

Major Streets Transportation Improvement Program: Biggest challenges are inflation risk and lack of codification

December 2024



Kristine Adams-Wannberg, CIA, CGAP
Washington County Auditor

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Cover Photo: Construction work on Cornelius Pass Road Bridge over Butternut Creek, August 2023. The orange net fencing marks boundary of work area, to protect the environment. Source: County Auditor's Office

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**Kristine Adams-Wannberg
Washington County Auditor**

December 20, 2024

Dear Washington County Community Members:

This report contains the results of our audit on the Major Streets Transportation Improvement Program (MSTIP). This unique program has provided about \$1.1 billion over almost 40 years to improve transportation safety and reduce congestion.

The objectives of the audit were to: 1) Identify the perceptions of the major risks for MSTIP in accomplishing its objectives, and 2) Review the links between the MSTIP's risks and issues and to assess whether the major risks can be viewed as audit findings and potentially be mitigated.

We found the MSTIP's most significant risks are financial in nature. The top ones are inflation impacts, adequate funding, and the cost of time delays. During the course of our review, we found problems related to these and other risks areas that are impacting the MSTIP. These fall into three issue areas:

- Lack of Codification.
- Need for methods to plan for unexpected costs.
- The 2017 Bicycle Facilities Policy.

We provide recommendations that are intended to honor MSTIPs history and give it a stronger structure in which to operate in the future. We also make recommendations to improve budget practices and to streamline some processes to make them more efficient and cost less.

We appreciate the cooperation of the Department of Land Use & Transportation, the Department of Finance, and the County Administrative Office throughout the audit.

Thank you,

A handwritten signature in purple ink that reads "Kristine Adams-Wannberg".

Kristine Adams-Wannberg, CIA, CGAP
Washington County Auditor

Report Highlights

Why this Audit is Important

The Major Streets Transportation Improvement Program (MSTIP) is a significant County program. It has provided \$1.1 billion over almost 40 years to improve transportation safety and reduce congestion.

The program has had challenges, such as getting projects done timely and dealing with large cost increases, among other issues.

We performed an assessment to identify significant risks. Risk is the possibility that an event will occur and adversely affect the achievement of program objectives. Risk identification is the first step to mitigating the risk.

We identified a total of 17 risks. These risks ranged from inflation impacts and limited funding to availability of personnel and the effects of severe weather.

What We Found

We found risk-related problems that are impacting MSTIP:

- The MSTIP is not authorized and defined in the County Code and lacks official policies.
- The MSTIP's approach to equity and equality is unclear and should be defined in policy.
- The County did not comply with Policy 404: Budget.
- MSTIP did not comply with the contingency required before 2024 and new requirements will hinder access to its new reserve.
- Past projects lacked sufficient contingency and inflation assumptions in their cost estimates.
- Not all projects are protected equally from inflation.
- The 2017 Bike Facilities Policy is not needed and costs time and money.

Front loader at MSTIP Project Aug. 2023



Source: County Auditor's Office

What We Recommend

We recommend the following:

- Establish the MSTIP in County Code.
- Establish policies to direct the MSTIP.
- Clarify the County's approach to project equity and equality.
- Comply with Policy 404: Budget or change it.
- Get an exception from establishing a reserve for future use.
- Continue to improve project cost estimates.
- Define fair and equitable for the different ways of funding MSTIP projects in policy.
- Update road design standards to include separate bicycle facilities.
- Revoke the 2017 Bicycle Facilities Policy.

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Background

The Major Streets Transportation Improvement Program (MSTIP) is a program unique to Washington County

MSTIP was based on separate ballot measures prior to Measure 50.

The Major Streets Transportation Improvement Program (MSTIP) is a County program that has provided \$1.1 billion over the last almost 40 years to support improving safety and reducing congestion on major streets in Washington County. It is one of the County's most significant programs in terms of total budget and partnerships with other local governments.

In 1986, voters in Washington County enacted a serial levy titled the Major Streets Transportation Improvement Program (MSTIP or "the program") to fund transportation improvement projects. The first MSTIP levy was for \$9 million per

Ballot box



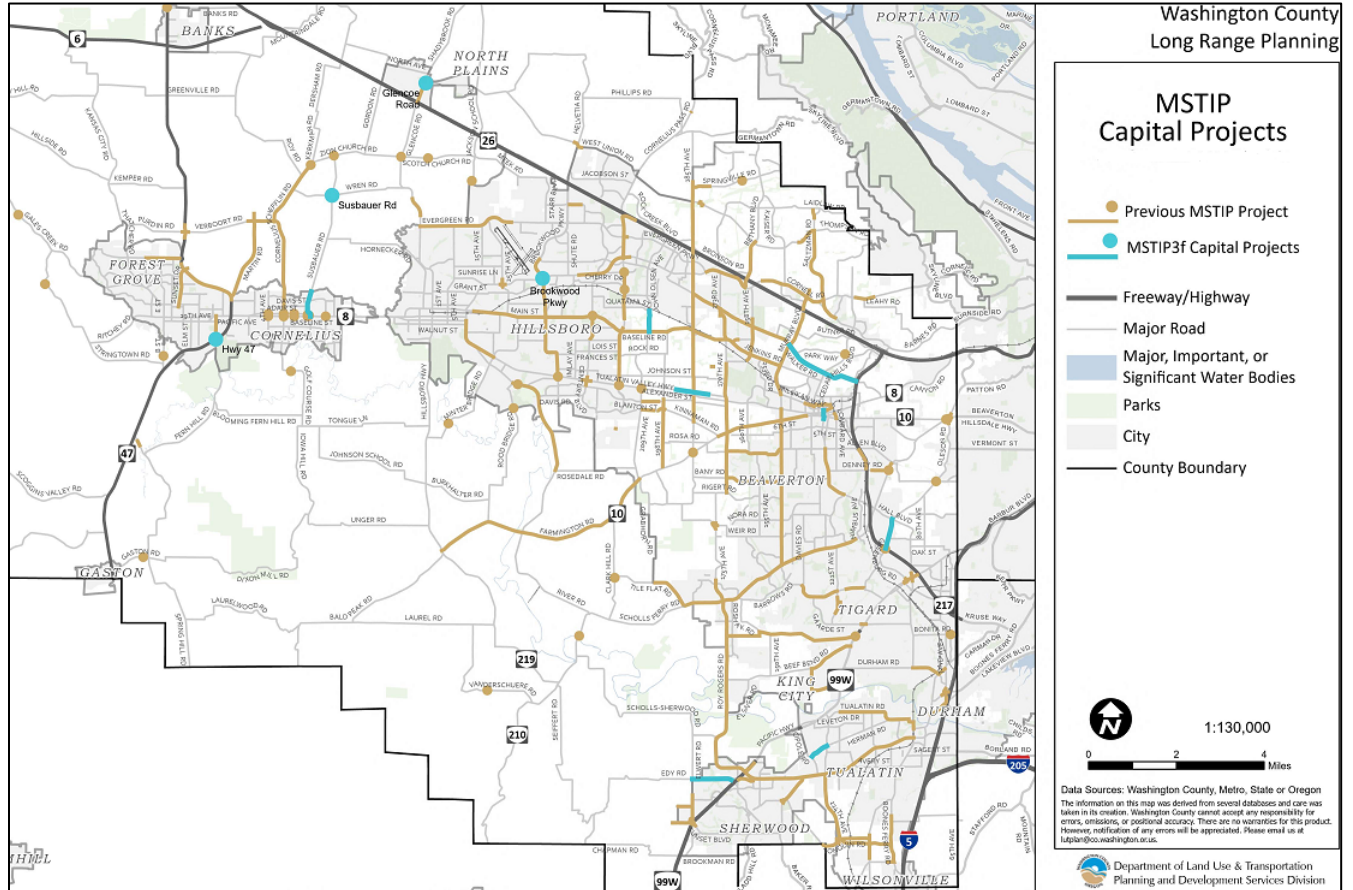
year for three years. The MSTIP continued in serial levies approved by voters in 1989 (MSTIP 2) for \$10 million per year for six years and 1995 (MSTIP 3) for \$21.7 million per year for six years. These levies funded specific lists of capital road improvement projects identified in each ballot measure. The program funded by these tax levies was numbered by the order of the ballots.

Voters approved Ballot Measure 50 (M-50) in 1997. This reduced the MSTIP 3 levy by 18.6 percent and rolled it into Washington County's permanent property tax rate. From 1997-98 onwards, the MSTIP 3 contribution to the County's property tax revenue became an ongoing part of the County's General Fund.

The County transferred a portion of the General Fund's revenue to the MSTIP III Fund each year to support projects, including MSTIP funding cycles 3b, 3c, 3d, and 3e. The post M-50 MSTIP funding cycles (after the third MSTIP levy approval) were numbered as "MSTIP 3+ a letter" in

alphabetical order of the Board's funding decision. Each funding cycle is about five-to-six years.

Figure 1: Map of MSTIP capital projects



Source: Land Use and Transportation

Roads in any jurisdiction may benefit people from other jurisdictions as they travel across the county. The map above includes projects allocated MSTIP funds. It includes projects to replace rural bridges for MSTIP 3d (\$10 million) and 3e (\$7 million). The map does not include rural bridge replacement projects for 3f. MSTIP 3f was allocated \$10 million for this in June 2024.

The Department of Land Use & Transportation (LUT) manages the MSTIP. LUT's Planning & Development Services manages the process to gather project ideas from around the county to apply for each funding cycle. These ideas are

reviewed by County and city staff and submitted to the Washington County Coordinating Committee (WCCC) for consideration. It recommends what projects to fund to the County Board. The WCCC's voting members are one county commissioner and one elected representative (normally the

Road improvement is not the same as on-going maintenance. MSTIP projects include the replacement of bridges, new lanes, streetlights, traffic signals, safety improvements, sidewalks, and bike facilities.

mayor) from each of the 13 cities within the county: Banks, Beaverton, Cornelius, Durham, Forest Grove, Gaston, Hillsboro, King City, North Plains, Sherwood, Tigard, Tualatin, and Wilsonville.

The Board of County Commissioners makes the final decision on what projects are funded. Once approved, LUT's Capital Project Services Division takes over the management of these projects, contracting out the design and the construction.

Recent program efforts have included enhanced community engagement

LUT developed a formal process to select projects and allocate funding for the most recent cycle, MSTIP 3f. LUT managed this process while handling the COVID-19 pandemic, the ice storm of 2024, wildfires, leadership changes at the County and among the cities, the implementation of the County's first Capital Improvement Plan, two years of budget cuts, and the

Community event celebrating the Cornelius Pass Road bridge over Butternut Creek, August 2024



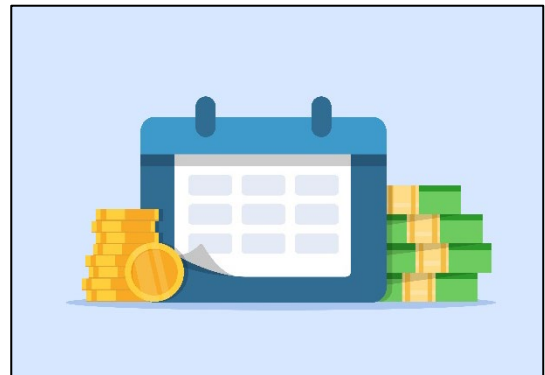
Source: County Auditor's Office

reapportionment of commissioner districts.

LUT went to considerable effort to increase participation from historically excluded community members in the development of the equity metrics. These metrics were used to evaluate submitted projects. There was a wide range of participation from people of all racial categories, ranges of annual household incomes, people living with disabilities, and those with limited English language proficiency. The other metrics used were to evaluate projects focused on the projects' impact on safety, economic vitality, livability, and the natural environment.

In 2022, LUT took a list of 25 projects to the public to gain input about the community priorities for the limited MSTIP project funding. The department brought the results of this community engagement on those projects and their refined cost estimates back to the Board.

Later that year, the County paused prioritizing future MSTIP 3f (2023-2028) projects. It did this to focus on developing the County's initial Capital Improvement Plan and to reassess funding needs for



previously approved MSTIP 3d and 3e projects. In addition, the County was working through budget challenges. The results of the community engagement work, however, were used in December 2023 when the WCCC considered which projects to recommend for the Board's approval of MSTIP 3f funding in June 2024.

By the time the Board approved \$250 million funding including 13 capital improvement projects for the MSTIP 3f cycle, the project selection and funding allocation process was at least 18 months delayed. When the Board adopted the work plan for this MSTIP cycle in 2021, it anticipated allocating project funding in November 2022, using expected MSTIP revenues for fiscal years (FYs) 2023-28.

The MSTIP project selection, funding, and construction cycle has a longer timeline than the County’s capital improvement plan and annual budget process

The MSTIP cycles are different than those used for the County’s capital improvement plan (CIP) or annual budget. The County’s annual Adopted Budget addresses appropriations for the next fiscal year, and the CIP includes capital project planning for a five-year timeline. The MSTIP cycles, though, may be about five or six years, but can get extended if projects are large. There are projects that may take up to ten or 12 years.

When projects get delayed or cost more than planned, the MSTIP cycle can take longer than anticipated. This is done to ensure the projects the County committed to are completed. It can also mean projects for a new cycle are delayed until legacy¹ projects are done. For example, the most recent MSTIP cycle was referred to as MSTIP '23-'28 until November 2023, when the name was changed to MSTIP 3f, to be funded by the program’s revenues in FYs 2024-29. However, the FY 2024-25 Adopted Budget does not include money for MSTIP 3f in the MSTIP III Fund, except for \$2.25 million for design. Substantial work on MSTIP 3f projects will not start until FY 2025-26, which is another year’s delay.

