

WSDOT Construction Costs and Bid Environment

House Transportation Committee

Jon Deffenbacher, Deputy State Construction Engineer
February 2, 2024

Roger Millar, Secretary of Transportation

Mike Gribner, Deputy Secretary of Transportation

External cost and risk factors creating cost escalation both here and nationwide

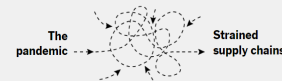
- Material cost volatility and availability
- Market conditions and competition among agencies
- Inflation volatility
- Workforce shortages
- Unanticipated events and risks impacting project schedules

The Seattle Times

Prices skyrocket on WA transportation projects, and fewer contractors want the jobs

Sep. 21, 2023 at 6:00 am | Updated Sep. 21, 2023 at 6:00 am

The New York Times



How the Supply Chain Crisis Unfolded

By [Lazaro Gamio](#) and [Peter S. Goodman](#) Dec. 5, 2021

Ships stuck at sea, warehouses overflowing, trucks without drivers: The highly intricate and interconnected global supply

Los Angeles Times



A sign is shown near ongoing work on a project to replace water main pipes in downtown Tacoma, Wash., last 5. Warren / Associated Press

ENDORSEMENT: Six for the Super

CAUTION: Your guide to the 2022 California election

ENDORSEMENT: Four for Los Angeles College District Board of Trustees

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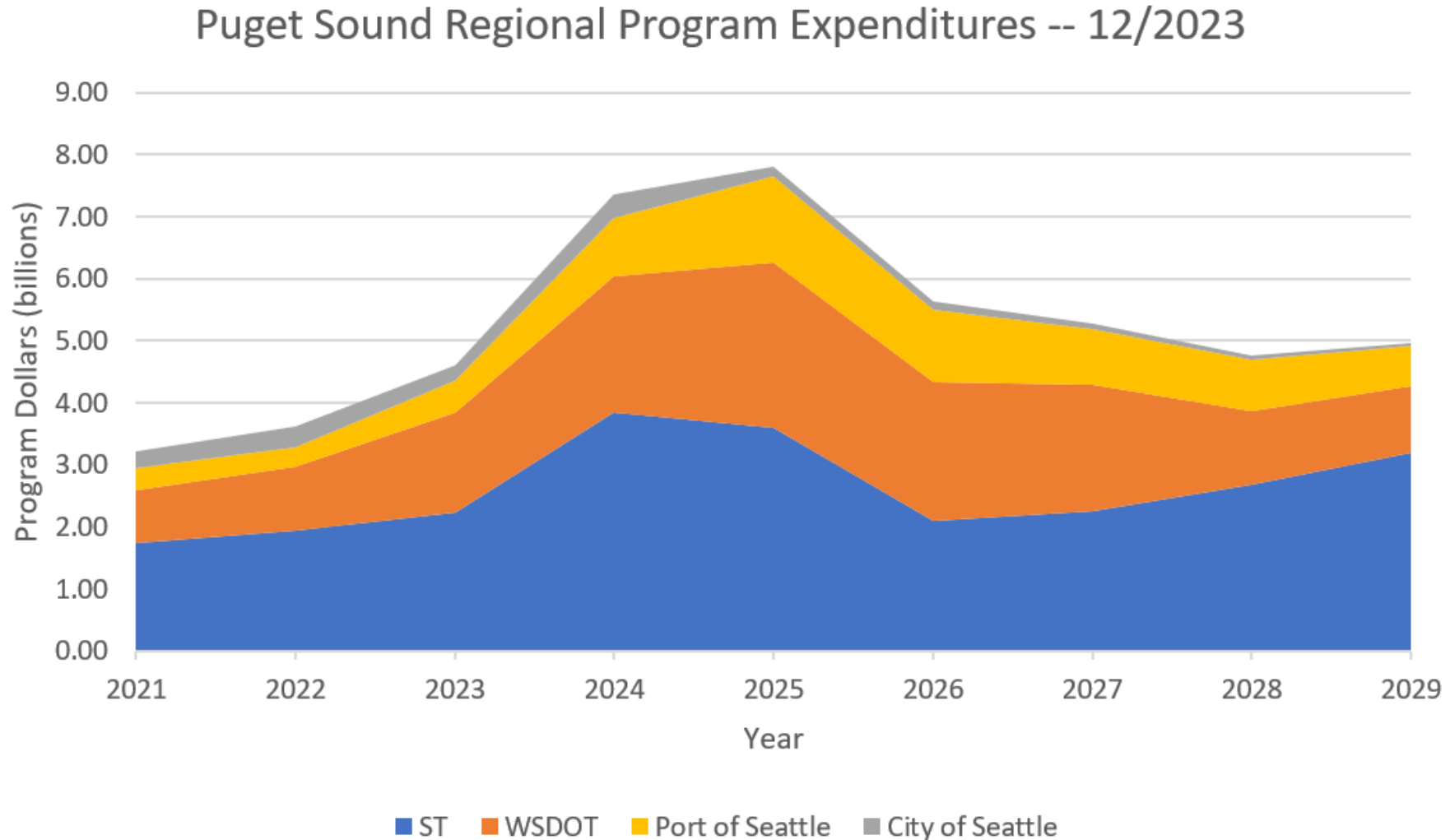
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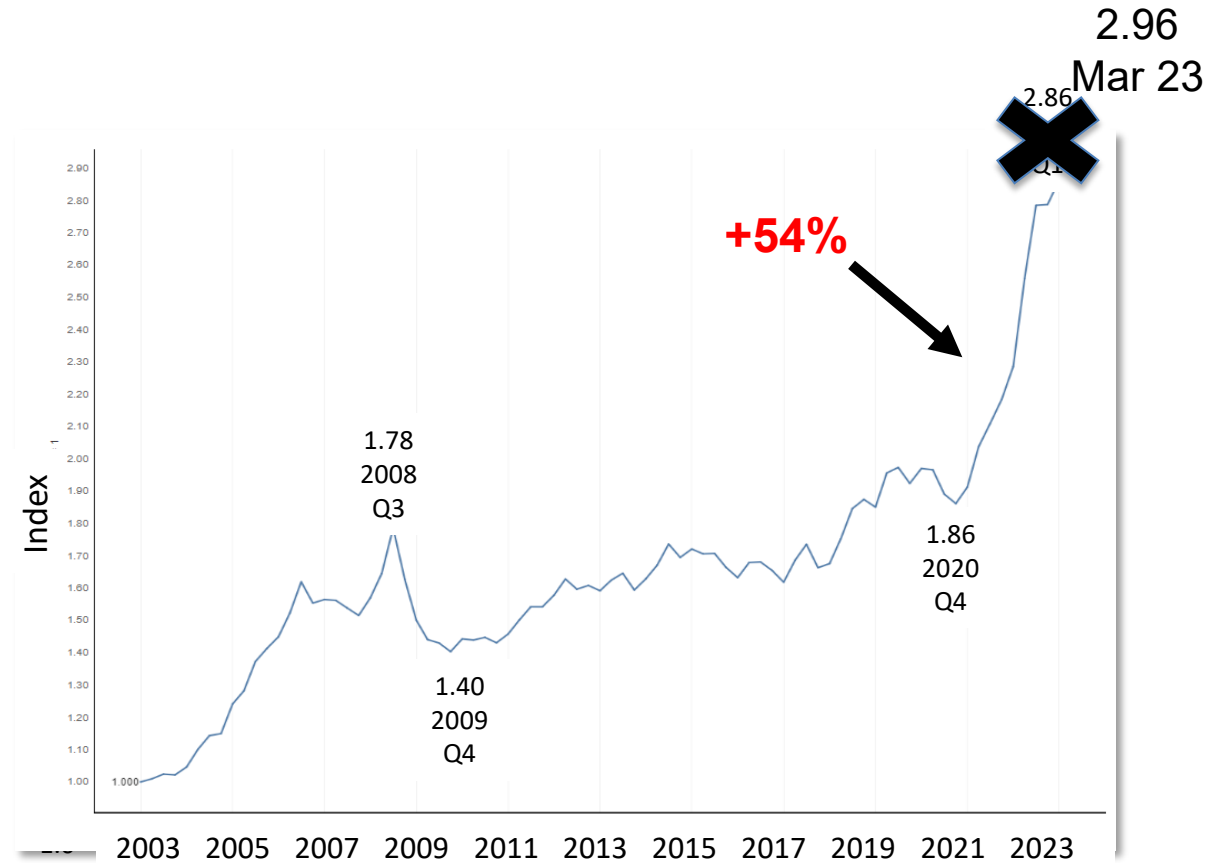
TxDOT officials, citing rising costs, predict they will need to say 'no' to some highway projects

