



October 17, 2012

Washington State Legislative Oversight Committee
Congresswoman Jaime Herrera Beutler
Concerned Citizens

Re: Report #3 - Columbia River Crossing – Ruby Junction and Steel Bridge Costs

Dear Elected Officials and Fellow Citizens:

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 the work and analysis contained herein 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 review 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, and potential violations of the Washington State Open Public Meetings act. This report presents our findings related to certain proposed CRC expenditures that appear to be outside the originally proposed “bridge influence area”.

Currently, the CRC project area “bridge influence area” is defined by the CRC project office as an approximately 5 mile stretch of the Interstate 5 corridor between Columbia Boulevard to the south in Oregon and State Route 500 to the north in Washington. During the course of our review, we identified documents that indicate the CRC project office applied for funding from the Federal Transit Administration (FTA) for proposed components of the CRC project that are outside of the originally proposed “bridge influence area”.

Specifically, the documents the CRC project office has submitted to the FTA contain the following language:

“TriMet’s current maintenance facility at Ruby Junction in the City of Gresham would be expanded.”

“...and improvements to Portland’s Steel Bridge for speed and reliability would occur.”

Because these cost components are outside of the “bridge influence area” (Gresham, Oregon is over 10 miles east of the Portland/Vancouver metro area and the Steel Bridge is approximately 6 miles south in downtown Portland), we have sought out documents and information that would provide cost estimates for these CRC project components.

Currently, our public records request dated August 7, 2012, for Steel Bridge costs remains open and unanswered.¹

The CRC project office did provide a cost estimate stating the cost of the Ruby Junction maintenance facility will be **\$50.61 million**.

In conducting research on Ruby Junction, it was discovered that two recent light rail projects in Portland² have also “expanded the maintenance facility at Ruby Junction”. Table 1 compares the year, numbers of light rail cars and budgeted costs for the Ruby Junction upgrades on these recent projects.

Table 1. Comparison of Ruby Junction Upgrades on Recent TriMet Light Rail projects

LIGHT RAIL PROJECT	YEAR	# CARS	RUBY JUNCTION BUDGETED COST
Yellow Line to Expo Center³	2002	17	\$9.15 Million
Milwaukie / Portland⁴	2012	20	\$8.10 Million
Columbia River Crossing	2018	19	\$50.61 Million

¹ Please note that the CRC project office provided documents to us in response to our Public Records Request, but admitted that the documents provided would not give us the costs of the Steel Bridge improvements. Our Public Records Request remains open.

² All projects, including Columbia River Crossing, are extensions of the Tri-County Metropolitan Transportation District of Oregon (TriMet) light rail system (TriMet is Portland’s transportation system).

³ Tri Met Yellow Line Full Funding Grant Agreement

⁴ Milwaukie Light Rail Final Environmental Impact Statement

We question why the Columbia River Crossing “Ruby Junction upgrade” is over \$40 million (more than 450%) greater than the cost estimates of the two most recent Ruby Junction projects; projects, which expanded the light rail system by a similar number of light rail cars. It is my professional opinion that the cost difference of the proposed Ruby Junction upgrade for the Columbia River Crossing is significant enough to be classified as an irregularity.

We further question why CRC Project Director, Nancy Boyd, provided testimony to the Washington State Legislative Oversight committee that omitted these components of the light rail transit system. After being asked twice about whether there would be costs for light rail components outside the bridge influence area, Ms. Boyd maintained costs were only to extend the light rail from Portland into Vancouver. It wasn't until which time she was specifically asked about Ruby Junction or the Steel Bridge that Ms. Boyd admitted that there were, indeed, planned expenditures outside of the bridge influence area.

To date we have not been provided with cost estimates for the Steel Bridge upgrade. We question the CRC project office's delay in providing this information. We further question the total amount of this planned component and the impact of these costs on the overall cost of the project.

Furthermore, we question whether the proposed costs of the Ruby Junction and Steel Bridge upgrades represent TriMet system-wide repairs that are potentially being allocated disproportionately to the CRC project as a result of the opportunity of \$850 million in federal funding.

It is my opinion that the findings contained herein are sufficient enough to warrant investigation by an agency of appropriate jurisdiction. It is my recommendation that a complete cost accounting of the components of both the Ruby Junction and Steel Bridge upgrades be completed so that decision makers (i.e. Oregon and Washington legislators, local elected officials, and citizens) can be made fully aware of the cost and scope of the entire CRC project.

