

March 29, 2005

The Honorable Jim Pitts, Chairman
House Appropriations Committee
State Capitol, Room E1.032
Austin, TX 78701

Subject: The Texas Department of Transportation's
Katy Freeway Reconstruction Project

Dear Chairman Pitts:

At your request, the State Auditor's Office has gathered information regarding the Texas Department of Transportation's (TxDOT) estimated costs and actual expenditures for the Katy Freeway Reconstruction project (see Tables 1 and 2 in the attachment to this letter for estimated and actual expenditure information).

TxDOT's cost estimates have increased from \$1.504 billion in October 2001 to \$2.669 billion in March 2005. Estimated highway costs are used to determine which highway projects can be built and are included in the Texas's Unified Transportation Plan. **The primary reason for the increase in estimated cost is that TxDOT did not take the necessary and appropriate steps to estimate total project costs.**

Factors That Significantly Affected the 2001 Cost Estimate

If TxDOT had used appropriate cost estimation methodologies in October 2001, it would have estimated a cost of approximately \$2.5 billion, which would have been within \$133 million of its current estimated cost (see Table 3 in the attachment to this letter).

- The estimate was based on **preliminary engineering**. It did not include most costs for final design and construction of bridges and drainage. For example, without complete drainage engineering, TxDOT's estimate did not include the cost of moving City of Houston water and sewer infrastructure, which is currently estimated to cost \$55.6 million.
- The conversion of managed lanes into toll lanes required that the Katy Freeway/Beltway 8 overpass be rebuilt. TxDOT's estimate **incorrectly assumed that the existing overpass could be preserved**. Estimated costs for this overpass are \$100 million.
- The estimate **did not include indirect costs**. TxDOT did not include indirect costs until fiscal year 2004.
- The estimate **did not include contingencies** for increases in the cost of materials, including increases in the price of steel.

- The estimate did not consider the effect of **inflation** over the 3.5 years between the initial October 2001 estimate and the March 2005 estimate.
- **TxDOT did not follow its standard practice of purchasing the majority of right of way before letting contracts.** TxDOT made a decision to forgo acquiring right of way in advance in order to manage the project on an accelerated construction schedule. (See Right of Way section below for the effect on cost estimates.)

TxDOT's March 2005 cost estimate for the Katy Freeway Reconstruction project is significantly more comprehensive. TxDOT's management has directed district engineers to improve the quality and documentation of the scope and cost estimates for future construction projects. However, this guidance does not include or require the use of a standard model to project construction costs based on prior experience.

Recommendations for the Legislature's Consideration

The Legislature may wish to require TxDOT to design a standard model so that it could estimate project costs more accurately.

Factors That Did Not Significantly Affect the 2001 Cost Estimate

TxDOT incorrectly testified that toll lanes added a total of \$350 million to the project's costs and that it is receiving \$500 million from Harris County for toll lanes. Instead:

- Harris County will pay TxDOT \$237.5 million to lease the toll lanes. Since 2001, TxDOT has planned on constructing managed lanes as part of this project, and the cost of those lanes has always been included in its costs estimate. When TxDOT agreed to convert managed lanes into toll lanes, TxDOT shifted the cost of those lanes to Harris County (except for costs associated with the Katy Freeway/Beltway 8 overpass).
- Harris County will provide an additional \$22.5 million for costs associated with converting the managed lanes into toll lanes (these funds will provide for an access ramp, toll facilities, design, and related costs).
- Harris County will pay TxDOT the \$237.5 million through installment payments that extend until June 2007. The present value of Harris County's payments is approximately \$211.3 million (see Table 4 in the attachment to this letter).
- Harris County offered an additional \$250 million worth of services, for which TxDOT would have to reimburse the county. TxDOT currently does not plan to accept that offer.

Although change orders have the potential to affect project costs, to date, they have not had a significant effect on the costs of the Katy Freeway Reconstruction project. Thus far, approved and pending change orders have increased costs by 1.12 percent (see Table 5 in the attachment to

this letter). Similarly, incentive payments have not had a significant effect on project costs (see Table 6 in the attachment to this letter).

Right of Way Issues Present a Significant Risk for Future Cost Increases

TxDOT faces a significant risk that costs will continue to rise above the \$2.669 billion March 2005 estimate for total project costs. For example, TxDOT identified to State Auditor's staff additional estimated costs for right of way of \$68 million and for utilities of \$8 million during the week of March 19, 2005.

TxDOT is managing the project on an accelerated construction schedule and did not follow its standard practice of purchasing the majority of right of way before letting contracts for the project. As a result, TxDOT has had to pay for the temporary relocation of utilities, and it risks having to pay contractors' claims because of construction delays. Letting contracts prior to securing the right of way will lead to cost increases that have been estimated to be as high as \$75.0 million because of temporary utility relocations.¹ (Table 7 in the attachment to this letter provides information on changes to total estimated utility costs.)