The reasons for time delays varies. In the past, the LUT has rescheduled some projects, for example to prevent the new roads being dug up by the Willamette Water Pipe Supply project.



The timing of the annual budget, the County’s five-year capital improvement plan, and the MSTIP cycle do not always cleanly line up with each other. The annual budget is prescribed based on state laws and rules. The five-year CIP is relatively new for the County. The MSTIP cycle is based on past practice, funding availability, and project timelines. For logistical and cash-flow reasons, not every project approved for funding in a MSTIP cycle can start in year one of that

¹ We use the term “legacy MSTIP projects” for those that have not been completed but were in the groups of capital improvement projects allocated funding in the MSTIP 3c, 3d, 3e, and Bonded Cost-sharing funding cycles.

cycle. LUT uses the revenues that appear to be earmarked for one cycle to complete projects from earlier cycles.

This practice is not breaking any rules or recommended practices. It simply looks odd since there is no official authorization in County Code or policy for this practice of treating the MSTIP III Fund like a revolving fund².

Risks to the program achieving its objectives and perceptions of risks

The MSTIP's objectives have always been improving safety and reducing congestion on major streets in Washington County. Over time, the MSTIP's objectives have evolved to include addressing the needs for all travelers, including bicyclists and pedestrians as well as drivers. Since the program represents significant County spending, partnerships with other jurisdictions, and impact to the public, we chose to look at the risks this program is facing to achieving its objectives.

Risk is the possibility that an event will occur and adversely affect the achievement of objectives.

We identified a number of risks, as listed by their risk type:

² A revolving fund is used to finance a cycle of businesslike operations through amounts received by the fund. Receipts collected by the revolving fund are available without the need for further action by the governing body and without fiscal year limitation.

Figure 2: The MSTIP’s risks identified and their risk type

MSTIP Risk Area
<p data-bbox="233 317 1383 359">Financial and Economic Risks</p> <ul data-bbox="293 394 1383 835" style="list-style-type: none"> <li data-bbox="293 394 1383 436">• Inflation/rising costs on MSTIP projects. <li data-bbox="293 464 1383 562">• Debt risk. The County borrows money to build some MSTIP projects faster. Repaying that debt and the interest for some projects may reduce the money available to build other MSTIP projects. <li data-bbox="293 596 1383 764">• Insufficient County funding, combined with a need or desire for funding from local, state, or federal governments. The MSTIP is funded by a share of Washington County’s property tax. Sometimes the County seeks additional funding from other sources when current sources aren’t enough to cover projects. <li data-bbox="293 800 1383 835">• Project time delays. MSTIP projects are completed later than planned.
<p data-bbox="233 869 1383 911">Socio-Political Risks</p> <ul data-bbox="293 947 1383 1423" style="list-style-type: none"> <li data-bbox="293 947 1383 1010">• Washington County reduces or discontinues support (financial and/or other) for the MSTIP. <li data-bbox="293 1045 1383 1178">• Local governments will not collaborate to recommend projects for MSTIP funding and/or allow their construction. The MSTIP needs a large degree of collaboration with multiple jurisdictions, especially for mixed jurisdiction over certain roadways. <li data-bbox="293 1213 1383 1318">• Turnover of local elected officials. A newly elected official may ask, for example, for changes to a MSTIP project’s scope or funding agreements already in place. <li data-bbox="293 1354 1383 1417">• Equity of project selection. Lack of clarity over the equity or fairness of project-selection for MSTIP funding. √
<p data-bbox="233 1457 1383 1499">Management Risks</p> <ul data-bbox="293 1535 1383 1871" style="list-style-type: none"> <li data-bbox="293 1535 1383 1598">• Washington County Coordinating Committee’s role changing to become less involved in the MSTIP project selection process. <li data-bbox="293 1633 1383 1766">• Non-availability and limited availability of County and contract personnel. This is the risk that the County and its contractors will not have enough staff to manage or build the MSTIP projects, due to retirements and recruitment challenges. <li data-bbox="293 1801 1383 1871">• Design risk. The risk of the County requiring multiple designs for each MSTIP project, with the chance of project scope creep.

- **Capital Improvement Planning Program (CIP) changes.** The County has started a new multi-year program to plan for capital expenditures, including MSTIP projects. ¶

Legal Risks

- **Contract risk** that the contracted design or construction firms do not deliver what was promised in the contract. Non-delivery can lead to lawsuits.
- **Risk of accidental noncompliance with laws and/or regulations.** The MSTIP projects must follow numerous requirements in the Oregon Department of Transportation Specifications and in the Washington County Special Provisions.

Other Risks

- **Severe weather.** The risk that construction work will stop or be delayed, due to extreme weather events.
- **Earthquake.** The impact of a major earthquake. This was considered to belong to the County's disaster recovery plan. ¶
- **Supply-chain risk leads to the non-availability of building materials needed for transportation construction.** It can take the County months to obtain certain materials for the MSTIP projects.

Source: County Auditor's Office

¶ We did not include this in our survey. Earthquake risk was beyond the scope of our audit. These risks of the County's new Capital Improvement Plan/Program and the lack of clarity over equity of project selection were too complicated to explain in a survey. We included both these risks during our review and have reported on them in this report.

Results of our Survey

We performed an anonymous survey of the program’s stakeholders³ to assess their perception of the likelihood and impact levels of these risks, and to see if we had missed any. See Appendix B: April 2024 MSTIP Risk Survey Questions for the questions we asked.

We obtained valid responses from 41 of the 63 people we surveyed, for a response rate of 65 percent.

Figure 3: Table of Average MSTIP risk rankings

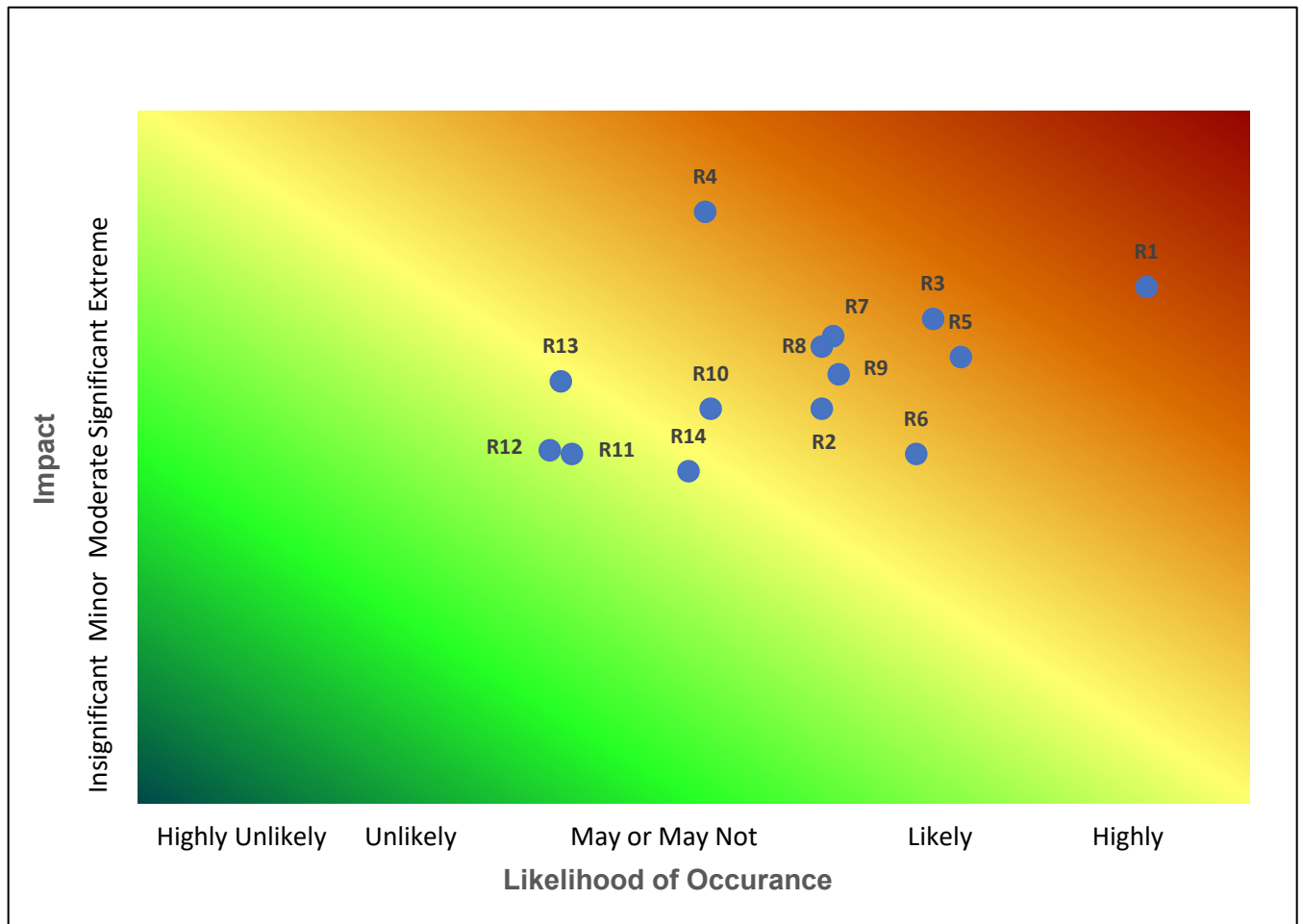
Risk #	Risk Name	Likelihood	Impact	Total Risk Ranking ⁴ (Likelihood x Impact)	
R1	Inflation/rising costs	4.54	3.73	16.93	1st
R3	Insufficient WC funding	3.58	3.50	12.51	2nd
R5	Project time delays	3.70	3.23	11.93	3rd
R4	WC reduces or discontinues support	2.55	4.28	10.90	4th
R7	Supply-chain risk	3.13	3.38	10.55	5th
R8	Non- & limited availability of personnel	3.08	3.30	10.15	6th
R9	Design risk	3.15	3.10	9.77	7th
R6	Severe weather risk	3.50	2.53	8.84	8th
R2	Debt risk	3.08	2.85	8.76	9th
R10	Contract risk	2.58	2.85	7.34	10th
R14	Turnover of local elected officials	2.48	2.40	5.94	11th
R13	Local governments not collaborating	1.90	3.05	5.80	12th
R11	Accidental noncompliance	1.95	2.53	4.92	13th
R12	WCCC becoming less involved	1.85	2.55	4.72	14th

Source: Washington County Auditor’s Office, based on survey responses of risk perceptions.

³ Stakeholders are defined in the Methodology section, but generally include mayors, technical staff from the cities, and managers from the Department of Land Use & Transportation.

⁴ Total risk ranking is calculated as average of all respondents’ rankings for likelihood multiplied by the average of all respondents’ rankings for impact, for each risk. (Rounded to up 2 decimal places.)

Figure 4: Heat Map of average stakeholder perceptions of MSTIP risks
 (Risk “R” numbers are named in Figure 3 above.)



Source: County Auditor’s Office

The heat map presents the risks that should be priorities for management’s attention closest to the top right corner, where the most extreme impact meets the highest likelihood of a risk occurring. These top risks are R1 inflation/rising costs, R3 insufficient Washington County funding, and R5 project time delays. Risk R4, that Washington County reduces or discontinues support for the MSTIP, was perceived as may or may not be likely, but would have an extremely significant impact if it does occur.

Findings 1 through 3 and Recommendations

The program lacks codification and has evolved since the original ballot measures

The connections between the risks identified and our audit findings are complex. One risk can cause a finding, yet that same finding may be the cause of another risk. We have laid out these connections in Appendix C: Alignment of MSTIP Risks and Audit Findings.

During the course of our review, we found problems that already are impacting the MSTIP. These fall into three issue areas:

- Lack of Codification.
- Need for methods to plan for unexpected costs.
- The 2017 Bicycle Facilities Policy.

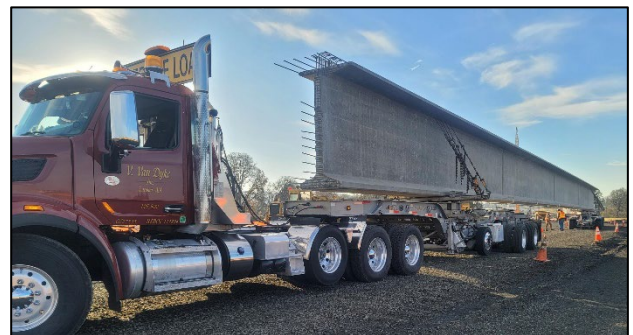
Addressing these will help mitigate several of the risks we identified. In addition, see Appendix D: Possible Responses to the MSTIP Risks.

Finding #1: The MSTIP is not authorized and defined in the County Code and lacks official policies

MSTIP is a significant program to the County. In the FY 2024-25 Adopted Budget, the MSTIP III Fund's \$299.5 million expenditures make up 65 percent of the County's capital budget and 14 percent of the County's \$2.1 billion total budget. It improves the utility of transportation assets for the public and promotes valuable partnerships with other local governments.