Whether there is sufficiency to elevate these irregularities to a definition that would warrant the assertion of civil or criminal wrongdoing is not the subject of this report. Such definition could not be ascribed without further scrutiny and investigation. That responsibility from here forward falls to you – the elected officials who run these states – in your representation of your constituents, the citizens of Washington and Oregon.

Please note that these findings are limited in scope to the review of two proposed components of the CRC project; there may be other instances or events, not referenced herein, which may also be questionable. These findings should not be considered a complete collection of suspected questionable transactions and will be amended if new or additional information becomes available.

Detailed Findings and Analysis

Background

The CRC project office has previously indicated that part of the funding plan for the project is \$850 million in New Starts grant funding to pay for the transit portion (i.e. light rail) of the project. We have reviewed documents, herein referred to as New Starts Summaries, on the Federal Transit Administration's (FTA) website related to the CRC project's potential New Starts grant funding. These New Start Summaries are in report format, updated annually, and describe the CRC project, costs, and potential funding sources. The New Starts Summary is a compilation of the annual filings provided by each project sponsor to be added to the FTA annual report (a tracking mechanism by the FTA for projects that have applied for New Starts funding and/or projects that have been submitted for approval of funding and are at various stages in the planning/design/environmental clearance/final approval process).

These New Starts Summaries first appear in November 2009 (**Exhibit A**). As part of the overall CRC project description, the following wording was noted:

“In addition, TriMet’s current maintenance facility at Ruby Junction in the City of Gresham would be expanded.”

It was noted in subsequent documents dated December 2010 (**Exhibit B**) and November 2011 (**Exhibit C**) that additional wording appeared:

“....and improvements to Portland’s Steel Bridge for speed and reliability would occur.”

The CRC project will take place within a limited area 5 mile area along the I-5 corridor between Columbia Boulevard in Portland, Oregon and State Route 500 in Vancouver, Washington. It is important to note that Gresham, Oregon is approximately 10 miles east of the project area, while the Steel Bridge is approximately 6 miles south of the project area. As such, we have sought out documents and information to understand the costs of the Ruby Junction and Steel Bridge components of the CRC project.

More information, in addition to observations on our attempts to retrieve this information from the CRC project office, follows.

Ruby Junction Costs

Acuity Group originally requested “budgeted costs” for both Ruby Junction and the Steel Bridge on August 7, 2012 (**Exhibit D**). Initially, the Public Records Request went unanswered, and then was disputed by the CRC project office as a “request for information” instead of a “request for documents.” Through a series of email communications (**Exhibits E through H**), the request was further clarified by us and acknowledged by the CRC project office. On September 6, 2012 the CRC project office responded to the records request by providing a series of documents (FTA spreadsheet, Columbia River Crossing

CEVP report, and Capital and Finance Plan New Starts Report), along with a verbal explanation of what could be found within the documents **(Exhibit I)**.

With respect to the CEVP report, the project office indicated:

“...you will not find specific costs for the Ruby Junction facility or the Steel Bridge expansion and improvements as line items in the cost estimate report.”

The project office did not address the attached Capital and Finance Plan (which we analyzed and confirmed did not contain explanations of the costs of these components). The CRC project office indicated the following related to the FTA spreadsheet:

*“However, cost estimate reporting to the Federal Transit Administration is structured differently to address FTA requirements. Costs are reported by Standard Cost Category (SCC) code. The definition of SCC code 30.02 is Light Maintenance Facility. **For the CRC project, the light maintenance facility category is Ruby Junction work and in the attached SCC workbook, this category includes all costs to design and build the facility.**”* [emphasis added]

Attached at **Exhibit J** is one of the detailed spreadsheets that itemize the CRC project costs and reports Cost Code 30.02 “Light Maintenance Facility” as \$50.608 million.

Comparison of CRC to recent Ruby Junction Upgrades

Additional research indicates that the Ruby Junction maintenance facility was upgraded during two recent light rail projects.

As part of the TriMet Yellow Line Full Funding Grant Agreement, dated September 22, 2000 **(Exhibit K)**; the Ruby Junction maintenance facility was to be expanded (in 2002) to accommodate 17 new light rail cars for a total estimated project cost of \$9,154,373.

