

January 2, 2020

To our Construction Partners,

Today MaineDOT is publishing our Construction Advertisement Plan (CAP) for calendar year 2020 on our website at <https://www.maine.gov/mdot/projects/advertise/plan>. As you know, the CAP is a subset of our upcoming Work Plan; it lists only *capital projects to be advertised for construction bids* from private contractors for *one* calendar year. The MaineDOT Work Plan includes *all work activities* for *three* calendar years, including all capital work, maintenance and operations activities, planning initiatives, and administrative functions. The 2020 edition of our three-year Work Plan for calendar years 2020 through 2022 is scheduled to be published on January 14, 2020. This narrative is intended to provide a high-level overview of the 2020 CAP.

Since we issued our Fall Forecast just before Thanksgiving, we have made some 2020 CAP adjustments to rebalance advertising schedules and add slightly more funding and a few more bridge and paving projects. Overall total program dollar levels are very healthy – largely due to use of discretionary grants secured by our Congressional delegation and by more strategically managing cash flow to “front load” 2020. These adjustments provide a more gradual transition to the apparent “new normal” of lower production levels resulting from higher construction costs. Our general approach is to prudently reflect fiscal realities without overreacting.

Again, the overall take-a-way of this 2020 CAP is that higher or level funding is yielding fewer projects due to higher construction costs and large, one-time projects. Snapshot summaries of specific capital work categories are as follows.

- Bridges funding is up by about two thirds over the average of the last three years, but the projected number of bridge projects is down by about one third. In addition to general cost inflation, this is largely driven by large, must-do bridge projects, such as the international bridge replacement project in Madawaska.
- Highway reconstruction and rehabilitation dollars are consistent with the average of the last three years, reflecting the delivery of projects funded with federal grants. However, because many of these projects are in downtown locations and include slope stabilization work, which have high per-mile costs, the number of miles improved is down by almost half.
- Regarding Highway Safety and Spot Improvements, a federal grant to improve safety and mobility through bundled traffic signal upgrades accounts for most of the near-doubling in dollars from the average of the last three years, while the number of projects is estimated to be down by about one third from that average.
- Highway Preservation Paving dollars have been supplemented since the Fall Forecast to be consistent with the average of the last three years, and by focusing on lighter treatments, we have been able to moderate the decrease in the number of miles paved to be about one fifth lower than the average of the last three years. Even with this short-term positive adjustment, this level of preservation paving admittedly is not adequate to sustain our highway system looking forward. Therefore, we will begin applying a low-cost holding action to higher priority roads, consisting of patching until normal treatments become fiscally possible.

- Light Capital Paving (LCP), a popular program which keeps our lower priority roads in serviceable condition, is projected to stay level at 600 miles for 2020. Moving forward, maintaining this level will become difficult because LCP is funded with Highway Fund dollars - not bonding. Accordingly, we will need to closely monitor state revenue and costs across our entire operating budget to determine available LCP funding each year. LCP production levels could be at risk starting in CY 2022 and will be in doubt all subsequent years without additional non-bond funding.
- Many multimodal capital investments for transit, rail, airports, seaports, and active transportation are delivered by transportation agencies other than MaineDOT such as transit agencies and railroads, so they do not appear in our CAP. (For example, our upcoming Work Plan includes an average of about \$24 million per year for capital transit investments not listed in the CAP.) Even with this limitation, multimodal capital projects appearing in the 2020 CAP are relatively robust reflecting delivery of large, one-time, higher-cost projects. These include over \$12 million for another replacement ferry vessel, \$8 million for rail bridges, over \$4 million for port and ferry facilities, and \$12.6 million for active transportation projects including the substantial Eastern Trail project, which has been in development for *many* years.

While this 2020 CAP is consistent with our mission of responsibly providing our customers with the safest and most reliable transportation system possible *given available resources*, we recognize that our capital program relies heavily on discretionary federal grants and bonding for basic needs, and that we are now competently managing a slow decline of our system until bipartisan funding solutions materialize.

As the 2020 CAP is implemented, please know that we are ready to adapt. If prices come in lower than anticipated or new funding becomes available, we will have projects ready to go to supplement our 2020 program. Alternatively, if state or federal funding does not materialize as expected or prices are higher than anticipated, we will adapt as we did last spring. In sum, we will remain nimble so that we put available funding to work as soon as prudently possible.

In closing, thank you for all you do to deliver critically needed transportation system improvements to the people of Maine. Wishing you a happy and safe New Year.

Respectfully, Bruce