Cornelius Pass bridge beam, Nov. 2023

Interestingly, although the program is almost 40 years old, the MSTIP is not included in the County Charter or code because of its history of ballot measures. The County's longest serving



Source: Department of Land Use & Transportation

commissioner did not know why it was not codified. There is also not any Board-adopted policy to set out the direction of the MSTIP. MSTIP did not have an up-to-date set of program procedures for 20 years, until June 2024. Before then, the procedures did not reflect changes to the program such as the set-aside of allocated funds in an unofficial Opportunity Fund.



There is no protection of the MSTIP's existence and provision for levels of funding. Measure 50 did not require the County to continue to dedicate the MSTIP share of property taxes to the purpose of major street transportation improvements.

The County has continued to allocate funding from the General Fund to the program over time, though at varying levels. The total amount allocated to the MSTIP has risen over time. However, the MSTIP's allocation share has been reduced, from 38 percent of the County's total property taxes to be received in 1996 to 30 percent of taxes distributed within the County's organization in 2022. Survey respondents felt that the funding reductions would have an extremely significant impact.

Our office drew the Board's attention to the MSTIP's lack of codification in February 2024, including the deficiency in internal controls it represents. Management should design controls to achieve a program's objectives and respond to risks and should implement those controls through policies.

This program has evolved over time. It used to be a program paid for by tax levies. Now, the Board gives the MSTIP a part of the property tax revenue from the General Fund each year, but the amount is at the Board's discretion. It used to be a program with a pay-as-you go approach and now some debt financing is being used for some projects.



Many projects are not paid only by the County funding and state and federal matching funds, but also by other local sources helping share the costs. Type of projects have also been expanded, such as adding space for bicycles and pedestrians to the program, which were not originally included.

The program is a significant one not only for the County but also other government jurisdictions. The County can honor the MSTIP's past and use those lessons as it plans for its future. That may require a re-thinking of the purpose and requirements of the program. Codification of the program would provide it needed authority, structure, and clarity.

Recommendations for Finding 1:

Recommendation 1-1: Establish the MSTIP in County Code

The County Administrator, through the Department of Land Use & Transportation, should draft County Code that authorizes and defines the purpose and governance of the MSTIP. The Board of Commissioners should review the proposed code for adoption.

Recommendation 1-2: Establish policies to direct the MSTIP

The Department of Land Use & Transportation should draft administrative policies that provide direction and the philosophy for how the MSTIP should manage and fund its work. The County Administrator should review these policies for adoption.

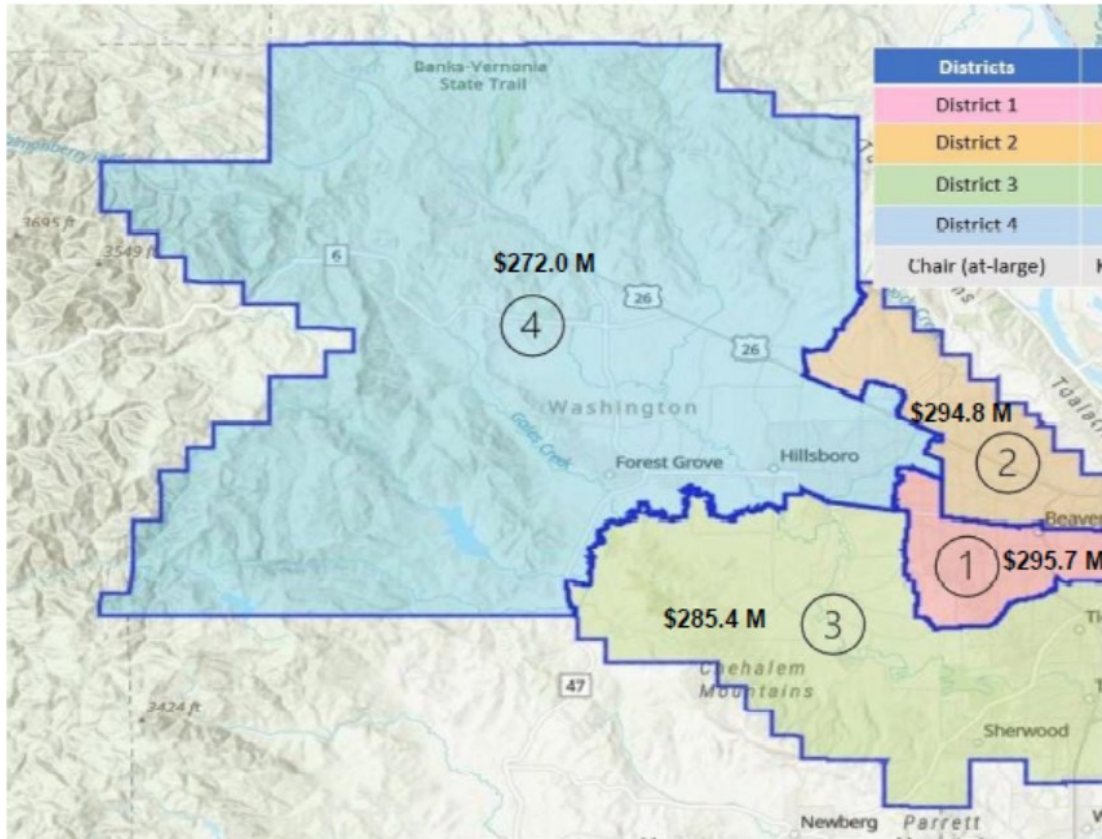
Finding #2: The MSTIP's approach to equity and equality in recommending MSTIP projects is unclear and should be explained in policy

In addition to metrics for congestion and safety, LUT has developed two different aspects it uses to help in the selection of MSTIP projects to be recommended to the Board – equality and equity. These two elements can be at odds with each other and there is no official direction on how they interact or if one takes priority.

Over time, the County's practice has moved to allocating an equal amount of funding to each commissioner district to support MSTIP projects. This practice is based on verbal direction from the Board.

The first three MSTIP ballot levies were for specific lists of projects. According to LUT management, MSTIP 1 gave 66 percent of the funding to commissioner District 1 and just 5 percent went to District 4, while for MSTIP 2 the largest share of funding, 34 percent, went to District 4. In 2016, for MSTIP 3e, the County allocated about 25 percent of the money to each district. By then, the total historical allocation, from 1986 to 2023, for each district was almost equal. Districts 1 and 2 had 26 percent each, District 3 had 25 percent, and District 4 had 23 percent of total MSTIP funding allocations.

Figure 5: MSTIP funding allocated to projects by commissioner district 1986-2024



Source: County Auditor's Office using Land Use & Transportation's data.⁷

Figure 6: MSTIP funding allocated to projects by commissioner district 1986-2024 (\$ millions)

District #	MSTIP 1 – 3e & Bonding Cost-Share ⁵	MSTIP 3f	All MSTIP	%
District 1	\$ 248.3	\$ 47.4	\$ 295.7	25.8%
District 2	\$ 247.3	\$ 47.5	\$ 294.8	25.7%
District 3	\$ 234.4	\$ 51.0	\$ 285.4	24.9%
District 4	\$ 222.9	\$ 49.1	\$ 272.0	23.7%
Total Funds	\$ 953.0	\$ 195.0	\$1,148.0	100.0%

Source: County Auditor's Office using Land Use & Transportation's data.⁶

⁵ The Bonding Cost-sharing projects in residential high-growth areas are a MSTIP sub-program. They were allocated County funding from bonds issued by the County. See Appendix A: MSTIP History for more details.

⁶ Amounts have not been adjusted for inflation or changes to commissioner district boundaries since the MSTIP began. The commissioner district boundaries shown are the current ones. The County Auditor's Office has confirmed the accuracy of the MSTIP 3e & Bonding Cost-sharing project allocations but was unable to confirm the amounts for MSTIP 1 – 3d included in the MSTIP 1 – 3e shown above.

For the MSTIP 3f funding allocation process, Land Use & Transportation added equity as a metric in assessing which projects to fund. This addressed the County's February 2020 Equity Resolution, where the Board resolved and ordered that it will, "commit to fostering, supporting and strengthening equity and inclusion in the County's programs, practices and policies." The Equity Resolution applies to the Major Streets Transportation Improvement Program as a program involving the County's public resources.

Equity: The result of fairness and justice in the creation and delivery of public policy. Equity in Washington County will exist when every county resident participates fully in the region's economic vitality, has access to the County's services and other resources, and has the opportunity to reach their full potential.
-The 2020 Equity Resolution.

Land Use & Transportation worked with a consultant to develop a framework for equity specific to the MSTIP 3f project selection. This framework aimed to align with the County's equity initiatives, definitions, and resolutions found in the February 2020 Equity Resolution. The framework also laid the foundation for an equity index, a data mapping tool developed by the consultants, that was

used as part of the MSTIP project evaluation process.

After using the equity metrics, among others, potential MSTIP 3f projects were reduced from 33 to 25 projects. Staff followed past practice based on Board guidance to balance MSTIP funding requests by commissioner district. Staff then brought 13 projects for consideration to the Washington County Coordinating Committee, for recommendation to the Board.

The challenge is that there are a couple of different layers in considering what projects to recommend to the Board for funding. One consideration is the direction from the Board for geographic equality. The other is based on an expressed philosophy of equity in an official County resolution. We found it unclear whether one should or should not take precedence over the other, or how those aspects, or others for project evaluation, should work together. To decrease confusion, we recommend clarifying the elements and formally adopting how they should be applied.

Recommendation for Finding 2:

Recommendation 2-1: Clarify the County's approach to MSTIP project equity and equality

The County Administrator, through the Department of Land Use & Transportation, should include in the proposed administrative policy in Recommendation 1-2, direction on how the MSTIP will address the philosophy of the Equity Resolution and reconcile it with the Board's desire for equality of funding by commissioner district.

Finding #3: The County did not comply with its policy for budget when it reduced the General Fund transfer to the MSTIP III Fund for FY 2023-24 and FY 2024-25 budgets

The County did not comply with its Administrative Policy #404. According to the policy, MSTIP is not considered a General Fund program and should not be included in calculating the General Fund's balance.

**MSTIP project in Tualatin-Sherwood
Aug. 2023**



Source: County Auditor's Office

For two consecutive years, however, the County cut the base General Fund transfer to the MSTIP III Fund as if it were a General Fund program. MSTIP underwent a 7 percent (\$3.6 million) cut in FY 2023-24 and 5 percent (\$2.5 million) cut in FY 2024-25. The impact of these revenue budget cuts on the MSTIP III Fund was offset by the increase in property tax due to increased assessed values in both years and the retirement of 2016 MSTIP debt service.

The Board of County Commissioners publicly disclosed this exception to Budget Policy #404, explaining it was done to address the County's financial challenges of increasing costs and declining revenues. According to the County Administrator, Washington County's limited property tax and other revenues do not support the County's growing expenses for services to the community. This has led to several years of the General Fund's expected revenues being less than expenditures, and this shortfall is forecast to continue through at least FY 2032-33.

The County twice making an exception to its Administrative Policy undermines the purpose of having a policy and the effectiveness of these internal controls.

Recommendation for Finding 3

Recommendation 3-1: Comply with Administrative Policy #404 or change it

The County should comply with Budget Policy #404. If this policy direction is out of alignment with the County's budget philosophy, the County Administrator should propose a revised policy.

Findings 4 through 6 and Recommendations

The program needs more robust methods to plan for unexpected costs

MSTIP has a history of some of its construction projects being delayed and having more costs than expected. These issues, combined with the County's need to work through budget challenges, has created a wide timing gap between the funding of the MSTIP projects and when these projects are done. Projects taking longer increases the impact of inflationary cost increases, which cause other projects to be delayed due to insufficient funds. It is a circular problem. Over the past revenue cycles, planning for MSTIP projects' funding needs has become a matter of tail-chasing.

Finding #4: The MSTIP did not comply with the contingency requirements before 2024, and the County's new requirements will hinder the MSTIP's access to its new reserve

The program's 2003 administrative procedures stated that the MSTIP shall maintain a contingency, and the contingency would be under control of the County Board. The Government Finance Officer Association's recommended best practices for multi-year capital planning counts contingency as one of the major components required to implement a project. The MSTIP should have had a contingency budget account in its fund but did not until recently.

The reason for the MSTIP's prior lack of required contingency is unclear. According to management, there was a past practice of MSTIP cycles relying on maintaining a robust MSTIP fund balance to use for any unanticipated costs. It was easier to use the fund balance than to access a contingency account.

Contingency: Money set aside to address possible unplanned expenditures

The County updated Administrative Policy #405 – Budget Contingency and Reserve Policy in early 2024, requiring the MSTIP III Fund to have a contingency account. Following

that, the Board adopted new MSTIP Administrative Procedures in June 2024 requiring the MSTIP to have both a program contingency/reserve under the control of the Board and project contingency assumptions in the cost estimates prepared for authorized MSTIP-funded projects.

The FY 2024-25 Adopted Budget authorized a \$180 million contingency in the MSTIP III Fund. A significant proportion of proceeds from a bond sale will fund most of the new contingency. According to LUT they are not bonding out to fund a contingency. Rather, the contingency in the budget is a parking spot for the money from the next Bonding-Cost-Sharing bond until they need it for capital projects.

The Finance Department’s plans to implement the 2024 Budget Contingency and Reserve Policy #405 include moving some of the contingency budgets in FY 2025-26 to budgets for “reserves for future expenditures.” This type of reserve cannot be used during the current fiscal year, and it would slow down the MSTIP’s access to such contingency funds in the future.