Puget Sound's Combined Capital Programs



Historic escalation in National Highway Construction Cost Index

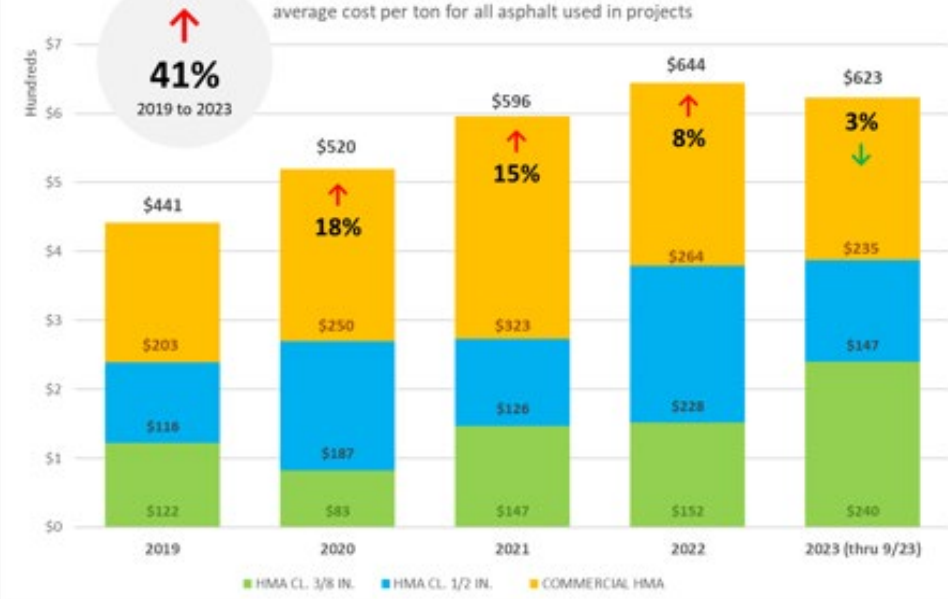
- Measures the average change in prices paid by State DOTs for roadway construction materials and services over time.
- Price changes in highway construction nationally.
- Many states and regions experienced more exaggerated cost spikes for certain commodities.



DATA SOURCE:
WSDOT bids data

Composite Asphalt Price Trend

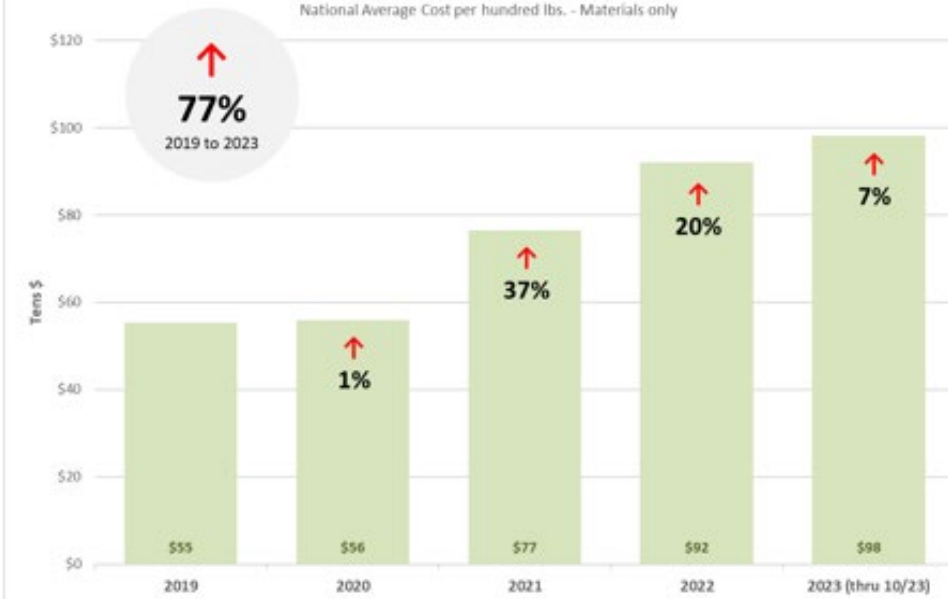
average cost per ton for all asphalt used in projects



