

## **A COMPARISON OF THREE PROJECT COSTS** **BETWEEN LOCAL AGENCIES AND CALTRANS**

June 12, 2002

1. Five small bridges over Pine Creek in New Pine Creek, one constructed by Caltrans, and four by the County of Modoc, all in 1999 and 2000. The advertised construction cost of the Caltrans bridge is \$381,000. If it is assumed that preliminary engineering is about 10% of the construction cost, and that construction engineering is about 15% of the construction cost, the total project cost is \$476,250. The total project cost of the four County bridges is \$315,861.35. The variance factor is six. It costs six times as much for Caltrans to design and build one small bridge as for Modoc County to design and build one small bridge over the same creek.
2. The preliminary phases of the widening of Highway 299 in Alturas by Caltrans, compared to the preliminary phases of the replacement of a bridge on County Road 69 by the County of Modoc and its private consultant. Both include survey, environmental documentation, right of way acquisition, and design, all in the years 2000 and 2001. In addition, the bridge project included a hydrologic study, wetlands study, fish study, an extensive geotechnical investigation, and Corps of Engineers permit. The amount programmed for the Caltrans project is \$605,000. No information is available for the amount actually expended. The amount expended on the bridge project is \$120,530.00. The variance factor is five. It costs five times as much for Caltrans to accomplish the preliminary phases of a highway widening project as for Modoc County and its consultant to do the preliminary phases of a bridge replacement project.
3. The construction of the Highway 299 widening project by Caltrans compared to the reconstruction of Carlos Street and a portion of Warner Street by the city of Alturas. The Caltrans project is estimated at \$2,479,316 (Draft Project Report), while the Alturas project was bid at \$1,274,040.00. Both the Highway 299 project and the Carlos/Warner bid were from 2002. For comparison purposes, the following must be deleted: railroad crossing, entry statement, and landscaping costs from the Highway 299 project, and Portland cement curb, gutter, sidewalk, valley gutters, and driveway costs from the Carlos/Warner project. In addition the following adjustments must be made: small difference in project length, difference in roadway width, difference in structural section (about half the Highway 299 project area has only an overlay, while all of the Carlos/Warner project is reconstruction). When these adjustments are calculated, the variance factor is three. It costs three times as much for Caltrans to construct a road project as for Alturas to construct a similar road project.

## **Issues concerning RTIP Projects on State Highways**

The Modoc County Transportation Commission (MCTC) and Caltrans District 2 have experienced many difficulties in working together to implement a STIP project, funded solely with Regional Choice dollars, on State Route 299 in Alturas. The project has some peculiar circumstances and history, which account for some of the difficulties. But several problems seem to be endemic to Caltrans' roles, processes and accounting system. Because these problems may be shared by others, and efforts to find solutions or obtain reasonable information have been unsuccessful at the regional and Caltrans District levels, MCTC staff brings several issues to the table for discussion, in hopes of improving coordination and collaboration to achieve common goals to keep California moving.

Project-Level Financial Accountability - Most critical is Caltrans inability to account for the money! MCTC programmed \$120,000 for E&P/PA&ED during 1999/2000, and \$485,000 for PS&E, R/W and R/W SUP in 2001/02 - a total of \$605,000 to be completed by Caltrans staff. In essence, Caltrans is the consultant on this project, performing all preliminary phases and administering the future construction contract. However, despite months of requests and discussions, Caltrans (the consultant) cannot provide the MCTC (the purchaser) with an accounting of expenditures.

Further, MCTC recently learned that once Caltrans opens an "EA" for a project, whether or not work is being performed on that project, overhead charges (from Caltrans HQ mostly) accrue to State Highway project costs. This is particularly significant for 2002 STIP projects that will essentially sit idle for several years until construction can begin. The MCTC requested the CTC to program construction of the project in question; construction will probably occur in 2006/07. It is likely that not much will be done on this project until 2005/06, when the PS&E and R/W will need to be updated. Meantime, our understanding is that costs will continue to accrue to the project.

The significance of the issue surpasses this one minor project, which may be one of the first "partnership" projects on a State highway being funded entirely by regional STIP funds. Although MCTC staff could be incorrect in its perception of the State's inability to provide meaningful financial status reports and to allocate project costs appropriately, we believe strongly that every public agency should answer to the public and be able to explain the use of public funds.

Caltrans' Roles – Regulator vs. Provider – MCTC staff finds relationships strained after many, many unsuccessful attempts to obtain information: a) documentation of charges (i.e. invoices); b) progress reports about work completed in a timely fashion; c) resolution of outstanding issues (i.e. ROW certification, RR crossing costs, landscape maintenance agreement, and project accounting.) There seems no recourse for a regional agency once the money is programmed and enters the "black box."

This functional role dichotomy undermines RTIP project programming and delivery on State highways. There is an inherent conflict of interest between Caltrans' roles as regulator of local agencies and as chief provider for a portion of the transportation system. This issue requires considerable scrutiny and thoughtful consideration. Perhaps Caltrans' regulatory responsibilities could be transferred to an entity that reports directly to the CTC, and that has no conflict of interest with the system operations.

Project Costs Comparison – Attached is a comparison of three project costs between local agencies and Caltrans, showing State projects to be six, five and three times more expensive.

Admittedly, this cost comparison is only approximate, based on actual expenses or bids on three local agency projects, publicly available financial information on three Caltrans projects and several assumptions. However, we offer these observations and suggestions:

1. Why aren't actual costs for Caltrans projects available for public scrutiny?
2. Is spending several times the amount necessary, in order for Caltrans to perform a State highway project, the best use of the public's money?
3. Do this comparison and the paucity of financial data on Caltrans projects suggest even greater problems?
4. Should the CTC carefully study the relative effectiveness and efficiency of Caltrans' work compared to the efforts of local agencies, particularly on straightforward projects? A study performed by one of California's many excellent business schools or transportation institutes might demonstrate that uncomplicated projects under a certain value should be performed by local agencies. The best value to the public might become the deciding factor for which agency handles a project, rather than which agency owns the facility. Considering the huge amounts of funds involved, such action may benefit the public greatly.

#### New Tools –

- *Project Report Template* for RTIP projects on State Highways, which reports progress periodically (monthly or quarterly) by project component.
- *Capital Project Charter Template* - MCTC staff was asked to comment on a draft template, and wonders if any one is familiar with this tool or has experience using it or something similar. Further, shouldn't such draft documents and new processes be reviewed in a comprehensive manner with input from the RCTF?

One conscientious and responsible Caltrans engineer, who was recently appointed Project Manager for the SR299 project, supplied these tools. However useful, tools alone cannot address the systemic issues such as financial accountability and role dichotomy. Real solutions will require "buy-in" and support from Caltrans management - at the highest levels – to mend structural dysfunctions.