

FIELD MANAGER AND CONTRACT MANAGEMENT CONFERENCE

APRIL 1, 2015

Brenda O'Brien, P.E.
Engineer of Construction Field Services

Topics

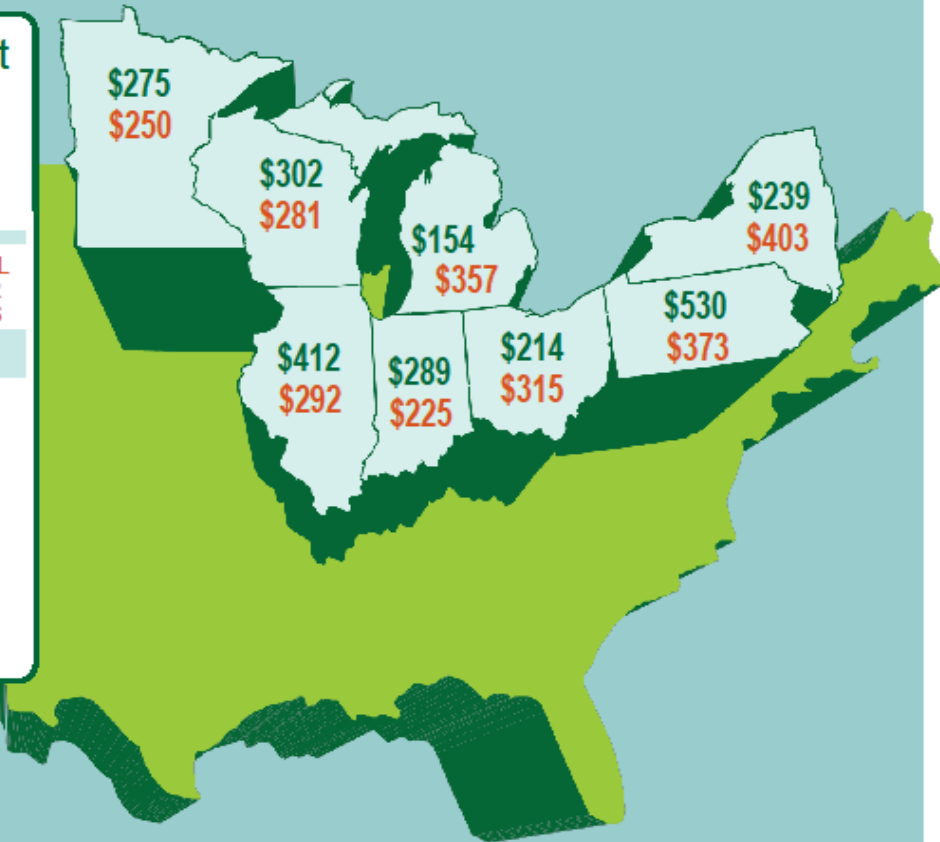
- Funding
- Warranties – Audit and the Future
- Statistics

Would you prefer to invest in roads to drive on or vehicle repair?

Per Capita State Investment in Roads compared to Vehicle Repair Costs from Driving on Poor Roads

STATE	INVESTMENT IN ROADS	ANNUAL REPAIR COSTS
MICHIGAN	\$154	\$357
Illinois	\$412	\$292
Indiana	\$289	\$225
Minnesota	\$275	\$250
New York	\$239	\$403
Ohio	\$214	\$315
Pennsylvania	\$530	\$373
Wisconsin	\$302	\$281