□

Recommendation for Finding 4

Recommendation 4-1: Get an exception for the MSTIP III Fund from establishing a reserve for future use

The County Administrator, through the Chief Financial Officer, should revoke the plan to have the MSTIP III Fund put some of its contingency into a “reserve for future expenditures” budget, and revise Administrative Policy #405 as necessary with Board approval.

Finding #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages.

The MSTIP projects take multiple years to complete. The Government Finance Officer Association's best practices recommends that the full costs of a multi-year capital project be determined when developing a capital plan. In this process, for projects programmed beyond the first year of the plan, governments should adjust cost projections based on anticipated inflation.

Both the 2003 and 2024 MSTIP Administrative Procedures require that capital projects be based on realistic and up-to-date working estimates of costs. Before the MSTIP 3f cycle, LUT did not add inflation to the MSTIP project cost estimates for each year of the project's life - from project selection to completion. Depending on the project a project life can take between two to ten or 12 years.

Not including inflation for every year of the expected life of a project can lead to an under-estimate of the cost. In February 2023, for example, LUT informed the Board that there was up to \$70 million difference between the initial MSTIP 3d and 3e project cost estimates and the actual costs to complete the remaining projects from these cycles. In addition, the Bonding Cost-sharing projects were estimated to cost about \$14 million more to complete than initial estimates. By September 2023 the funding gap had risen from an estimated \$70 million to \$90 million.



According to management, cost increases had been dramatic and unrelenting in the past several years. LUT indicated that wild inflation levels were a nationwide problem and could not have been foreseen. This impacted project staff and consultant costs, right-of-way costs (property

purchases and legal support), construction materials, and contractor bid prices. The rate of increase was not anticipated when the MSTIP 3d, 3e, and Bonding Cost-sharing projects were approved in 2012, 2016, and 2015, respectively.

LUT management indicated past projects would typically assume an increase of approximately five to eight percent per year over the life of a project. Recent projects, however, have seen increases of up to 30 percent per year over initial cost estimates. Projects in cycles before MSTIP 3f each had some contingency assumptions in their cost estimates. These were not consistent across all projects, though, and did not anticipate such large cost increases as were experienced during the delivery of the 3d, 3e, and Bonding Cost-sharing projects.

In addition, past transportation capital project cost estimates were outdated or unreliable. LUT developed a more robust cost estimating process during the MSTIP 3f project selection which they plan

to use going forward. In March 2022 LUT hired consultants to do a more realistic cost estimate of the projects applying for the most recent MSTIP funding cycle. The consultants



included a 30 percent contingency in the revised estimates for candidate projects. The total revised cost estimates for the 25 projects seeking MSTIP 3f funding was 14.5 percent larger in November 2023 than the sum of the total application cost estimates received 15 months earlier.

Larger than expected project costs leads to MSTIP projects being delayed and/or reduced in scope. LUT used the MSTIP funds for the 2023-2028 revenue cycle to fill the funding gap for projects approved in previous MSTIP cycles. In addition,

the County plans to sell bonds to pay to complete the remaining MSTIP legacy projects timely. This is expected to cost the County approximately \$12.5 million per year for debt service payments over 20 years, paid by the General Fund transfer to the MSTIP III Fund.

Recommendation for Finding 5

Recommendation 5-1: Continue to improve project cost estimates

The County Administrator, through the Department of Land Use & Transportation, should continue to improve the accuracy of the cost forecasting for the MSTIP projects. These cost estimates should include the cumulative impact of inflation for each year of the expected project pipeline between approval and the completion of construction.

Finding #6: Not all MSTIP projects are protected equally from inflation

Projects in four high-growth areas had an advantage against inflation under the MSTIP Bonding Cost-sharing sub-program. This funding advantage was not available to other MSTIP projects.

In 2015 about 18,000 new homes were projected to add thousands of vehicle trips to existing roads over the next 20 years in certain parts of the County. That year the Board created the MSTIP Bonding Cost-sharing program (BCS), to finance a list of 20 road capacity and safety improvement projects to accommodate increased traffic in four major residential growth areas:

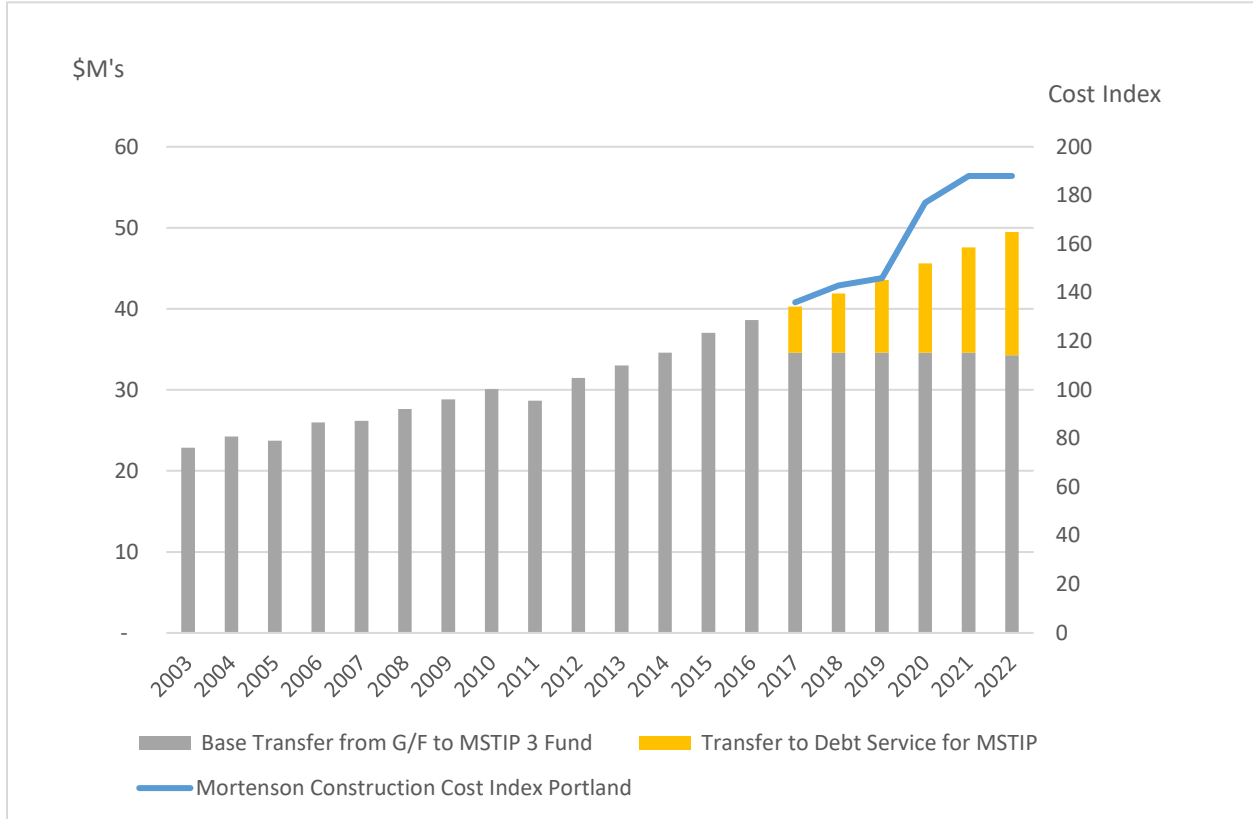
- North Bethany/Bonny Slope West (unincorporated Washington County)
- South Hillsboro (City of Hillsboro)
- South Cooper Mountain (City of Beaverton)
- River Terrace (City of Tigard)

These projects were expected to be delivered in approximately ten years and to cost \$140 million. Two-thirds of the cost is funded by County bonds. Cities pay one-third of their projects in their related high-growth areas, and the County pays for the North Bethany/Bonny Slope West BCS projects.

The County uses a tax revenue from increased assessed valuation countywide to pay for these BCS projects. This has left the property tax revenue available for MSTIP projects in other areas of the County flat at \$34.6 million per year. The County's intention was to preserve the \$34.6 million for improvements (i.e. MSTIP 3d and 3e) on other roadways throughout Washington County, so these high-growth projects would not compete with other MSTIP projects.

Capping the amount of funds available to the other MSTIP project applications, however, left projects in other cities and unincorporated areas with no increasing property tax revenue as a protection against the inflationary costs, particularly in recent years.

Figure 7: General Fund Transfer to MSTIP for Non-BCS Projects remained flat while construction costs rose (\$ millions)



Source: County Auditor's Office

The pay-as-you-go approach and debt financing are different funding mechanisms. The debt approach helps address the funding need, but it created unequal exposure to the risk of inflation for MSTIP projects from different parts of the County. There is nothing in County code or policy to prohibit this. This imbalance needs to be addressed since management has proposed to use more debt to complete the unfinished projects.

Recommendation for Finding 6

Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy

The County Administrator, through the Department of Land Use & Transportation and the Finance Department, should define in an administrative policy how the County will be fair and equitable between the MSTIP projects allocated money from the two funding models of pay-as-you-go and debt funding.

Finding 7 and Recommendations

The County's 2017 Bike Facilities Policy is not needed and costs time and money

(No, we're not saying we dislike bikes...)

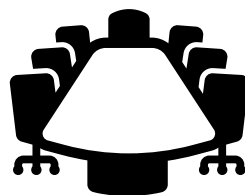
Washington County favors major streets that have separated or protected bicycle lanes and paths, called bicycle facilities. There are a number of people in the County that need to cycle or walk on County roads. The 2017 Bicycle Facilities for County-Funded Capital Road Improvement Policy required design staff to prepare at least two alternatives with bicycle facilities and staff recommendations. These two alternatives are in addition to the original road design, making at least three designs for every County-funded capital road improvement project.

The 2017 policy incorporates the *Washington County Bicycle Facility Design Toolkit* that was accepted by the Board in December 2012. However, its separated bicycle tracks have not yet been incorporated into the Washington County Road Design Standards.

Girl on bike



The 2017 policy gives the Board the authority to pick which design Land Use & Transportation (LUT) should follow. However, the policy for having the Board approve the design conflicts with the County Code over who has design approval authority for roads. Washington County Code for Road Design & Construction Standards require the plans submitted to LUT also be approved by that department. There is nothing in Code that the Board of Commissioners approves road development or improvement design plans. Under



County Charter Section 31, the County Board's primary duty is to determine County policy. The Board has delegated its administrative powers and functions to the County Administrator and to the departments reporting to the County Administrator.

The 2017 policy requirement for Board approval increases the time needed to get design approval. Staff estimate that getting a Board decision on a design adds an average of six months to a project's timeline. It also puts the approval decision into the hands of elected officials who may not have the professional expertise to judge a bicycle track design on its technical merits.

The current Bicycle Facilities Policy adds tens of thousands of dollars to a capital road construction project. We found that the Board selected the most expensive design alternative on two occasions for one of three MSTIP projects we reviewed. According to LUT, for the Thompson Road Realignment (Kenny Terrace to Saltzman Rd.) project the Board's design choice was \$560,000 more than the staff's recommended design.

Bicyclists



LUT management's estimated costs of producing the alternative designs was approximately \$150,000. For a second project we looked at, the Walker Road (173rd Ave. to 185th Ave.) the Board selected the least expensive design. There were no alternate designs for the 3rd project which is outside the urban growth boundary, so LUT staff were only required to consider incorporating bicycle facilities.

Recommendations for Finding 7:

Recommendation 7-1: Update road design standards to include separated bicycle facilities

The County Administrator, through the Department of Land Use & Transportation, should update the County's Road Design Standards to incorporate the desire for separated bicycle facilities and propose these updates to the Board for adoption. The updated road design standards should include a process to select the best type of the various bicycle facilities to be incorporated into the single, required design for

road types to which these facilities apply. All exceptions for bicycle designs should be documented and authorized by the County Engineer.

Recommendation 7-2: Revoke the 2017 Bicycle Facilities Policy

The County Administrator, through the Director of Land Use & Transportation, should revoke the *2017 Bicycle Facilities for County-Funded Capital Improvement Policy*, with Board approval if necessary, to comply with the delegation of authority already in County Code.

Summary of Audit Recommendations



Based on our findings we recommend the following:

Recommendation 1-1: Establish the MSTIP in County Code

The County Administrator Office, through the Department of Land Use & Transportation, should draft County Code that authorizes and defines the purpose and governance of the MSTIP. The Board of Commissioners should review the proposed code for adoption.

Recommendation 1-2: Establish policies to direct the MSTIP

The Department of Land Use & Transportation should draft administrative policies that provide direction and the philosophy for how the MSTIP should manage and fund its work. The County Administrator should review these policies for adoption.

Recommendation 2-1: Clarify the County's approach to MSTIP project equity and equality

The County Administrator, through the Department of Land Use & Transportation, should include in the proposed administrative policy in Recommendation 1-2, direction on how the MSTIP will address the philosophy of the Equity Resolution and reconcile it with the Board's desire for equality of funding by commissioner district.

Recommendation 3-1: Comply with Administrative Policy #404 or change it

The County should comply with Budget Policy #404. If this policy direction is out of alignment with the County's budget philosophy, the County Administrator should propose a revised policy.

Recommendation 4-1: Get an exception for the MSTIP III Fund from establishing a reserve for future use

The County Administrator, through the Chief Financial Officer, should revoke the plan to have the MSTIP III Fund put some of its contingency into a "reserve for future expenditures" budget, and revise Administrative Policy #405, as necessary with Board approval.