Also, the 2010 Milwaukie Light Rail Final Environmental Impact Statement reports “expanding the existing Ruby Junction Operations and Maintenance Facility” for 20 new light rail cars for an estimated cost of \$8,100,000 **(Exhibit L)**.

In contrast, the CRC project will add 19 new light rail cars for an estimated cost of **\$50,608,000**.

This represents a discrepancy in excess of \$40 million (and over 450%) between the proposed CRC project and the two recent Ruby Junction facility upgrades tied to light rail projects.

Comparison of CRC to LAX/Crenshaw Light Rail Project

In conducting our research, we discovered a recently published FEIS for a Crenshaw/LAX transit corridor project taking place in Los Angeles, California. The FEIS, dated August 2011, notes a Support Facility for \$65,730,000 (**Exhibit M**)⁵.

The description of this facility is as follows:

*“The Crenshaw/LAX Transit Corridor Project would require a **new** maintenance and operations facility. The facility would provide LRV service and maintenance and storage for vehicles that are not in service. The facility would operate 24 hours a day, seven days a week. The facility would ultimately be large enough to support approximately **70 light rail vehicles.**”* [emphasis added]

The description goes on to tell the reader that part of the cost of this light rail maintenance facility will be the purchase of 17.6 acres of land in the City of Los Angeles. We provide this project as a comparison in terms of cost, size and date. The proposed maintenance facility for the Crenshaw/LAX line includes the purchase of 17.6 acres of land in Los Angeles, the construction of a brand new facility, and will support 70 light rail vehicles. The project is expected to occur between 2013 and 2018; nearly the same timeline as the CRC project.

By contrast, the CRC project proposes to spend \$50,608,000 to upgrade an existing facility for the service of 19 additional vehicles.

These comparisons show that the budgeted \$50,608,000 for Ruby Junction does not appear reasonable. As a result, we question whether the \$50,608,000 budgeted for Ruby Junction contains other costs (e.g. for other projects and/or for system wide repairs) not currently being reported to decision makers.

We suggest that an agency of appropriate jurisdiction further investigate these questions and report to decision makers a full cost accounting of the budgeted costs for Ruby Junction. We further recommend that the agency determine whether budgeted cost for Ruby Junction are actually TriMet system-wide costs being disproportionately allocated to the CRC project.

Steel Bridge

As mentioned under the “Ruby Junction” header, the CRC project office acknowledged that the documents they provided would not provide itemized costs for the Steel Bridge component of the CRC project. Unlike the Ruby Junction maintenance facility, which had its own cost code, the CRC project office reported:

⁵ Provided pertinent sections only; the entire FEIS summary can be provided upon request.

“Steel Bridge expansion and improvement costs are grouped with other costs in this report⁶ and thus cannot be found in a specific Standard Cost Category code”.

As of the date of this report, the CRC project office has not provided any additional documentation that provide costs specific to the Steel Bridge upgrades and our public records request remains open.

We question the CRC project office’s difficulty in providing these documents, since their New Starts Capital and Operating Finance Plan⁷ references the Cost Estimate Validation Process (CEVP) Report and explains the detailed process the CRC project office conducted to estimate capital costs:

“WSDOT used the Cost Estimate Validation Process (CEVP), a risk-based methodology, to develop capital cost estimates for all major projects it undertakes. CEVP utilizes a detailed base cost estimate comprising over 1,000 line-items defined by capital element and area.”

While we cannot opine on any potential motives the CRC project office may have for delaying the documents and information we have requested on the Steel Bridge, we do question the length of time purportedly needed to provide it. In order for the CRC project office to have filed its annual report with the FTA, it would have necessitated detail costs on each element of the project, as described by the CEVP process. This would have included a detailed cost analysis of the Steel Bridge upgrades. These upgrades would be separate and distinct from all other components of the project. These detailed cost elements would have then been summarized in order to report under the FTA’s guidelines. We highly recommend that an agency of appropriate jurisdiction investigate the detailed costs of the Steel Bridge components. We further recommend that the agency investigate whether the Steel Bridge cost components are a system-wide upgrade for TriMet and to determine whether these costs are being disproportionately allocated to the CRC project.

Testimony by Nancy Boyd, CRC Project Director, to WA State Oversight Committee

Testimony given by Nancy Boyd, CRC Project Director, during the October 9, 2012, Washington State CRC Oversight Committee Meeting concerning the Ruby Junction and Steel Bridge components was inconsistent, and potentially misleading.