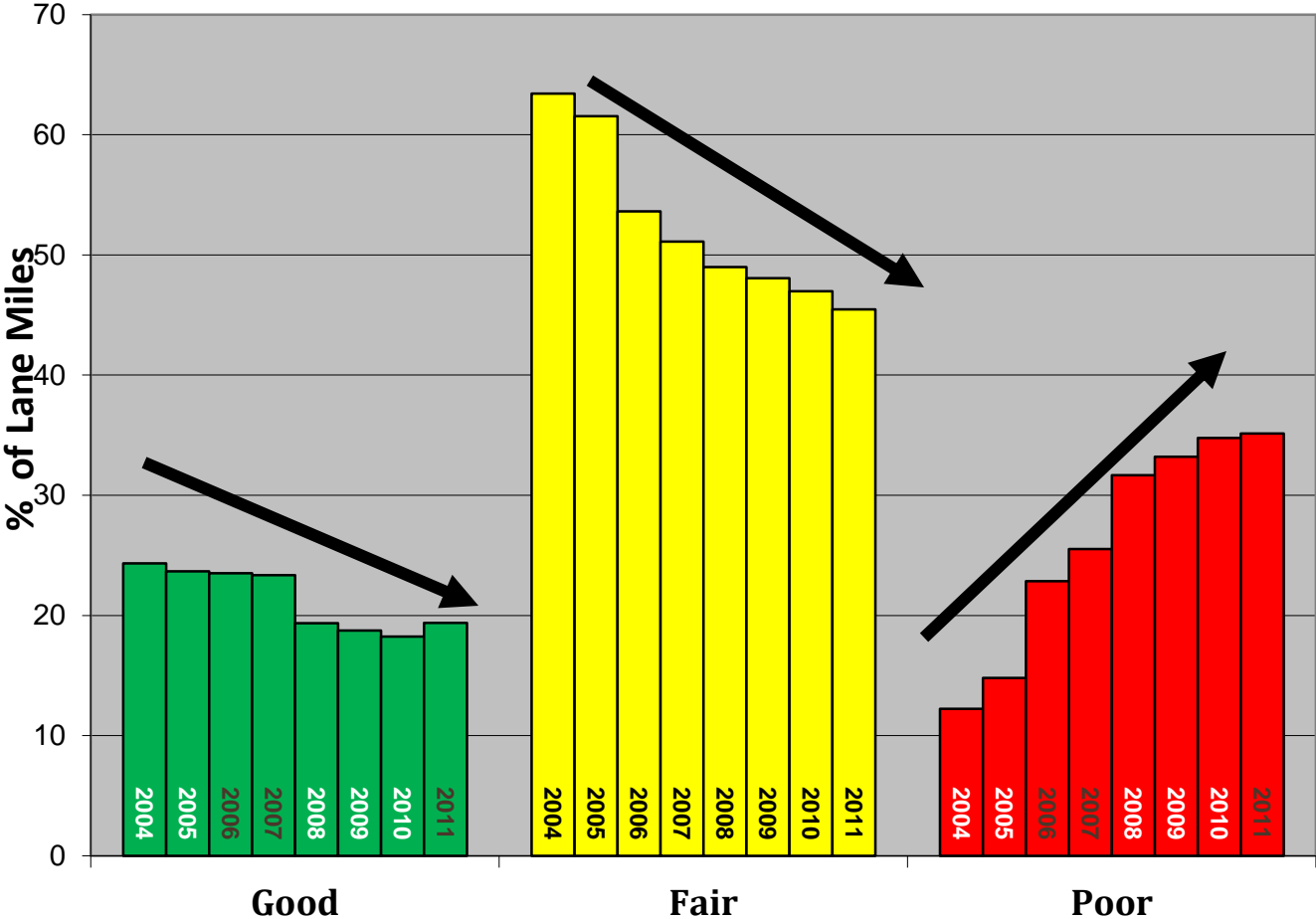
Sources: www.tripnet.org,
MDOT StaFand 2010 Census Data