DATA SOURCE:
ENR

Steel

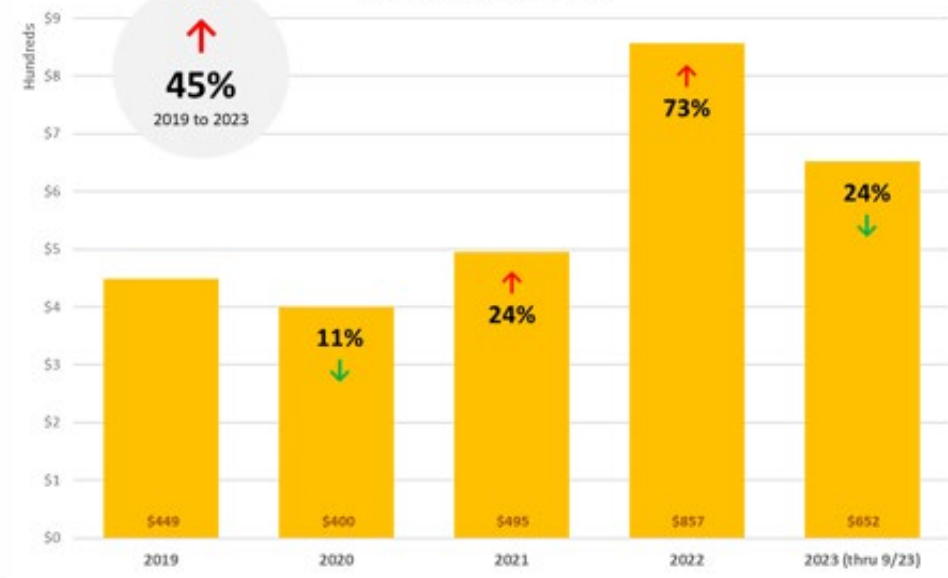
National Average Cost per hundred lbs. - Materials only