Recommendation 5-1: Continue to improve project cost estimates

The County Administrator, through the Department of Land Use & Transportation, should continue to improve the accuracy of the cost forecasting for the MSTIP projects. These cost estimates should include the cumulative impact of inflation for each year of the expected project pipeline between approval and the completion of construction.

Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy

The County Administrator, through the Department of Land Use & Transportation and the Finance Department, should define in an administrative policy how the County will be fair and equitable between the MSTIP projects allocated money from the two funding models of pay-as-you-go and debt funding.

Recommendation 7-1: Update road design standards to include separated bicycle facilities

The County Administrator, through the Department of Land Use & Transportation, should update the County's Road Design Standards to incorporate the desire for separated bicycle facilities and propose these updates to the Board for adoption. The updated road design standards should include a process to select the best type of the various bicycle facilities to be incorporated into the single, required design for road types to which these facilities apply. All exceptions for bicycle designs should be documented and authorized by the County Engineer.

Recommendation 7-2: Revoke the 2017 Bicycle Facilities Policy

The County Administrator, through the Director of Land Use & Transportation, should revoke the *2017 Bicycle Facilities for County-Funded Capital Improvement Policy*, with Board approval if necessary, to comply with the delegation of authority already in County Code.

Management's response to these recommendations is included in a letter on page 40 of this document.

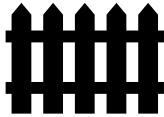
Audit Objectives, Scope, and Methodology



Objectives are the goals of the audit.

Objectives:

- Objective 1: To identify the perceptions of the major risks for the Major Streets Transportation Improvement Program (MSTIP) in accomplishing its objectives.
- Objective 2: To review the links between the MSTIP's risks and issues and to assess whether the major risks can be viewed as audit findings and potentially be mitigated.



Scope identifies the audit's boundaries.

Scope and Limitations:

We reviewed the history of the MSTIP, and the most recent funding allocation cycle, MSTIP 3f's process through the Board's acceptance in June 2024. We paid more attention to the funding results for the MSTIP 3d and 3e cycles than to the earlier funding cycles. We included a review of the MSTIP Bonding Cost-sharing (BCS) sub-program.



Methodology describes the work we did to achieve the audit objectives.

Methodology:

To accomplish our objectives, we:

- Interviewed present and previous members of the Washington County Coordinating Committee. This included two Washington County Commissioners and eight of the thirteen city mayors, whose jurisdictions are within Washington County. We also interviewed managers and staff from the Department of Land Use & Transportation, the County Administrative Office, and the Finance Department.
- Conducted a survey of 63 stakeholders that asked respondents for their perceptions of the likelihood and impact of certain risks occurring, and if they could identify any other major risks to the MSTIP. The stakeholders included were Washington County Commissioners, the members of the Washington County Coordinating Committee, the WCCC-Transportation Advisory Committee, senior management of the Department of

Land Use & Transportation, and a few chairs of the County's Community Participation Organizations (CPO). We conducted a semi-quantitative assessment of the responses.

- Attended three fieldtrips to see MSTIP projects under construction.
- Communicated with County Counsel and staff, and with Elections staff in the Department of Assessment and Taxation to obtain the establishing ballots and legal opinions around Measure 50's impact on the MSTIP. We reviewed the ballots and any related voters' pamphlets for the MSTIP local option levies in May 1986, September 1989 and May 1995, and for Measure 50 in 1997.
- Reviewed the legal opinions relating to the County's implementation of Measure 50. We requested access to recent legal advice given to the Board of County Commissioners about spending the MSTIP's revenues. The Board denied our request to waive its attorney-client privilege to allow the County Auditor's Office to see this advice.
- Reviewed Oregon Revised Statutes on county roads (ORS 368) and public contracting for public improvements (ORS 279C). We also reviewed the Oregon Department of Transportation Specifications and the 2021 Washington County's special provisions for the same.
- Reviewed Washington County Charter and Washington County Code for Road Design & Construction Standards, Section 15.08.210. We also reviewed Countywide Budget Policy 404, Contingency and Reserve Policy 405; the 2017 Bicycle Facilities for County-Funded Capital Road Improvement Policy (R&O 17-2); and the MSTIP Administrative Procedures of 2003 and (R&O 24-42) 2024.
- Compared County practices for the MSTIP to County Code & policies, Oregon specifications, and the

Government Finance Officers Association's best practices for multi-year capital planning.

- Reviewed the Washington County Adopted Budgets, Annual Comprehensive Financial Reports, and the MSTIP III Fund in the County's financial system.
- Reviewed a consultants' risk assessment and revised cost estimate for the candidate projects for MSTIP 2023-2028 funding.
- Observed Board of County Commissioners updates about and/or decisions on the MSTIP 3f cycle's funding allocation. We also observed Washington County Coordinating Committee meetings on the MSTIP 3f project selection process.
- Judgmentally selected three MSTIP projects and reviewed the design alternatives presented to the Board and the outcome of the Board's review.

In addition, our office drew the Board's attention to the MSTIP's lack of codification in February 2024 through a memo, including the deficiency in internal controls it represents.

Compliance with Audit Standards



We conducted this performance audit in accordance with generally accepted government auditing standards, except that we have not had an external peer review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



December 17, 2024

Kristine Adams-Wannberg, County Auditor
Washington County Auditor's Office
221 S First Avenue
Hillsboro, OR 97123-3901

RE: Management response to MSTIP audit final report

Dear Ms. Adams-Wannberg,

This letter serves as the management response to the County Auditor's final draft audit report titled "Major Streets Transportation Improvement Program: Biggest challenges are inflation risk and lack of codification." While we don't agree with all the audit's findings and recommendations, we appreciate that the intent of the audit report is to make the MSTIP program better.

I would like to express gratitude to the Washington County Auditor's Office for their efforts to understand the complexities of the Major Streets Transportation Improvement Program (MSTIP) and to highlight opportunities to mitigate potential risks to the program from her Office's perspective. The County Administrative Office and Land Use & Transportation (LUT) coordinated extensively with the Auditor's Office over the past year to gather information about MSTIP for the audit. I want to express gratitude to LUT staff who have completed this work on top of their significant workload.

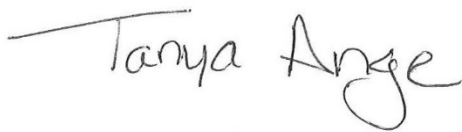
As noted in the report, MSTIP is a one-of-a-kind program in Oregon. Since its inception in 1986, MSTIP has resulted in the investment of more than \$1 billion in local funds toward the construction of a robust, interconnected and multimodal transportation system using countywide property tax revenues to support our growing communities. MSTIP has also leveraged additional regional, state and federal funds. This has allowed Washington County to work toward its vision of a transportation system that works for all users.

The Board of County Commissioners (Board) has demonstrated their ongoing commitment to supporting a safe and connected multimodal transportation system with the adoption of the most recent MSTIP funding allocation, MSTIP 3f, in June 2024. MSTIP 3f includes \$250 million in planned investments into our countywide transportation system. In addition, the Board has also authorized bonding up to \$150 million to complete other MSTIP projects that have seen unprecedented cost increases due to materials, labor and other unanticipated price spikes.

The remainder of this letter includes more detailed staff responses to each of the findings and recommendations contained in the audit report. Implementation of some recommendations will require Board action, and the Board may wish to provide further response to the audit recommendations.

Please contact me or Assistant County Administrator Marni Kuyl at 360-903-7363 with any questions.

Sincerely,

A handwritten signature in black ink that reads "Tanya Ange". The signature is written in a cursive style with a long horizontal line extending from the top of the "T".

Tanya Ange
County Administrator

FINDING #1: The MSTIP is not authorized and defined in the County Code and lacks official policies

Narrative response:

We do not agree that the program lacks official policies, and do not believe that including MSTIP in County Code is appropriate. We strongly believe that the ability for the program to adapt over time to meet evolving community needs and expectations has been a strength rather than a risk. Overly prescriptive codification may not serve the program and community well over the long term because it can hinder that adaptability.

The Board has adopted various Resolutions & Orders (R&Os) articulating MSTIP policies over time. However, we believe the audit recommendation supports compiling these into a comprehensive MSTIP Program Guide to catalog all official MSTIP program objectives, policies and procedures in one document. The Program Guide could incorporate all relevant provisions of prior Board-adopted R&Os, including the current MSTIP Administrative Procedures. The draft Program Guide would be presented for Board consideration and adoption via R&O rather than inclusion in the County Code.

County Code is a regulatory code spelling out limits, rules and regulations to be enforced by the County. Programs included in County Code are typically revenue-generating programs such as specialty taxes and system development charges (e.g. Transient Lodging Tax and Transportation Development Tax) that require specific rules and procedures for revenue collection and use of revenues collected to ensure compliance with relevant statutory provisions. MSTIP is not a revenue or regulatory program. Other significant non-regulatory programs are also not found in County Code, including the Washington County Cooperative Library Services (WCCLS), which is managed through various Board resolutions and Intergovernmental Agreements.

The Board adopted updated MSTIP Administrative Procedures in June 2024 (R&O 24-43). It describes the basic framework for MSTIP and establishes procedures for program decision-making processes and implementation. In addition, with the development of each MSTIP funding cycle, staff review with the Board the program's objectives, proposed project identification, review and selection criteria and process, and other relevant considerations and seek Board direction to guide staff's work. The Board may adopt one or more resolutions to guide the development of each MSTIP funding cycle to ensure that any program adaptations directed by the Board are documented. All program adaptations are also discussed and recommended to the Board by the Washington County Coordinating Committee (WCCC) and WCCC Transportation Advisory Committee (WCCC TAC), consistent with the Administrative Procedures. The WCCC's voting membership consists of elected officials representing Washington County and each city within the county. WCCC TAC consists of staff members from Washington County and each city within the county and makes recommendations to the WCCC.

FINDING #1 Recommendations	Management Response
<p>Recommendation 1-1: Establish the MSTIP in County Code</p> <p><i>The County Administrator, through the Department of Land Use & Transportation, should draft County Code that authorizes and defines the purpose and governance of the MSTIP. The Board of Commissioners should review the proposed code for adoption.</i></p>	<p>Do not agree; management approach described below.</p> <p>Target timeline to complete management-identified implementation activities: 18-24 months</p> <p>Additional comments:</p> <p>Management does not agree with the recommendation to establish MSTIP in County Code but see the benefit and utility of creating a single MSTIP Program Guide to catalog all official MSTIP program objectives, policies and procedures in one document. It could also describe the program’s history, explain funding cycle timelines and capital project delivery pipeline, include an overview of the typical funding allocation process, and incorporate the MSTIP Administrative Procedures (see notes on Recommendation 1-2).</p>
<p>Recommendation 1-2: Establish policies to direct the MSTIP</p> <p><i>The Department of Land Use & Transportation should draft administrative policies that provide direction and the philosophy for how the MSTIP should manage and fund its work. The County Administrator should review these policies for adoption.</i></p>	<p>Partially agree. This recommendation has largely been addressed with the updated MSTIP Administrative Procedures adopted by the Board in June 2024. Management approach described below.</p> <p>Target timeline to complete management-identified implementation activities: 18-24 months</p> <p>Additional comments:</p> <p>The MSTIP Administrative Procedures outline the duties and responsibilities of the Board, WCCC, WCCC TAC, Director of Land Use & Transportation and the MSTIP Program Manager in the administration of the program. They also contain guidelines for general MSTIP program administration, fiscal administration, project agreements, and an overview of all MSTIP-funded programs.</p> <p>As noted for Recommendation 1-1, staff believe the existing MSTIP Administrative Procedures could be expanded and revised to create a comprehensive MSTIP Program Guide including more explanatory information about the program as noted for Recommendation 1-1.</p>

FINDING #2: The MSTIP’s approach to equity and equality in recommending MSTIP projects is unclear and should be explained in policy

Narrative response:

The Board of County Commissioners adopted the MSTIP '23-'28 (now known as MSTIP 3f) Work Plan via Resolution & Order 21-100 in September 2021. It reflected Board guidance to continue the long-standing practice of seeking geographic funding parity based on commissioner districts. “Equity” (i.e. racial equity, income, disability and other factors) was considered in the MSTIP 3f project evaluation and narrowing process to inform development of the final MSTIP 3f project funding recommendation for WCCC and Board consideration. The Board’s direction to distribute projects and funding in a balanced way across commissioner districts was then used to inform the final project selection process. Neither factor was explicitly given precedence, but both helped shape the final funding allocation recommendation and decision.

MSTIP 3f was the first funding cycle where equity was explicitly considered in the development of project recommendations. Equity continues to be an evolving area of practice and learning, and its implementation can be expected to adapt over time. This is an example of the benefits of ensuring that the program’s policies and procedures retain a degree of adaptability as noted in the response to Finding #1.

