates might be in 2019 (year of completion) dollars, we have used the CRC’s projected 2.5% annual escalation rate to estimate tolls costs (see **Exhibit H**) in terms of both one-way and round trip. We have summarized those findings at Table 5 below.

Table 5: Summary of Toll Escalation Schedules

Originally Stated Toll (in 2006 Year \$)	2019 One-Way Toll	2019 Round Trip Toll
\$2.00	\$2.76	\$5.52
\$3.00	\$4.14	\$8.28
\$6.00	\$8.27	\$16.54

In summary, the CRC tolling rate plans do not accurately reflect toll costs in the year they will be assessed. Furthermore, the CRC tolling rate schedules do not clearly report the maximum amount of tolls that may be assessed.

We do not believe that an \$8.28 round trip toll would be out of the question. As of the date of this report, the Tacoma Narrows Bridge toll is \$5.00 one-way. The SR520 Bridge in Seattle currently collects a \$5.13 one-way toll during peak commute hours or \$10.26 round trip per day. A traveler with a “Good to Go!” pass would pay a discounted fare of \$3.59 one-way or \$7.18 round trip per day for the same trip.

5. Recent Tolling Projects in Washington State

It is important to understand the status of other transportation projects in the State of Washington. Currently, the Tacoma Narrows Bridge is projected to be \$68.6 million underfunded by the year 2017. This debt is backed by the “Full Faith and Credit of the State of Washington” (i.e. the general fund). Furthermore, the State of Washington is currently \$2.2 billion underfunded on the 520 Bridge project in Seattle.¹⁰

¹⁰ Assuming that \$1.62 billion in “future federal funding” is realized

We have addressed the funding status of each of these projects in greater detail below.

Tacoma Narrows Bridge

Starting in 2008, Washington State began collecting tolls for the Tacoma Narrows Bridge (TNB), a \$792 million bridge project connecting Tacoma with the Kitsap Peninsula. Washington State signed non-callable 15-year back loaded bonds for this project; meant to keep early debt service payments low, with hopes that future population and traffic growth would match the escalating debt payments (\$14m in 2008 vs. \$71m in 2017). Toll payers were promised that rates would start at \$3 in 2008 with \$1 increments every three years maximizing tolls at \$6 in 2016.

Actual revenue and traffic projections have proven that tolling revenues were significantly overestimated; as a result, the State of Washington was forced to increase tolls significantly in July 2012 (passes increased from \$2.75 to \$4.00 per trip; cash payments increased from \$4 to \$5 per trip).

We have summarized the State of Washington's Tacoma Narrows Bridge Draft Financial Plan at **Exhibit I**. This report is an analysis of the actual and projected revenues for the TNB for the years 2008 through 2017 against actual and projected expenditures for the same time period. Even with the significant tolling rate increases in July 2012, the TNB fund will be underfunded by a total of **\$68.6 million** by the end of fiscal year 2017.

Based on our review of the State of Washington's Bonding Resource Manual (**Exhibit J**), pertinent RCWs (47.46.140 and 47.56.165), as well as 2002 Senate Bill 6349, it appears that these bonds are backed by the "Full Faith and Credit of the State of Washington" and that any underfunding in the debt service is first secured by the motor vehicle fund of the State, which must be replenished by the legislature from other funds (e.g. the general fund).

The Washington State Transportation Resource Manual says this about Tacoma Narrows Bridge bonds:

"Transportation bonds for the Tacoma Narrows Bridge are backed by tolls and are also backed by the full faith and credit of the state as well as motor fuel taxes."

Senate Bill 6349 stated, in part:

"If the Tacoma Narrows toll bridge account has insufficient revenues to pay the principal and interest computed in subsection (2)(a) of this section, then the nondebt-limit reimbursable bond retirement account must be used for the payment of principal and interest on the bonds authorized in section 2 of this act. The treasurer shall first use funds from the excise taxes collected on the sale, distribution, or use of motor vehicle fuel and then use funds from any additional means provided by the legislature for the nondebt-limit reimbursable bond retirement account."

We question Washington State Department of Transportation's ability to keep its promises to future CRC toll payers given their history with the Tacoma Narrows Bridge. We further question whether the potential drain on the Motor Vehicle fund (and potentially other funds) jeopardizes the future funding of the CRC project.

SR 520 Bridge – Seattle

According to the WSDOT website (**Exhibit K**); the SR 520 project is slated to cost \$4.65 billion, but it is currently **\$2.22 billion underfunded**; even though construction is under way¹¹. What's more, the same funding plan lists \$1.62 billion of "tolling and *future* federal funding" as funds already received. This calls into question whether this \$1.62 billion is guaranteed or, like the CRC project office, relies on federal discretionary or other dollars that are not yet committed. If this is the case, then the \$1.62 billion in "tolling and future federal funding" should be added to the known \$2.22 billion in underfunded liability; indicating that the 520 bridge project could be underfunded by as much as **\$3 billion or more**.