DATA SOURCE:
WSDOT bids data

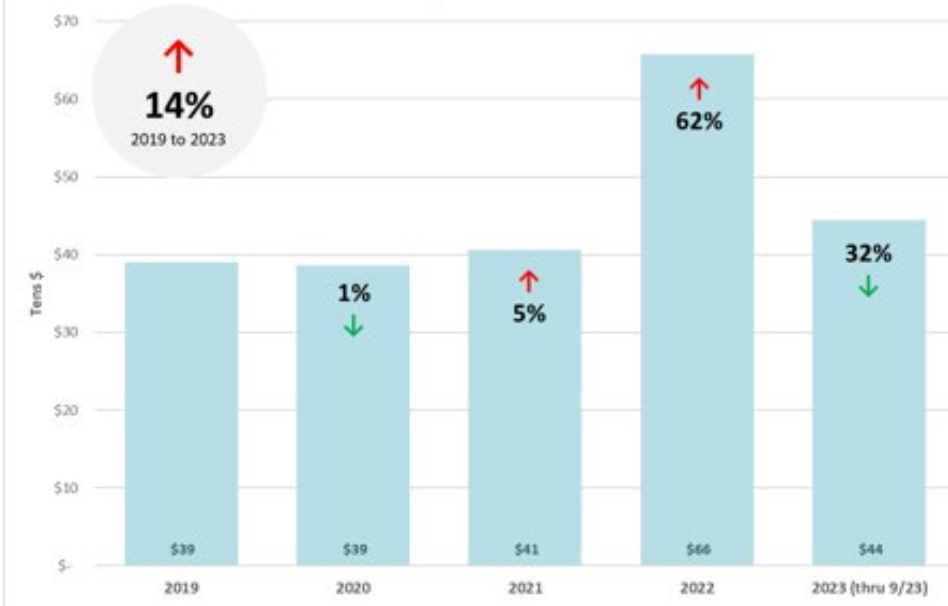
Cement Concrete Pavement Price Trend

concrete prices remain volatile



DATA SOURCE:
WSDOT bids data

Crushed Surfacing Base Course Cost Trend

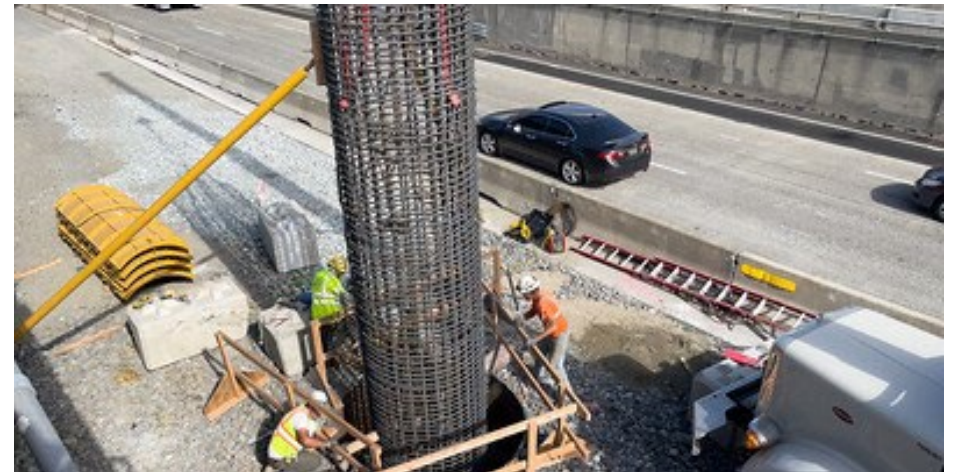


WSDOT's approach to cost estimating

- Combines historical data and best available information to predict future conditions
 - Inflation trends
 - Cost History
 - Material costs
 - Labor costs
 - Project-specific risks
 - Overall market conditions

Bids by the numbers: Design-Bid-Build

- Current bid climate appears to be normalizing.
- Typical average of 3.5 bidders per project in 2023, compared to downward trend in 2022.
- Costs are up, but the average difference between Engineer's Estimates and bid is tightening.



Bids vs Engineer's Estimate

January 2021 - May 2021 (65 projects) bids 3.4% below EE

June 2021 – May 2022 (102 projects) bids 11.8% over EE

June 2022 – May 2023 (113 projects) bids 2.3% over EE

June 2023 – January 2024 (44 projects) bids 5.4% over EE

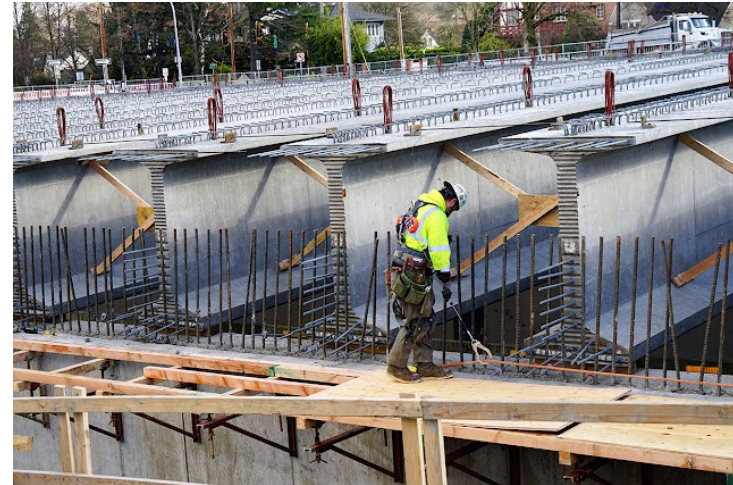
Bids by the numbers: Design-Build



Number of bidders on larger, complex, long-duration projects is down



Bid prices compared to Engineer's Estimate are up



Project/Program Cost Increases

- I-405 Brickyard to SR 527: EE: \$525M BV: \$834M
- SR 520 Portage Bay Bridge: EE: \$812M BV: \$1.4B
- Injunction Fish Barrier Program: Current Program Budget: \$3.8B
Revised Plan Estimate: \$7.3-7.8B
- SR 18 Hobart Rd to Deep Creek: Current Estimate \$600M
Updated Estimate: Feb 2024_±
- 2023 Contracts (100_± total) EE: \$706.2M Low Bids: \$712.5M

WSDOT will continue to proactively manage costs during construction

- Continue to utilize existing mitigation strategies
 - Cost adjustments – Fuel, Asphalt, Steel – payment or credit, depending on market
 - Materials on hand – Allows contractors to buy material and get reimbursed before the work is performed
 - Alternative Technical Concepts
 - Practical Design Pause
 - Design Builder Initiated Change
 - Value Engineering Change Proposals
- Focus on maintaining “Owner of Choice” status with industry – both AGC and ACEC
 - Clear and open communication – we listen and we consider their perspective
 - Commitment to treating contractors/consultants fairly, reasonably, and appropriately
 - Ensure our contracts balance risk appropriately
 - Provide adequate time, work hours, and timing of bids

Questions?

For additional information on
WSDOT Construction Costs and Bid Environment, please contact:

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