FINDING #2 Recommendation	Management Response
<p><i>Recommendation 2-1: Clarify the County’s approach to MSTIP project equity and equality</i></p> <p><i>The County Administrator, through the Department of Land Use & Transportation, should include in the proposed administrative policy in Recommendation 1-2, direction on how the MSTIP will address the philosophy of the Equity Resolution and reconcile it with the Board’s desire for equality of funding by commissioner district.</i></p>	<p>Agree; management approach described below.</p> <p>Target timeline to complete management-identified implementation activities: 18-24 months (will be combined with the MSTIP Program Guide work listed in responses to Recommendations 1-1 and 1-2).</p> <p>Additional comments:</p> <p>Equity considerations are likely to evolve over time. Clarity can be helpful, but an overly prescriptive approach may be challenging to implement and may not improve the program’s ability to achieve its objectives. Additional guidance on this issue will be included in the MSTIP Program Guide described in the responses to Recommendations 1-1 and 1-2.</p>

FINDING #3: The County did not comply with its policy for budget when it reduced the General Fund transfer to the MSTIP III Fund for FY 2023-24 and FY 2024-25 budgets

Narrative Response:

Washington County's Administrative Policy 404 guides various aspects of the County budget. Section 10 addresses the General Fund specifically. Subsection 10.e. states (emphasis added):

- e. Programs Previously Supported by Serial Levies: Prior to the passage of Ballot Measures 47 and 50, the Washington County Cooperative Library System (WCCLS) and Major Streets Transportation Improvement Program (MSTIP), were supported by revenues from dedicated serial levies. Measure 50 eliminated these levies by combining them with the County permanent tax rate. **The annual transfer to WCCLS and MSTIP will be adjusted by the percentage change in assessed value and assumed collection rates on property taxes. These are not considered General Fund programs and the amounts transferred to the respective funds are not included in the General Fund's Fund Balance Percentage calculation.***

We believe it is a mischaracterization to find that the County did not comply with Policy 404. The Board has implemented this policy to the extent practicable. Oregon's property tax-limiting Measures 5 and 50, coupled with slowing growth in assessed value and rapid increases in the cost of providing county services, have created an ongoing imbalance between General Fund revenues and expenditures. This imbalance has forced the County Administrator and the Board to make difficult decisions about how best to allocate limited General Fund dollars.

As noted in the audit report, with implementation of Measure 50 (M50) in FY 1997-98, the then-current MSTIP 3 levy rate was reduced by 18.6% and rolled into a new fixed County property tax rate that has remained unchanged since that time. Washington County's tax rate is by far the lowest of the three Portland metro counties. Since that time, there has not been a MSTIP levy rate and therefore, no dedicated MSTIP revenue stream. While the Board has had no requirement to continue funding transportation improvements with General Fund revenues since 1997, it has chosen to do so to the extent practicable by transferring a portion of General Fund revenues to the MSTIP III budget fund each fiscal year.

Given the structural budget challenges described above, the Board has taken exceptions to this subsection of Policy 404 in the FY 2023-24 and FY 2024-25 budgets. Taking specific and targeted exceptions to a policy to address revenue and cost challenges should not be interpreted as a failure to comply with the policy. The Board exceptions have been reasonable and were applied to the MSTIP fund consistent with reductions in other programs that rely on the General Fund. The exceptions have been clearly stated in R&Os adopting the budgets.

This language is excerpted from R&O 23-25 adopting the FY 2023-24 budget (and identical language was included in R&O 24-52 adopting the FY 2024-25 budget):

RESOLVED AND ORDERED that notwithstanding Budget Policy 404, due to increasing costings and declining revenues, the transfers to the Washington County Cooperative Library Service and the Major Streets Improvement Program are reduced;

As noted in the audit report, the reductions to the MSTIP transfer from the General Fund were taken after the increased assessed valuation was applied consistent with Policy 404. Therefore, the actual year-over-year reductions were significantly less than the stated 7% and 5% reductions in the report:

- FY 2023-24: 2.5% reduction (\$1.3 million)
- FY 2024-25: 0.3% reduction (\$258,000)

FINDING #3 Recommendation	Management Response
<p><i>Recommendation 3-1: Comply with Administrative Policy #404 or change it</i></p> <p><i>The County should comply with Budget Policy #404. If this policy direction is out of alignment with the County’s budget philosophy, the County Administrator should propose a revised policy.</i></p>	<p>Do not agree.</p> <p>Target timeline to complete implementation activities: N/A</p> <p>Additional comments:</p> <p>A policy is a statement of intent and principles to guide decision making. To staff’s knowledge, Policy 404 remains an accurate statement of Board philosophy and intent for managing the County budget under ideal circumstances. The Board always retains the authority to modify, repeal or take exceptions to its own policies. This policy is planned to be updated as staff continue to update, revise and develop financial policies, and the Board will need to be consulted prior to implementing any changes to this policy provision.</p>

FINDING #4: The MSTIP did not comply with the contingency requirements before 2024, and the County’s new requirements will hinder the MSTIP’s access to its new reserve

Narrative response:

County Administrator Ange and CFO Greg Munn directed the budgeting of a specific contingency line item in the MSTIP III budget fund beginning with the FY 2024-25 budget, and this practice will continue in future budget years. Our past practice of including any MSTIP ‘contingency’ funds in the ‘fund balance’ budget line was based on direction from a prior County Administrator and prior Chief Finance Officer and was intended to maximize flexibility and minimize administrative burdens for addressing unanticipated expenditures.

Administrative Policy 405 (Budget Contingency and Reserve) was adopted in February 2024. Its guidelines call for budgeted reserves to be held in two types of budgeted accounts: “Contingency” and “Reserve for Future Expenditure.” Contingency funds can be accessed for expenditure in the current budget year; reserve funds cannot. It was determined that this new policy would be implemented beginning in FY 2025-26. Subsection 2.3 of the policy includes the following statement:

Reserves for these funds will be determined during the development of the annual budget by the Chief Financial Officer and Department Head based on the unique needs of each fund and anticipated use of funds in future years.

Staff do not interpret this policy as mandating that funds be budgeted as “reserve for future expenditure,” but rather that it be considered by the CFO and department head in the development of each annual budget.

FINDING #4 Recommendation	Management Response
<p>Recommendation 4-1: Get an exception for the MSTIP III Fund from establishing a reserve for future use</p> <p><i>The County Administrator, through the Chief Financial Officer, should revoke the plan to have the MSTIP III Fund put some of its contingency into a “reserve for future expenditures” budget, and revise Administrative Policy #405, as necessary with Board approval.</i></p>	<p>Partially agree; management approach described below.</p> <p>Target timeline to complete management-identified implementation activities: N/A</p> <p>Additional comments:</p> <p>Department generally agrees with this recommendation for the reasons noted above but will implement the direction established for each budget year through consultation with the Chief Finance Officer and County Administrator, based on the unique needs of the MSTIP fund and anticipated use of funds in future years.</p>

FINDING #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages.

Narrative response:

This finding has been addressed with increased attention to contingency and cost escalation factors during the preparation and adoption of the MSTIP 3f funding allocation process. We intend to continue this more intensive cost estimating practice going forward to ensure we have the best possible understanding of capital project costs at the time of funding allocation. Staff will continue to use appropriate contingencies and cost escalation assumptions with each funding cycle. However, budgeting overly large project and program contingencies and inflation assumptions can tie up funds unnecessarily rather than putting those funds to work delivering improvement projects.

The audit narrative is not accurate in stating that inflation was not added to MSTIP project cost estimates for each year of the project’s life in prior funding cycles. While the methodologies used in prior funding cycles varied, each cycle included reasonable programmatic cost escalation assumptions. However, unprecedented and unanticipated cost escalation following adoption of the MSTIP 3d (2012), BCS (2015), and MSTIP 3e (2016) funding cycles affected all projects that were underway (refer to Figure 7 in the audit report related to Finding #6). This was not unique to MSTIP. All agencies managing capital improvement projects and programs experienced the same issue.

While not directly related to this finding, the audit report states that “LUT used the MSTIP funds for the 2023-2028 revenue cycle to fill the funding gap for projects approved in previous MSTIP cycles.” This is a mischaracterization, as Board-approved bonding will be used to address the funding gap for MSTIP 3d, 3e and BCS so those projects can be completed while still advancing MSTIP 3f projects.

FINDING #5 Recommendation	Management Response
<p><i>Recommendation 5-1: Continue to improve project cost estimates</i></p> <p><i>The County Administrator, through the Department of Land Use & Transportation, should continue to improve the accuracy of the cost forecasting for the MSTIP projects. These cost estimates should include the cumulative impact of inflation for each year of the expected project pipeline between approval and the completion of construction.</i></p>	<p>Agree.</p> <p>Target timeline to complete implementation activities: Already implemented with the MSTIP 3f funding allocation; ongoing with future funding allocation cycles.</p> <p>Additional comments:</p> <p>We believe this has been addressed beginning with the MSTIP 3f cycle and we are committed to continued improvement as we learn more in the future.</p>

FINDING #6: Not all MSTIP projects are protected equally from inflation

Narrative response:

To the extent there was any inadvertent geographic or programmatic “imbalance” between MSTIP projects in high-growth areas and other areas resulting from the one-time 2015 BCS bonding decision, the Board has resolved it by approving bonding up to \$90m for the “catch-up” 3d and 3e projects (due to the unanticipated cost escalation that occurred during delivery of the 3d and 3e projects as depicted in Figure 7 in the report).

We acknowledge the debt service for the “catch-up” bond will reduce available cash for “pay-go” projects across the county during the debt service cycle, but it will affect all future projects across the board and not contribute to any geographic or programmatic “imbalance.” The same would hold true for any future bonding that is not specific to a particular geography.

FINDING #6 Recommendation

Management Response

Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy

The County Administrator, though the Department of Land Use & Transportation and the Finance Department, should define in an administrative policy how the County will be fair and equitable between the MSTIP projects allocated money from the two funding models of pay-as-you-go and debt funding.

Partially agree; management approach described below.

Target timeline to complete management-identified implementation activities: 18-24 months (will be combined with the MSTIP Program Guide work described in Recommendations 1-1 and 1-2).

Additional comments:

We believe that future best practice would be not to use bond funds only for specific projects, but rather to consider any bonding on a program-wide basis to help avoid any perceived or actual imbalance in this regard. However, the Bonding Cost-Sharing program was created in response to a specific set of needs at the time. While we agree that we should strive to avoid imbalance in the future, this idea of “fairness” in funding MSTIP projects in different ways was never a stated expectation.

Clarification of the MSTIP funding programs can be included in the MSTIP Program Guide.

FINDING #7: The County’s 2017 Bike Facilities Policy is not needed and costs time and money

Narrative response:

We agree with the audit finding that the current bicycle facilities policy, adopted by R&O 17-2, can be inefficient and adds cost. LUT has begun work to update procedures and standards to ensure that future decision about appropriate bicycle facilities with street improvement projects can be made at the staff level using a Board-approved system-wide approach.

While not specifically related to the recommendations, staff note that the audit narrative statement that three designs are required for each project is not accurate. The policy requires a minimum of two alternative designs to be presented to the Board, with at least one alternative being a separated or protected bicycle facility. One alternative presented is typically based on the standard roadway cross section from the Road Design and Construction Standards. For some projects, staff have presented three options to give the Board a range of options to consider, but this is not required.

FINDING #7 Recommendations	Management Response
<p><i>Recommendation 7-1: Update road design standards to include separated bicycle facilities</i></p> <p><i>The County Administrator, through the Department of Land Use & Transportation, should update the County’s Road Design Standards to incorporate the desire for separated bicycle facilities and propose these updates to the Board for adoption. The updated road design standards should include a process to select the best type of the various bicycle facilities to be incorporated into the single, required design for road types to which these facilities apply. All exceptions for bicycle designs should be documented and authorized by the County Engineer.</i></p>	<p>Partially agree; management approach described below.</p> <p>Target timeline to complete management-identified implementation activities: 24-36 months</p> <p>Additional comments:</p> <p>This work was already underway prior to the audit and is ongoing. While staff agree with this recommendation in principle, we are taking a different approach to address this part of Recommendation 7-1:</p> <p><i>The updated road design standards should include a process to select the best type of the various bicycle facilities to be incorporated into the single, required design for road types to which these facilities apply.</i></p> <p>Staff are approaching this issue in two ways:</p> <ul style="list-style-type: none"> • Updating the County Road Standards and Transportation System Plan (TSP) to include a wider variety of bicycle facility designs that can be implemented on street improvement projects; and

	<ul style="list-style-type: none"> Updating the TSP's Active Transportation Element to include bicycle facility designations on all arterial and collector streets under county jurisdiction. <p>This approach will provide a system-wide TSP decision about the most appropriate bicycle facilities for County-managed streets, rather than an ad-hoc decision-making process under the 2017 resolution and as described in the audit recommendation.</p>
<p>Recommendation 7-2: Revoke the 2017 Bicycle Facilities Policy</p> <p><i>The County Administrator, through the Director of Land Use & Transportation, should revoke the 2017 Bicycle Facilities for County-Funded Capital Improvement Policy, with Board approval if necessary, to comply with the delegation of authority already in County Code.</i></p>	<p>Agree.</p> <p>Target timeline to complete implementation activities: 24-36 months</p> <p>Additional comments: Implementation of this recommendation will be contingent on successful implementation of proposed actions noted under Recommendation 7-1. Staff will recommend Board revocation of R&O 17-2 upon completion of the Road Standards and TSP updates as described in the response to Recommendation 7-1.</p>

Washington County voters have created and changed the current MSTIP

Despite its name of “Major Streets” Transportation Improvement Program, the MSTIP has evolved over the years to fund more than just major roadways for vehicles. It is now paying for and constructing bike paths and projects related to public transit.