During that meeting, Ms. Boyd provided testimony to legislators in regards to an exhibit called “Construction Cost Estimates and Fund Sources” (**Exhibit N**). During her testimony, Ms. Boyd explains that the total \$850 million costs for transit (i.e. light rail) are reflected in the green color on the map. Twice, she is asked whether there are “other costs” related to the light rail portion of the CRC project. Both

⁶ Referring to the FTA cost estimate spreadsheet

⁷ New Starts Capital and Operating Finance Plan dated September 2011, page 5

times, Ms. Boyd refers to the map and explains how the costs will be incurred by installing light rail from Portland and bringing it into Vancouver. We have transcribed the exchanges below.⁸

We question why Ms. Boyd did not fully disclose the Ruby Junction and Steel Bridge costs until explicitly asked about these components by lawmakers.

Time Stamp: 30:35

Nancy Boyd explains and Refers to Construction Cost Estimates and Fund Sources (**Exhibit N**). Colored boxes refer to cost estimates of colored sections of the map.

Time Stamp 32:13

Nancy Boyd: *“**Also in green is the light rail alignment**, you can see it would cross the main Columbia River bridge and then you can see the couplet as it goes through downtown Vancouver and out to Clark College. The cost for the light rail is **estimated to be \$850 million** which would be paid for by the FTA New Starts fund.” [emphasis added]*

Time Stamp 32:43

Rep. Mike Armstrong: *“Nancy, we have a question from Senator King.”*

Senator Curtis King: *Thank you, Mr. Chair. Going back to the light rail for 850 [\$850 million] do we have a breakdown of what’s all included in that 850 [\$850 million] somewhere?*

Nancy Boyd: *Yes, I can provide that to you. But, I can tell you that the 850 [\$850 million] covers all the costs of constructing light rail, designing and constructing light rail, and, you know, I know you’ve had the question before about the match...essentially the Patty Murray language covers, allows us to use the rest of the project as the match for the 850 [\$850 million].*

Senator King: *Well, I’m more concerned about where does all that money go. **I mean, is it all just what we see here in the green or are there other areas that, you know, we may be helping Oregon** on some, you know, element of their light rail that’s on their side of the bridge, and...?* [emphasis added]

Nancy Boyd: *The 850 [\$850 million] would cover all the costs of building light rail from where it currently ends in Oregon right there by the Expo Center. And so,*

⁸Meeting video can be found here: <http://www.cityofvancouver.us/cvtv/cvtvindex.asp?catID=999&fileID=15671>

for extending the light rail across Hayden Island, Station there at Hayden Island, across the Columbia River Bridge and then through Vancouver terminating at Clark College and it also includes the three park and ride structures, parking garages.

Paula Hammond

And just to add, part of the \$850 million grant, contributes a pro-rata share to the cost of the structure. I think we've talked about this before. And it's about \$105 million dollars towards the cost of the bridge itself. And, Nancy mentioned the Senator Murray language. To her credit, in a project like this that is multi-modal and different – when light rail and bridge and highway lanes are built together, the recognition in federal law that FTA and FHWA working together to help deliver this project recognize the highway part of the investments that match the federal grant. So we don't have to come up with extra federal match for the FTA grant.

Time Stamp 35:20

Representative Armstrong:

One question I have on the funding, what's being funded by this money, has that been at all a moving target? Have we added to or taken away from the list of funding options that this \$850 million is actually going to?⁹[emphasis added]

Nancy Boyd:

The \$850 million has always been intended to cover the costs of building light rail. So, all the transit related expenditures to build the light rail. And it also, as Paula [Hammond] mentioned, includes an allocated portion of the Columbia River Bridge.

Paula Hammond:

I don't think it's changed {that much} [unintelligible]

Nancy Boyd:

No, other than for adjustments for the development of the project...

Representative Armstrong:

It's always been consistent? We haven't added anything to it?

Nancy Boyd:

Not to my knowledge, no.

Senator Ann Rivers:

I have two questions and they are somewhat disparate. The first is, **in the FEIS it lists retrofitting the Steel Bridge and also a maintenance facility at Gresham. So is that included in this \$850 million?**
[emphasis added]

Nancy Boyd:

Yes [emphasis added]

⁹ The 2009 FTA documents include only the Ruby Junction facility. The 2010 FTA documents add language about the Steel Bridge.