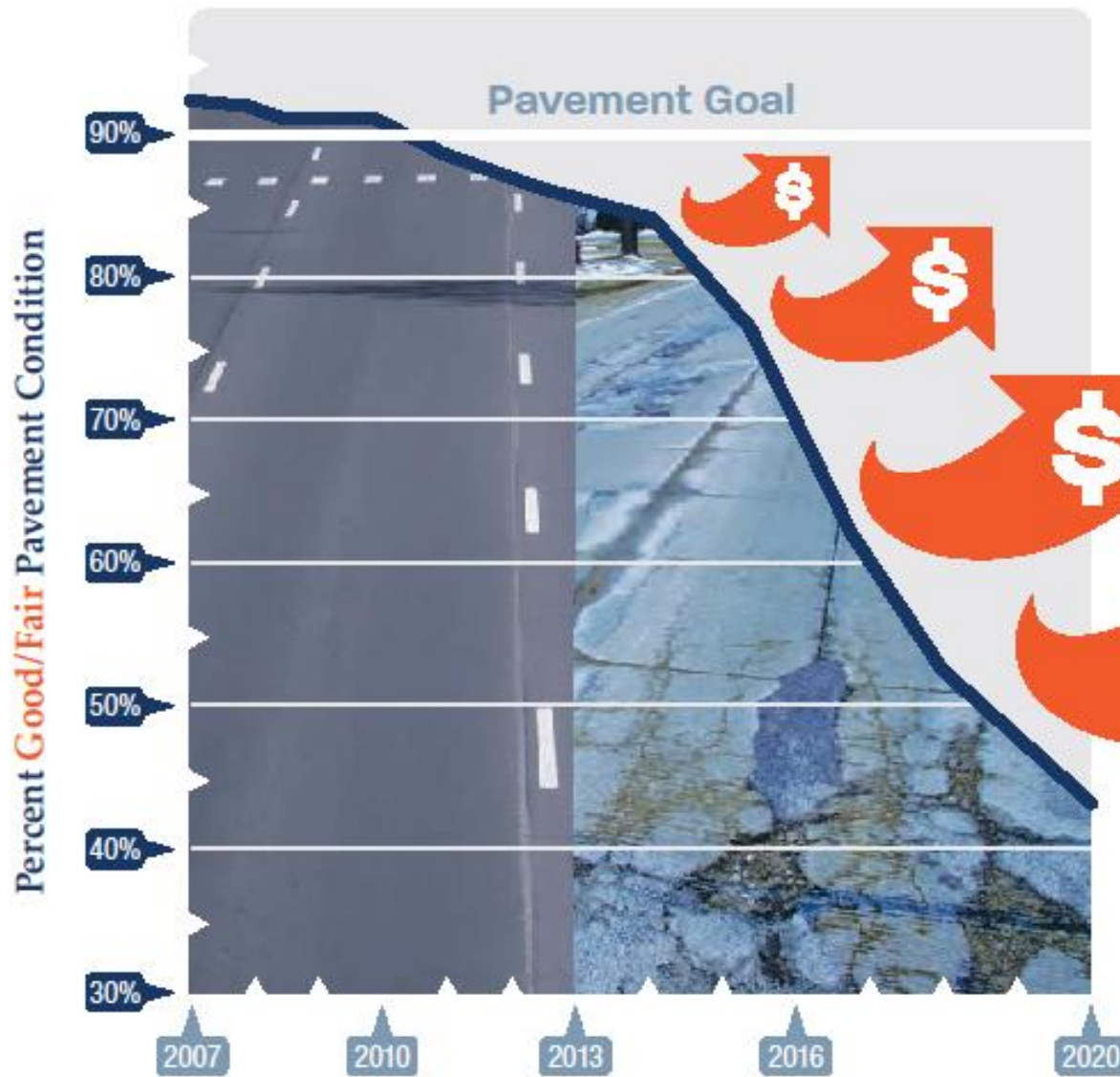
Other Great Lake states invest \$60 to \$376 more per person in transportation than Michigan.

What is the Condition of Michigan's Roads?

2004 - 2011 Pavement Condition



Pavement Repair Costs Increase the Longer We Wait



The longer we wait the more \$ needed to bring pavement conditions back up.

Because letting pavement deteriorate costs more in the long run.