The funding for the Major Streets Transportation Improvement Program (MSTIP) was established by three levy ballots beginning about 40 years ago. Washington County voters authorized the property tax levies to pay for specific lists of road improvement projects to address congestion and safety. The program funded by these tax levies was numbered by the order of the ballots. The MSTIP funding cycles that continued after the third ballot (after Measure 50’s implementation) were numbered as “MSTIP 3+ a letter” in alphabetical order of the Board’s funding decision.

MSTIP 1:

- May 1986 levy ballot for \$9 million per year for three years, during 1986-87, 1987-88, and 1988-89.
- The \$27 million tax levy was for local funds necessary to match state and federal funds to raise approximately \$58.3 million of total road improvements funding.
- At least eight specific road improvement projects.
- Improvements are defined as including "road expansion; widening and realignments; replacement of bridges; and safety improvements."
- Washington County already had a Major Streets Transportation Improvement Program that "identifies certain needed road improvements in Washington County," prior to the May 20, 1986 ballot measure.

There was a year's gap of funding for the Major Streets Transportation Improvement Program after funding from the first levy expired in June 1989.

MSTIP 2:

- September 1989 levy ballot for \$10 million per year for six years, during 1990-91, 1991-92, 1992-93, 1993-94, 1994-95, and 1995-96.

- Introduced term of “roads countywide”. Projects were located throughout the County, including inside cities.
- At least 12 specific road improvement projects and three specific intersection improvements.
- Introduced funding of bike path and small cities projects.
- The small cities were Banks, North Plans and Gaston. An allotment of MSTIP revenues was given to the Small Cities Program, then divided up between them by their population size.
- The MSTIP 2 projects "complement road improvements funded by the State, Federal government and developers."

MSTIP 3:

- May 1995 levy ballot for \$21.7 million per year for six years, during 1996-1997 through 2001-02.
- The 1995 levy continued funding for countywide road congestion and safety projects.
- At least 28 specific road improvement projects.
- Most projects included new lanes, streetlights, traffic signals, safety improvements, sidewalks, and bike facilities.
- The levy continued small city projects and improves safety of some bridges and intersections.
- Later, Resolution & Ordinance 99-53 said that the MSTIP 3 included a special \$2 million fund for bike and pedestrian facility construction. This fund was established to provide funding for local independent walkway and bikeway projects.

Major Streets and the System of Countywide Interest Map (SOCI)

There was no definition of “major street” in the original ballots. Being “on a major road used by many travelers” is interpreted by Land Use & Transportation, the Washington County Coordinating Committee, and Board of Commissioners to mean being on the System of Countywide Interest Map (SOCI), and in an adopted Transportation System Plan (TSP) or other adopted agency plan. The SOCI shows arterial and collector roads, but it excludes local jurisdictional collectors and only includes the regional collectors. The streets on the SOCI are a blend of county, state, and city-managed streets.

Arterial is a functional class of roadways intended to provide general mobility for travel within the region. Arterials link major commercial residential, industrial, and institutional areas.

Collector streets provide both access and circulation between the arterial system and residential, commercial, industrial, and agricultural community areas. Collectors tend to carry fewer motor vehicles than arterials, with reduced travel speeds and may serve as freight access routes, providing local connections to the arterial network.

The Board of County Commissioners continued to fund the MSTIP

The third MSTIP levy was still in effect when Measure 50 went into effect for the 1997-98 tax year. Statewide Ballot Measure 50 was passed in May 1997. Measure 50 rolled the existing local option levies, including the MSTIP 3 levy reduced by 18.6 percent, into the permanent tax rate applied to the assessed value of properties in Washington County. So, from 1997-98 onwards the MSTIP 3 contribution to the County's property tax revenue became an ongoing part of the County's general tax base.

Since the last MSTIP levy was rolled into the County's permanent property tax rate, the Board has allocated funding to projects and programs through additional multi-year MSTIP funding cycles:

- **MSTIP 3b:** \$65 million (2004-2007)
- **MSTIP 3c:** \$138 million (2007-2013). For 19 major transportation projects.
- **MSTIP 3d:** \$175 million for 2013-2018. Approximately \$35 million/year.
- **MSTIP 3e:** \$175 million, for 2018-2023 revenues, approved by the Board in October 2016. Approximately \$35 million/year.
- **MSTIP 3f:** \$250 million funding allocation, approved by the Board in June 2024. Includes \$195 million on 13 named capital projects and \$30 million for a new, Large Project Match Fund to pursue large grants or federal or state funding opportunities.

The MSTIP Opportunity Fund

The MSTIP Opportunity Fund is the name given to a Board set-aside of money within the MSTIP program. It is not a fund in the County’s financial reporting system or in the budgeting system, nor is it a program. According to management, the MSTIP has included a set-aside for bicycle and pedestrian projects since 1990.

The MSTIP 3c program budget included \$4 million in special funds for stand-alone bicycle/pedestrian facilities, rural road enhancements, and match revenues for special opportunities. In 2012, \$5 million was set-aside as “Opportunity Fund” in the MSTIP 3d program. \$7.5 million was set-aside in the MSTIP 3e. In 2024, \$13 million was allocated to the Opportunity Fund in the MSTIP 3f. The Washington County Coordinating Committee is responsible for approving these funding requests.



The purpose of the Opportunity Fund is to leverage local resources to pursue competitive grants from Metro, the state of Oregon, and/or the federal government. It can be applied to a variety of project types and activities, including pedestrian, bicycle, transit, and travel-demand management. There were Safe Routes to School projects with MSTIP Opportunity Fund moneys. According to LUT, the Opportunity Fund has leveraged almost \$63 million in external funding, using \$12.5 million in MSTIP funds since 2012. The Opportunity Fund’s projects’ expenditures are recorded in the Road Capital Fund 368 instead of the MSTIP Fund.

2015 MSTIP Bonding Cost-sharing Program (BCS)

In June 2015, the Board created the Residential High-Growth Areas Transportation Funding Program, also commonly known as the MSTIP Bonding Cost-sharing Program (BCS), to finance certain transportation improvements in or adjacent to several urban growth boundary expansion areas. This was to upgrade County roads to accommodate increased traffic and to improve safety for new and existing residents in four major residential growth areas:

- North Bethany/Bonny Slope West (unincorporated Washington County),
- South Hillsboro (City of Hillsboro),
- South Cooper Mountain (City of Beaverton) and
- River Terrace (City of Tigard).

The Board also adopted a project list of 20 road capacity and safety improvement projects with an anticipated delivery timeline of approximately ten years. The County has responsibility for 66.7 percent of these MSTIP BCS project costs, and the respective city (or County for North Bethany/Bonny Slope West) is responsible for 33.3 percent from other funding sources. The County issued bonds (took on debt) to pay for these BCS projects, using increased tax revenue from increased assessed valuation countywide to repay the debt. This left the property tax revenue available for MSTIP (i.e. 3c, 3d, and 3e) projects in other areas of the County flat at \$34.6 million per year.

MSTIP is transitioning to a County Capital Improvement Program

In 2022 Washington County started the County’s capital improvement planning program (CIP). This is a multi-year program to plan for capital expenditures, including MSTIP projects. Implementing a CIP includes the development of a policy on prioritizing and funding or financing projects for transportation, County facilities, parks, and IT systems. In April 2024, the Board of Commissioners gave final approval to the County's second CIP for FY 2024-25 through 2028-29.

The CIP includes transportation capital project investments identified as costing \$250,000 or more. It includes MSTIP funded projects from past and the current (3f) funding cycles. This CIP is meant to cover planning for FYs 2024-29. The County will develop a CIP policy in 2024-25. The CIP implementation contributed to the delay in selecting the MSTIP 3f projects. During our audit we heard that the County was still working out how the CIP would impact MSTIP. LUT wants to do a five-year planning pipeline instead of an annual plan for the CIP.

Appendix B: April 2024 MSTIP Risk Survey Questions

MSTIP Survey Questions:

Q1. Please describe your connection to the Major Streets Transportation Improvement Program (MSTIP).

Please select/check ALL that apply. Please note providing this information is voluntary.

- A member of the Washington County Coordinating Committee (WCCC)
- A member of the WCCC Technical Advisory Committee (TAC)
- An elected official
- A Washington County employee
- A member of a Community Participation Organization (CPO)
- A Washington County resident
- Other
- Prefer not to say

Description. Risk is the possibility that an event will occur and adversely affect the achievement of objectives.

The **objectives of the MSTIP** are to improve safety and reduce congestion on the Washington County's roads. The MSTIP does this by paying for construction projects that must:

- improve safety,
- improve traffic flow or relieve congestion,
- be on a major road used by many travelers,
- and address the needs of all travelers, not just drivers.

Q2.1. For the **risk of inflation/rising costs** on the MSTIP projects:

How likely do you think it is that inflation will increase the cost of the MSTIP projects within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2.2. If inflation/cost increases do occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact <input type="radio"/>	LOW Minor impact <input type="radio"/>	MEDIUM Neutral or moderate impact <input type="radio"/>	HIGH Significant impact <input type="radio"/>	VERY HIGH Extreme impact <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q2.3. What suggestions do you have for reducing or off-setting this risk?

This question is optional. Please briefly describe ALL that you can think of.

Q3.1. For the **Debt risk**. The risk that the County borrows money to build some MSTIP projects faster. Repaying that debt and the interest on it may reduce the money available to build other MSTIP projects.

How likely do you think it is that the MSTIP will take on additional Debt and repayments projects within the next couple of years?

HIGHLY UNLIKELY to occur <input type="radio"/>	NOT LIKELY to occur <input type="radio"/>	MAY OR MAY NOT occur <input type="radio"/>	LIKELY to occur <input type="radio"/>	HIGHLY LIKELY to occur <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q3.2 If this **Debt risk** does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact <input type="radio"/>	LOW Minor impact <input type="radio"/>	MEDIUM Neutral or moderate impact <input type="radio"/>	HIGH Significant impact <input type="radio"/>	VERY HIGH Extreme impact <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q3.3. What suggestions do you have for reducing or off-setting this risk?

This question is optional. Please briefly describe ALL that you can think of.

Q4.1. For the risk of **insufficient Washington County funding**, combined with a **need or desire for outside funding from local, State or Federal governments**. The MSTIP is funded by a share of Washington County's property tax. Sometimes the County seeks additional funding.

How likely do you think it is that the County will not have enough revenue and need outside funding for the MSTIP within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4.2. If this funding risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q5.1. For the risk that **Washington County reduces or discontinues support (financial and/or other) for the MSTIP**. Washington County is responsible for the MSTIP.

How likely do you think it is that the County will reduce or discontinue its financial and/or other support for the MSTIP within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5.2. If this risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
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Insignificant impact	Minor impact	Neutral or moderate impact	Significant impact	Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q6.1. For the **risk of MSTIP project time delays**:
 How likely do you think it is that the MSTIP projects are completed later than planned within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6.2. If project time delays do occur, what do you expect the overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q7.1. For the **severe weather risk. This is the risk that snow, frozen ground, or temperatures that are too cold or too hot will stop or delay construction work**, due to the effect on materials and/or crew safety. Wildfire smoke is included in this risk.

How likely do you think it is that severe weather will occur within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7.2. If this severe weather risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q8.1. For the **supply-chain risk**. This risk leads to the **non-availability of building materials needed for transportation construction**. It can take the County months to obtain certain materials for the MSTIP projects.

How likely do you think it is that the non-availability of building materials will occur within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8.2. If the non-availability of building materials does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q9.1. For the risk of **non-availability and limited availability of County and contract personnel**. This is the risk that the County and its contractors will not have enough staff to manage or build the MSTIP projects, due to retirements and recruitment challenges.

How likely do you think it is that there won't be enough staff for the MSTIP projects within the next couple of years?

- | | | | | | |
|--------------------------------|---------------------------|----------------------------|-----------------------|------------------------------|--------------------------|
| HIGHLY
UNLIKELY to
occur | NOT
LIKELY to
occur | MAY OR
MAY NOT
occur | LIKELY to
occur | HIGHLY
LIKELY to
occur | DON'T
KNOW/
UNSURE |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Q9.2. If this risk does occur, what do you expect its overall impact on the MSTIP would be?

- | | | | | | |
|-------------------------------------|------------------------|---|-------------------------------|--------------------------------|--------------------------|
| VERY LOW
Insignificant
impact | LOW
Minor
impact | MEDIUM
Neutral or
moderate impact | HIGH
Significant
impact | VERY HIGH
Extreme
impact | DON'T
KNOW/
UNSURE |
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Q9.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q10.1. For the **Design risk**. This is the risk of the County requiring multiple designs for each MSTIP project, with the chance of project scope-creep.

How likely do you think it is that the County will require multiple designs for each MSTIP project within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10.2. If the County does require multiple designs for each MSTIP project, what do you expect the overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10.3. What suggestions do you have for reducing or off-setting this risk?

This question is optional. Please briefly describe ALL that you can think of.

Q11.1. For the **Contract risk**. This is the risk that the contracted design or construction firms do not deliver what was promised in the contract.

How likely do you think it is that a MSTIP contractor will not deliver what was promised?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q11.2. If this Contract risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Q11.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q12.1. For the **risk of accidental noncompliance with laws and/or regulations**. The MSTIP projects have to follow numerous requirements in the detailed Oregon Department of Transportation Specifications and in the Washington County Special Provisions. The County's Department of Land Use & Transportation's project managers use checklists to help them to comply.