We question why WSDOT started a \$4 billion project when one-half of the project's funds were not yet in place. We further question the impact to the future funding of the CRC given that SR 520 is currently \$2 billion (or more) underfunded.

Closing Comments

Based on our research of the published Final Environmental Impact Statement and the Capital and Operating Finance plan reported to the FTA in September 2011, the CRC project office is estimating the total cost of this project to be **\$5.5 billion**. This represents \$3.5 billion to construct the project and \$2.0 billion to pay for debt financing, toll collection, and operation and maintenance.

Of the \$5.5 billion in costs, the CRC project office plans to receive **\$2.2 billion** from federal and state funding sources. Our research shows that the CRC project office finance plan contains several flaws. First, **\$400 million** in Federal Discretionary dollars are no longer available; yet the CRC project office "hopes" to receive the money late in the project instead of developing a plan to mitigate this significant loss in planned funding. Second, **\$900 million** in Oregon and Washington funds have not been committed. Third, the commitment of these state funds hinges on the project office's ability to receive an additional **\$850 million** in FTA New Starts grant funds. Lastly, the \$850 million in FTA New Starts grant funds will not be committed all at once but rather, the CRC project office will be required to compete for these funds for at least 9 years and assumes they will be eligible to receive the maximum \$100 million contribution from FTA for 8 consecutive years.

Of the \$5.5 billion in costs, the CRC project office plans to collect **\$3.3 billion in tolls**. We are concerned about the economic impact to the citizens of Southwest Washington, who will likely bear a large portion of the cost of these tolls. While the CRC project office has not conducted an economic study estimating the portion of \$3.3 billion to be collected by Southwest Washington citizens, a simple analysis estimates the costs to the local economy to range between \$838 million and \$2.5 billion; or \$28 million to \$84 million annually.

We question how legislators can consider funding this project in the upcoming legislative session without having firm finance plans; including contingency plans in the event that certain planned funding is unavailable. We further

¹¹ <http://www.wsdot.wa.gov/Projects/SR520Bridge/BridgeAndLandings/CurrentWork.htm>

question how legislators can consider funding this project given the significant underfunded liabilities on other Washington State transportation projects, including the Tacoma Narrows Bridge and SR 520. These two projects represent billions of dollars in costs that are currently being incurred but are not paid for. Incurring additional debt for the CRC project; or worse, authorizing the continuance of the CRC project without firm funding in light of these two recent projects and the current economic climate would be imprudent, at best.

From its inception in 2005, the CRC project office has been plagued with contract and accounting irregularities, planning missteps, and a severe lack of accountability, transparency and oversight. Over the course of the last month, we have identified many of these issues for you in a series of separate reports (this being the fourth). It is my professional opinion that these concerns are of sufficient depth to warrant investigation by an agency of appropriate jurisdiction. Further, an intervention, and perhaps a termination or delay of this project would be prudent until which time adequate scrutiny of these concerns have been fully examined, appropriate procedures are in place to ensure the CRC project office is in compliance with applicable federal and state standards, and until which time the funding of the project can be guaranteed.

I would welcome the opportunity to provide additional documentation or answer any questions you may have as it relates to my analysis of the Columbia River Crossing.

If you have any questions or comments, please don't hesitate to call me at 360.573.5158.

Sincerely,



Tiffany R. Couch, CPA/CFF, CFE

cc: Oregon State Legislative Oversight Committee
Washington State Transportation Committee
Clark County Board of Commissioners
C-Tran Board Members
Representative Ed Orcutt
Representative Paul Harris
Representative Liz Pike

LIST OF EXHIBITS

- EXHIBIT A:** *Final Environmental Impact Statement (FEIS) Financial Analysis*
- EXHIBIT B:** *Capital and Operating Finance Plan (September 2011)*
- EXHIBIT C:** *Project Construction Costs by Location*
- EXHIBIT D:** *TIFIA Loan Amortization Schedule*
- EXHIBIT E:** *State-Backed Bonds Amortization Schedule*
- EXHIBIT F:** *Summary of Net Tolling Revenue*
- EXHIBIT G:** *Southbound and Northbound Vehicle Trips (FEIS Traffic Study)*
- EXHIBIT H:** *CRC Tolling Rate Schedule – Showing 2.5% Escalation*
- EXHIBIT I:** *Tacoma Narrows Bridge Analysis & Supporting Documentation*
- EXHIBIT J:** *Washington State Bond Resource Manual (Page 198)*
- EXHIBIT K:** *SR 520 Costs, Funding & Tolling*