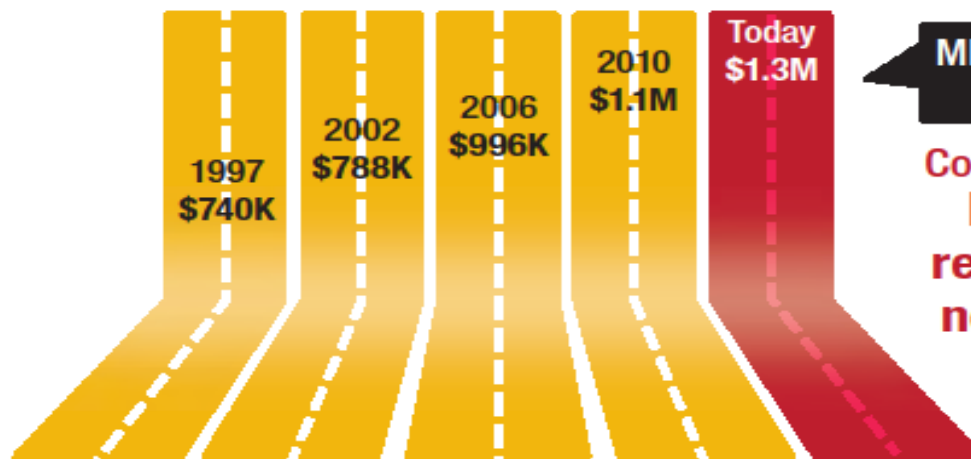
Road Repair Costs Increase with Inflation...

The last time Michigan's per gallon gasoline tax was raised was 1997.

Michigan's gas tax does not increase with inflation. The purchasing power of 19¢ is now 13¢.

Today's Value
13¢

1997
19¢



MDOT costs to rebuild 1 mile of highway

Cost are increasing but gas tax revenues have not kept pace.



↑(Inflation) + ↑(Road Costs) = ↓Road Rebuilding

...but the gas tax revenue does not!

Proposal 1 – May 5th

A PROPOSAL TO AMEND THE STATE CONSTITUTION TO INCREASE THE SALES/USE TAX FROM 6% TO 7%. TO REPLACE AND SUPPLEMENT REDUCED REVENUE TO THE SCHOOL AID FUND AND LOCAL UNITS OF GOVERNMENT CAUSED BY THE ELIMINATION OF THE SALES/USE TAX ON GASOLINE AND DIESEL FUEL FOR VEHICLES OPERATING ON PUBLIC ROADS, AND TO GIVE EFFECT TO LAWS THAT PROVIDE ADDITIONAL MONEY FOR ROADS AND OTHER TRANSPORTATION PURPOSES BY INCREASING THE GAS TAX AND VEHICLE REGISTRATION FEES.

Proposal 1- May 5th

- Sales Tax Increase from 6% to 7%
- Used to Fund Transportation?

NO!

Proposal 1 – May 5th

A PROPOSAL TO AMEND THE STATE CONSTITUTION TO INCREASE THE SALES/USE TAX FROM 6% TO 7%.

TO REPLACE AND SUPPLEMENT REDUCED REVENUE TO THE SCHOOL AID FUND AND LOCAL UNITS OF GOVERNMENT CAUSED BY THE ELIMINATION OF THE SALES/USE TAX ON GASOLINE AND DIESEL FUEL

FOR VEHICLES OPERATING ON PUBLIC ROADS, AND TO GIVE EFFECT TO LAWS THAT PROVIDE ADDITIONAL MONEY FOR ROADS AND OTHER TRANSPORTATION PURPOSES BY INCREASING THE GAS TAX AND VEHICLE REGISTRATION FEES.

State Fuel Tax Funding

Today

- 19 cents/gallon gas tax for transportation
- 6% Sales Tax for Schools and Locals = 15 cents/gallon
- Total paid = 34 cents/gallon
- Total towards transportation = 19 cents/gallon

Proposed

- 19 cent/gallon Eliminated
- 6% Sales Tax Eliminated

Add

- 14.9% Wholesale Tax = 42 cents/gallon (today)
- Total towards transportation = 42 cents/gallon

Proposed State Transportation Funding

- Increased Registration
 - Eliminates 3 year depreciation discount
 - Increased Truck Registration
- All revenues for transportation except
 - 10% for mass transit
 - 2 years debt pay down
 - Small portion to ORV trails
- Estimated \$1.2 Billion annual increase for transportation (fuel tax, registrations)

Proposal 1

- Increase Sales Tax from 6% to 7%
- Estimated \$830 Million Increase in Sales Tax Revenues
 - \$300 Million for Schools
 - \$90 Million for cities, townships, villages
 - \$463 Million General Fund

For More Information

www.Michigan.gov/roadfunding

Warranties

Warranties - Setting the Stage

▣ Why Warranties?