How likely do you think it is that the MSTIP will not meet all the legal requirements for transportation construction within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q12.2. If this noncompliance does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q12.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q13.1. For the risk of the **Washington County Coordinating Committee's (WCCC's) role changing to become less involved in the MSTIP project selection process.**

How likely do you think it is that the WCCC's role will change within the next couple of years?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13.2. If this risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13.3. What suggestions do you have for reducing or off-setting this risk?
This question is optional. Please briefly describe ALL that you can think of.

Q14.1. For the risk that the **local governments will not collaborate** to recommend projects for MSTIP funding and/or allow their construction. The MSTIP needs a large degree of collaboration with multiple jurisdictions, especially for mixed jurisdiction over certain roadways.

How likely do you think it is that the local governments will not collaborate on the MSTIP projects?

HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY OR MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q14.2. If this non-collaboration does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact <input type="radio"/>	LOW Minor impact <input type="radio"/>	MEDIUM Neutral or moderate impact <input type="radio"/>	HIGH Significant impact <input type="radio"/>	VERY HIGH Extreme impact <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q14.3. What suggestions do you have for reducing or off-setting this risk?

This question is optional. Please briefly describe ALL that you can think of.

Q15.1. For the **risk of turnover of local elected officials. A newly elected official may ask, for example, for changes to a MSTIP project's scope or funding agreements.**

How likely do you think it is that a newly elected official will try to change a MSTIP project's scope or funding agreement already in place within the next couple of years?

HIGHLY UNLIKELY to occur <input type="radio"/>	NOT LIKELY to occur <input type="radio"/>	MAY OR MAY NOT occur <input type="radio"/>	LIKELY to occur <input type="radio"/>	HIGHLY LIKELY to occur <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q15.2. If this risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW Insignificant impact <input type="radio"/>	LOW Minor impact <input type="radio"/>	MEDIUM Neutral or moderate impact <input type="radio"/>	HIGH Significant impact <input type="radio"/>	VERY HIGH Extreme impact <input type="radio"/>	DON'T KNOW/ UNSURE <input type="radio"/>
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Q15.3. What suggestions do you have for reducing or off-setting this risk?

This question is optional. Please briefly describe ALL that you can think of.

Q16.1. Can you think of any major risks to the MSTIP not listed. *[Risk is the possibility that an event will occur and adversely affect the achievement of objectives]*.

- No
- Yes
- Unsure or Prefer Not to Answer

Q16.2. Please describe any other major risks to the MSTIP that have not already been listed above. *[Risk is the possibility that an event will occur and adversely affect the achievement of objectives]*.

Q16.3. For any additional risks you described above, how likely do you think it is to occur within the next couple of years?

	HIGHLY UNLIKELY to occur	NOT LIKELY to occur	MAY or MAY NOT occur	LIKELY to occur	HIGHLY LIKELY to occur	DON'T KNOW/ UNSURE
Additional Risk #1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional Risk #2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Additional Risk #3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q16.4. If any of the additional risks you described above risk does occur, what do you expect its overall impact on the MSTIP would be?

VERY LOW insignificant impact	LOW Minor impact	MEDIUM Neutral or moderate impact	HIGH Significant impact	VERY HIGH Extreme impact	DON'T KNOW/ UNSURE
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Additional Risk #1	0	0	0	0	0	0
Additional Risk #2	0	0	0	0	0	0
Additional Risk #3	0	0	0	0	0	0

Appendix C: Alignment of MSTIP Risks and Audit Findings

Source: County Auditor's Office

MSTIP Risks*	Risk is related to the Finding.	Audit Finding
#1. Inflation/rising costs		Finding #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages
		Finding #6: Not all MSTIP projects are protected equally from inflation
#2. Debt risk		Finding #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages
		Finding #6: Not all MSTIP projects are protected equally from inflation
#3. Need or desire for outside funding. (Non-availability of funds)		Finding #4: The MSTIP did not comply with the contingency requirements before 2024, and the County's new requirements will hinder the MSTIP's access to its new reserve
		Finding #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages
		Finding #6: Not all MSTIP projects are protected equally from inflation
#4. Project time delays		Finding #5: Past MSTIP projects lacked sufficient contingency and inflation assumptions in their cost estimates to address overages
		Finding #7: The County's 2017 Bike Facilities Policy is not needed and costs time and money
		Finding #1: The MSTIP is not authorized and defined in the County Code and lacks official policies

#5. Washington County reduces or discontinues support (financial and/or other) for the MSTIP		Finding #3: The County did not comply with its administrative policy for budget when it reduced the General Fund's base transfer to the MSTIP III Fund for FY 2023-24 and FY 2024-25 budgets
#8. Lack of clarity over the equity or fairness of project-selection for MSTIP funding		Finding #2: The MSTIP's approach to equity is unclear and should be explained in policy
		Finding #6: Not all MSTIP projects are protected equally from inflation
#11. Design risk		Finding #7: The County's 2017 Bike Facilities Policy is not needed and costs time and money
#12. Capital Improvement Planning Program (CIP) changes		Finding #1: The MSTIP is not authorized and defined in the County Code and lacks official policies

Appendix D: Possible responses to the MSTIP's Risks

Organizations measure and prioritize risks so that they can manage risk levels. Tolerance levels for risk are set by the executive board, and for Washington County, that board is the Board of County Commissioners.

There are four ways of responding to a risk: avoid it by leaving the activity that causes it; reduce the risk; share the risk with another party, e.g. by buying insurance; accept the risk.

Risk Assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses. Source: Standards for Internal Control in the Federal Government, 2014

This appendix provides some possible ways in which the County may be able to reduce the risks identified for the Major Streets Transportation Improvement Program. Some of the possible responses are clearly shown as audit recommendations, with their recommendation number from this audit report. The other possible County responses shown below are ideas drawn from the responses received to our MSTIP risk survey, our background research for this audit, and our professional judgement. The other responses are not official audit recommendations.

There is no absolute guarantee that our recommendations or the other possible responses will reduce or eliminate the MSTIP's risks. We present the other possible responses as steps that the County may consider taking.

1. **Inflation/rising costs** on MSTIP projects.

- See *Recommendation 5-1: Continue to improve project cost estimates.*
- For budget overruns, risk mitigation may involve more accurate cost forecasting and contingency planning. The Department of Land Use & Transportation could update the project cost estimates twice a year, as they said they would.

- The Board could restore the MSTIP’s share of the property tax revenues to be received by the County to the 37 percent it was just after Measure 50 went into effect.
2. **Debt risk** - The County borrows money to build some MSTIP projects faster. Repaying that debt and the interest for some projects may reduce the money available to build other MSTIP projects.
- See *Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy.*
3. **Insufficient County funding**, combined with a **need or desire for funding from local, state, or federal governments**. The MSTIP is funded by a share of Washington County’s property tax. Sometimes the County seeks additional funding from other sources when current sources aren’t enough to cover projects.
- The County should codify the MSTIP’s purpose and governance. See *Recommendation 1-1: Establish the MSTIP in County Code.*
 - See *Recommendation 4-1: Get an exception for the MSTIP III Fund from establishing a reserve for future use.*
 - The Department of Land Use & Transportation could continue to seek other funding sources from outside the County’s organization.
 - The Board could reduce the scope and/or number of projects funded by the MSTIP.
4. **Project time delays**. MSTIP projects are completed later than planned.
- See *Recommendation 4-1: Get an exception for the MSTIP III Fund from establishing a reserve for future use.*
 - The Department of Land Use & Transportation could complete its plan to implement project management software by June 2025. That software will enable the MSTIP Manager to get a monthly report on the status of every project.

- The County could take long-term steps to manage the following project delay causes outside the County:
 - The County Administrative Office could develop a protocol with the Board's approval to remove or reduce delays relating to Clean Water Services.
 - The County Administrator, through Government Relations, could seek legislative help to remove or reduce utility company delays, with the Board's approval.
- The County through the Department of Land Use & Transportation could plan MSTIP projects to manage what the County might be able to control, such as:
 - Outsourcing specialist staffing to get a project started if LUT's specialist staff are working on other projects.
 - Continue to hold contractors accountable with financial penalties for not finishing work on time.

5. Washington County reduces or discontinues support (financial and/or other) for the MSTIP.

- The County should codify the MSTIP's purpose and governance. *See Recommendation 1-1: Establish the MSTIP in County Code.*
- *See Recommendation 3-1: Comply with Administrative Policy #404 or change it.*
- The Board could engage in a public process with voters to resolve the on-going problem of not having enough revenue for all the services provided by the County.

6. Local governments will not collaborate to recommend projects for MSTIP funding and/or allow their construction. The MSTIP needs a large degree of collaboration with multiple jurisdictions, especially for mixed jurisdiction over certain roadways.

- *See Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy.*

- The Department of Land Use & Transportation could continue outreach to cities in the county to inform them of the benefits of their projects seeking MSTIP funding.
- 7. Turnover of local elected officials** - A newly elected official may ask, for example, for changes to a MSTIP project's scope or funding agreements already in place.
- The Department of Land Use & Transportation could provide training material to the cities for incoming elected officials to explain the MSTIP process and the costs incurred by trying to change agreements already in place.
- 8. Equity of project selection** - Lack of clarity over the equity or fairness of project-selection for MSTIP funding.
- See *Recommendation 2-1: Clarify the County's approach to MSTIP project equity and equality.*
 - See *Recommendation 6-1: Define fair and equitable for the different ways of funding MSTIP projects in policy.*
- 9. Washington County Coordinating Committee's role changing to become less involved in the MSTIP project selection process.**
- The County should codify the MSTIP's purpose and governance. See *Recommendation 1-1: Establish the MSTIP in County Code.*
 - The Board and the WCCC could come to an agreement on the WCCC's role. See *Recommendation 1-2: Establish policies to direct the MSTIP.*
- 10. Non-availability and limited availability of County and contract personnel** - This is the risk that the County and its contractors will not have enough staff to manage or build the MSTIP projects, due to retirements and recruitment challenges.
- The Department of Land Use & Transportation could have experienced staff mentor newer staff

and provide additional workforce training and development to assist its succession planning.

- The County Administrator could address workforce shortages due to demographic changes at a County-wide level with Human Resources.

11. Design risk - The risk of the County requiring multiple designs for each MSTIP project, with the chance of project scope creep.

- See *Recommendation 7-1: Update road design standards to include separate bicycle facilities.*
- See *Recommendation 7-2: Revoke the 2017 Bicycle Facilities Policy.*

12. Capital Improvement Planning Program (CIP)

changes - The County has started a new multi-year program to plan for capital expenditures, including MSTIP projects.

- The County should draft administrative policies that provide direction and the philosophy for how the MSTIP should manage and fund its work. See *Recommendation 1-2: Establish policies to direct the MSTIP.*
- LUT could be further involved in drafting the CIP's planned policy and processes.

13. Contract risk that the contracted design or construction firms do not deliver what was promised in the contract. Non-delivery can lead to lawsuits.

- The Board could lobby the state legislature to create contracting rules that are more equitable to governments.
- LUT could continue to ensure its project managers have training in and resources for contract administration and management.
- The County Administrator and LUT could explore whether using alternate construction methods such as progressive design build may be warranted to avoid possible problems with low bid contracts.

14. Noncompliance risk of accidental noncompliance with laws and/or regulations. The MSTIP projects must follow numerous requirements in the Oregon Department of Transportation Specifications (ODOT) and in the Washington County Special Provisions.

- LUT could continue to use and improve on its project manager checklists.
- LUT could use contracts with provisions alerting contractors to the permit conditions and hold contractors responsible if they are cause of any noncompliance.
- The County's project managers could be prepared to take pre-emptive action to correct before any noncompliance becomes a problem.
- LUT could continue its active management of project from start-to-finish, including on-site presence of county staff and/or contracted inspectors during construction.
- For projects where there is a significant risk of this occurring, LUT could have an ODOT staff liaison to ensure ODOT standards are known up front.
- The County could coordinate a review of the regulations that are not working with other counties to address the issues with ODOT.

15. Severe weather - The risk that construction work will stop or be delayed, due to extreme weather events.

- LUT project managers could look at weather trends in recent years at their project site and could build time into the project construction schedule to deal with severe weather.
- LUT could consider the cost and benefit of building at night in summer on some projects to avoid delays caused by severe daytime heat.

16. Earthquake. The impact of a major earthquake. This was considered to belong to the County's disaster recovery plan.

- LUT could consult with County Counsel to build into future transportation construction contracts a provision about earthquakes.

17. Supply-chain risk leads to the non-availability of building materials needed for transportation construction. It can take the County months to obtain certain materials for the MSTIP projects.

- LUT could continue to have construction contractors bear this risk in the transportation construction contracts.
- LUT could look at the cost and benefit of planning long in advance and pre-purchasing and storing items with a lot of lead time e.g. signal poles and steel bridge beams.

About the Washington County Auditor's Office



The Washington County Auditor's Office conducts performance audits that provide accountability to the public and improve County programs, services, and operations. In conducting audits, the County Auditor's Office follows professional auditing standards that require a high level of independence, objectivity, sound professional judgment, and regular quality assurance reviews.

The County Auditor is elected countywide and operates independently of the Board of County Commissioners and the County Administrator. The Auditor answers directly to Washington County residents and determines the programs and services to be audited.

Our Mission



To promote better government accountability, public policy, and County services through impactful audits and analysis.

Audit Team



- Kristine Adams-Wannberg, County Auditor
- Fiona Howell Earle, Senior Management Auditor, Auditor in Charge
- Sherry Kurk, Senior Management Auditor, Quality Control Reviewer