Discussion between Senator Rivers and Nancy Boyd about Washington Interchanges.....costs, etc.

Time Stamp 38:20

Senator King: *So, let me go back to this maintenance facility at Gresham. Is that on this map?*

Nancy Boyd: *No, it's not shown on the map but it is included in the light rail costs.*

Senator King: *And, how much are we including for that?*

Nancy Boyd: *Um, near as I can recall, um, I don't have the number in front of me. But I can get that back to you.*

Senator King: *The number I've heard is \$50 million.*

Nancy Boyd: *\$50 million?*

Senator King: *50. 5-0.*

Nancy Boyd: *I don't know that that's in the same ballpark as what I've heard but we'll get back to you with that number.*

Senator King: *I would appreciate that.*

Closing Comments

In my opinion the **\$50,608,000** proposed costs of the Ruby Junction maintenance facility are suspect. I question why the CRC project office is preparing to spend tens of millions of dollars more on a Ruby Junction maintenance facility upgrade when recent light rail projects made similar upgrades to the same facility at a fraction of the cost. The Ruby Junction costs are further questionable when compared to a project in Los Angeles, California that purports to purchase 17 acres of land and build a brand new 70 vehicle facility for nearly the same price as the Ruby Junction “upgrades” for an existing building and only 19 light rail vehicles.

It is my professional opinion that this discrepancy is too large to disregard. I recommend that a full accounting of the costs that make up “SCC Code 30.02” be performed to understand the specifics of the Ruby Junction facility upgrade. In particular, it should be determined if the costs that are being allocated to the CRC project are all related solely to the CRC project, or if some of these costs are general upgrades or modernizations of this over 25 year old facility that should be more appropriately allocated to the entire TriMet light rail system.

I further question why the Steel Bridge upgrades were not part of the original project description on the FTA reports. I question why and how these upgrades became part of the project at a later date. I further question why costs for the Steel Bridge upgrades are not more readily available. As with the Ruby Junction costs, I highly recommend that an agency of appropriate jurisdiction fully investigate the costs to

upgrade the Steel Bridge and to determine whether costs associated with this component are being disproportionately allocated to the CRC project.

In my professional opinion, detailed cost analyses for these project components exist. The CRC project office's Finance Plan speaks of detailed documents containing the cost of each component. It would be difficult, if not impossible for the CRC project office to report to the FTA at these summarized levels without the details to support the numbers. As such, it is not only reasonable to presume that the project office has a higher level of detailed estimated costs for each component of the project, including Ruby Junction and the Steel Bridge, but the lack of such documentation would force a conclusion that the summary data provided to the FTA and the various funding partners was generated without the detailed professional cost projection research and analysis that is required for such submissions to the FTA.

Lastly, it is our opinion that costs of the CRC project taking place outside of the proposed 5 mile "bridge influence area" be clearly accounted for and explained to all decision makers (legislators approving funding, local elected officials representing citizens, and citizens who will eventually pay tolls on this project) to ensure ongoing accountability and transparency.

I 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 call me at 360.573.5158.

Respectfully,



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

EXHIBITS ATTACHED

- EXHIBIT A:** *2009 New Starts CRC Summary*
- EXHIBIT B:** *2010 New Starts CRC Summary*
- EXHIBIT C:** *2011 New Starts CRC Summary*
- EXHIBIT D:** *Original Public Records Request – 8/7/12*
- EXHIBIT E:** *Out of Compliance Notification – 8/16/12*
- EXHIBIT F:** *CRC Out of Compliance Response – 8/16/12*
- EXHIBIT G:** *Clarification Email – 8/16/12*
- EXHIBIT H:** *CRC Acknowledgement of Clarification – 8/16/12*
- EXHIBIT I:** *CRC Responsive Records Provided and Closure – 9/6/12*
- EXHIBIT J:** *FTA Detailed Spreadsheet*
- EXHIBIT K:** *TriMet Yellow Line FFGA, Costs for Ruby Junction*
- EXHIBIT L:** *Portland Milwaukie Light Rail FEIS Summary*
- EXHIBIT M:** *LAX/Crenshaw FEIS documents*
- EXHIBIT N:** *Construction Cost Estimates and Fund Sources*