For MDOT - Public Act 79 of 1997 (effective July 28 1997) states “Of the amounts appropriated for state trunk line projects, the department shall, where possible, secure warranties of not less than 5-year full replacement guarantee for contracted construction work.”

Pending legislation to apply warranties to local agency roads and bridges.

Warranty History

1996 - 2014

- ▣ Over 3,300 warranties from 1996-2014
 - 62% CPM
 - 23% pavement rehabilitation/reconstruction
 - 15% bridge painting

- ▣ Corrective action needed
 - 4.7% of CPM Warranties
 - 14.6% of R&R Warranties
 - 43.7% of Bridge Painting Warranties

Warranty Audit

- ▣ OAG Audit 591-0210-14
- ▣ Objective: To assess the effectiveness of MDOT's efforts to monitor road and bridge construction project warranties
- ▣ "Not Effective"

Warranty Audit Findings

- ▣ Corrective Action not completed timely or at all
- ▣ Untimely Inspections and/or Documentation of Inspections
- ▣ Incomplete Information in Statewide Warranty Administration Database (SWAD)

Warranty Audit Response

- Enhancements to database
- Auto-generated reports
- Reviewing current procedures for improvements

Warranties - What's Ahead?

- ▣ Increased Reporting to State Legislature

- ▣ IF Legislation Requires Local Agency Warranties:
 - MDOT will work closely with the local agencies, CRA and MML to establish meaningful warranty programs

STATISTICS

TOP 10 PRIME CONTRACTORS AWARDED CONTRACTS

FY 2013	
Prime Contractor	Award Amount
Walter Toebe Construction Company	\$139,143,806.52
Dan's Excavating, Inc.	\$96,892,943.99
Ajax Paving Industries, Inc.	\$94,625,324.35
Rieth-Riley Construction Co., Inc.	\$81,449,136.18
C.A. Hull Co., Inc.	\$65,453,440.97
Michigan Paving and Materials Co.	\$57,085,022.10
Kamminga & Roodvoets, Inc.	\$45,525,065.22
Cadillac Asphalt, L.L.C.	\$39,579,893.73
PCL Civil Constructors, Inc.	\$31,690,145.49
Anlaan Corporation	\$31,334,800.85
<i>TOTAL - TOP TEN CONTRACTS</i>	\$682,779,579.40
<i>TOTAL AWARDED</i>	\$1,201,383,100.96
Percent of Total Program	56.83%

FY 2012	
Prime Contractor	Award Amount
Dan's Excavating, Inc.	\$115,489,713.02
Ajax Paving Industries, Inc.	\$62,186,661.74
Michigan Paving and Materials Company	\$50,703,867.66
Rieth-Riley Construction Co., Inc.	\$49,431,997.35
C.A. Hull Co., Inc.	\$48,350,643.73
Walter Toebe Construction Company	\$33,976,915.25
Cadillac Asphalt, L.L.C.	\$24,954,256.23
D.J. McQuestion & Sons, Inc.	\$24,765,136.30
Angelo Iafrate Construction Company	\$24,007,819.52
Kamminga & Roodvoets, Inc.	\$21,063,844.94
<i>TOTAL - TOP TEN CONTRACTS</i>	\$454,930,855.74
<i>TOTAL AWARDED</i>	\$923,919,075.05
Percent of Total Program	49.24%

Construction Program Management

Five Year Summary of MDOT Projects

Calendar Year	Original Contract Cost	Final Contract Cost	Percent Difference
2010	\$615,818,269.64	\$615,142,561.83	-0.11%
2011	\$833,072,906.02	\$842,999,015.92	1.19%
2012	\$771,130,483.23	\$768,530,401.94	-0.34%
2013	\$1,127,211,347.22	\$1,139,133,968.99	1.06%
2014	\$618,364,582.06	\$620,805,748.44	0.39%

QUESTIONS??