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Governor



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April 23, 2010

The Honorable Mike McGinn
Mayor, City of Seattle
Post Office Box 94749
Seattle, WA 98124-4749

Dear Mayor *Mike* McGinn:

I received your correspondence related to the Alaskan Way Viaduct Replacement Project. Eight years after the Nisqually Earthquake revealed the dangerous condition of the Alaskan Way Viaduct, King County, the City of Seattle and Washington State joined together to replace the aging and unsafe Viaduct with a new tunnel. The Alaskan Way Viaduct Replacement Project will preserve our ability to move freight and people through the region and will allow Seattle to open up its waterfront.

I am pleased that you have restated your support for the commitments made by the City of Seattle to facilitate the efficient and timely completion of the Alaskan Way Viaduct Replacement Project. Thank you for directing representatives of the City to work with us to complete various agreements that are currently being discussed describing what city permits are required and how utility relocation will be coordinated and executed.

I share your concern about cost overruns. The Washington State Department of Transportation (WSDOT) is committed to completing this project on-time and on-budget, as it has with the first four projects that are part of the overall Alaskan Way Viaduct Replacement Project. Just last week, you joined me in announcing the completion of the SR519 project on budget and a year early. To support our mutual goal of controlling costs, I have put in place stringent management and oversight of the nine projects that make up the Alaskan Way Viaduct Replacement Project. These steps are being taken as a direct result of lessons learned from other large infrastructure projects around the country. The lessons learned make it clear that a thorough understanding of the risks, proactive management, and strong oversight need to be in place for successful project delivery. Cost control measures that are currently underway include:

As you know, I have established a program oversight committee made up of elected officials and executives from the state, City of Seattle, Port of Seattle, and King County. Thank you for agreeing to participate in this effort. We will receive quarterly updates from our agency staff, and I expect us to manage issues, such as cost overruns, if they arise.

The cost estimate that was developed for the proposed bored tunnel used a nationally recognized process that accounts for potential risks that may be realized during construction. The \$1.9 billion bored tunnel estimate includes \$415 million to fund risk and inflation, and was developed with input from independent subject matter experts. The cost estimate is also based on a thorough understanding of the conditions that will be encountered during this project. WSDOT has taken over 70 samples of the ground conditions, up to depths of 300 feet, and conducted surveys of over 300 buildings and structures along the proposed alignment.



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The project is reporting directly to the office of the Secretary of Transportation, who reports directly to me. This structure ensures that critical decisions are made at the highest levels of the agency, and the full resources and experience of the agency are available to the project.

WSDOT is using a contracting approach, known as design-build, to deliver the proposed bored tunnel. This approach has been used successfully on a number of projects including the successful SR 519 project. In a design-build process, the state establishes the budget, performance measures and guidelines, and then executes a contract with one entity. This contract identifies exactly how the risks between the state and design-build team will be shared, limiting the potential for added costs. The contract allocates the responsibility for both designing and constructing the tunnel to one team. The design-build approach helps to eliminate the typical problems that can result in cost overruns, and takes full advantage of the private sector's expertise and innovations.

An external Strategic and Technical Advisory Team has been established to provide WSDOT with outside expertise. This group of management and tunnel experts has over 295 years of collective experience successfully delivering projects around the world. This team provides regular guidance to WSDOT on issues related to risk management, construction methods and oversight.

We have several additional oversight groups in place, with each receiving regular updates and working to resolve issues that could cause cost increases or schedule delays. The Seattle City Council has established a special committee as their venue for oversight of the program. I understand that WSDOT and SDOT are already providing bi-monthly updates to the Council, including on the status of agreement negotiations. The program oversight committee will also receive quarterly updates on cost, schedule, budget, management issues, and contracting so that we proactively manage issues that may affect project delivery.

To be clear, the number one cause of cost overruns is delay. We must take advantage of the most favorable environment for construction bids in decades and move forward with this project as scheduled. As you know, the apparent low bid for the replacement of the first portion of the viaduct came in \$40 million under the engineers' estimate. Every month of delay could cost the taxpayers millions in additional costs. I am sure you agree that accumulating unnecessary additional expenditures is unacceptable. I hope you will work together with me to ensure we do not delay and as a result, incur additional costs to the project. To that end, I remain committed to the agreement I signed with then Mayor Nickels and Executive Sims regarding our respective responsibility for the portions of the Alaskan Way Viaduct Replacement Project that each of our governments has agreed to undertake.

Replacing the Alaskan Way Viaduct is critically important to the state's economy, our regional transportation system and the vitality of Seattle's waterfront. The current structure is aging and vulnerable to collapse should another earthquake occur. After years of planning, public input and debate, we have come together on a solution that is funded and ready for construction. It is time now to work together to get the job done on-time, on-budget and without any costly delay.

Sincerely,



Christine O. Gregoire
Governor