TxDOT's standard practice is to acquire approximately 90 percent of the right of way before construction contracts are let. Although TxDOT has acquired only 57 percent of the right of way for the Katy Freeway Reconstruction project, it has already let 90 percent of the construction contracts for the project (see Table 8 in the attachment to this letter). TxDOT asserts that deviating from its standard practice will result in cost savings and help shorten the completion time for the project.

TxDOT also is paying significantly more than the appraisal value for right of way property. TxDOT's appraisal value for 67 properties it acquired for the Katy Freeway Reconstruction project was \$94 million. However, TxDOT's accounting records indicate that TxDOT actually paid \$114 million for these properties. (We did not verify these values because TxDOT does not maintain adequate records to do so.) In addition, our observation is that TxDOT's appraisal values may be significantly higher than county tax appraisal values. The amount that property owners receive for right of way property through condemnation proceedings differ significantly from the appraisal value.

For example, as a result of condemnation proceedings, TxDOT may be required to pay property owners approximately 350 percent of TxDOT's initial appraisal value for three parcels (TxDOT's initial appraisal value was \$2,709,521; a jury awarded the property owners \$9,398,532, but TxDOT is appealing that decision, see Table 9 in the attachment to this letter for additional details).

According to TxDOT, its efforts to acquire right of way in a timely and cost-effective manner have been constrained by the following:

¹ This estimate is based only on TxDOT staff's assertions because TxDOT does not track this information.

- Four county courts of law in Harris County have exclusive right to hear right of way cases. These courts appoint special commissioners to hold hearings when TxDOT and the property owner disagree on an appraised amount.
- Legal strategies pursued by property owners and their legal representatives have caused and will continue to cause TxDOT to litigate a significantly higher number of cases than is usual. The Office of the Attorney General's Transportation Division estimates that as much as 70 percent of parcels will go through the condemnation process, as compared to 15 percent statewide.
- Upon the advice of their attorneys, property owners are exercising their right not to disclose the purchase prices of their properties to TxDOT. This hinders TxDOT's ability to make an accurate appraisal of properties it intends to acquire because it cannot obtain the sales prices of similar properties. In addition, some property owners are refusing to allow TxDOT appraisers and other experts to inspect their properties, hindering the process by requiring appraisers to complete their inspections from outside the boundaries of the properties and by using improvement descriptions from the Harris County Appraisal District.

The Texas Constitution includes provisions that lower the appraisal value of agricultural land, which effectively lowers the amount of property taxes property owners pay on that land. However, when agricultural land is sold or the use of that land has changed (depending on exemption type), property taxes must be paid for the prior 3 or 5 years at the market value of the property. It could be valuable to consider establishing a similar requirement that property owners who sell land through condemnation proceedings pay property taxes for a specified period of time based on the amount they are awarded for their property.

TxDOT does not have reliable, accessible, comprehensive data to manage the right of way process. TxDOT's Right of Way Division does not maintain detailed data that would allow it to monitor its right of way acquisitions and perform analyses of its efforts in this area. Districts are not required to enter all data regarding right of way acquisitions into TxDOT's right of way automated system. As a result, the data in that system is incomplete and manual processes are required to obtain data that could have been entered into the system. Examples of data not readily available include:

- Amounts paid for parcels acquired: We were able to compile amounts paid only by going through detailed accounting records.
- Number of parcels acquired to date: TxDOT had to conduct a manual review of its documentation to compile this data.
- County property appraisal values and information, such as street addresses, that would enable TxDOT to match specific properties to information in a county's property appraisal value records.

Having reliable data to monitor right of way acquisitions is also important because **TxDOT has instructed districts to move forward as if funds to acquire right of way were not limited.**

An August 19, 2004, TxDOT memo instructed district engineers to place emphasis on moving forward with construction, without regard to the funds necessary to acquire right of way (see Attachment 2 to this letter for a copy of this memo). The memo stated:

Any project with develop or construct authority and that [has] completed right of way maps and environmental clearance, should move forward immediately without hindrance of any perception that Strategy 102 funds are limited in any capacity.

Recommendations for the Legislature's Consideration

The Legislature may wish to consider:

- Revising state law to allow for concurrent jurisdiction between district courts and county courts at law statewide, to include Harris County, for eminent domain cases.
- Revising state law to require property owners who transfer land through condemnation proceedings to pay property taxes for a certain number of years based on the amount they are awarded for their property.
- Revising state law to require that property owners show evidence that they have initiated efforts to realize the highest and best use of their property prior to TxDOT's initial offer to acquire the property.
- Revising state law to enable TxDOT and other condemning authorities to obtain from county tax appraisers information regarding the recent sales prices of properties that are similar to the properties TxDOT and other condemning authorities intend to acquire.
- Revising state law to require property owners to allow the State's retained experts (for example, surveyors, appraisers, land planners, architects, and engineers) to be granted sufficient access to enable them to perform their respective duties on property that the State is attempting to acquire as part of a public improvement project.
- Requiring that TxDOT maintain detailed right of way data that would allow it to monitor its acquisitions and perform analyses of its efforts in this area.

TxDOT's Rebaselining² of the Initial Cost Estimated It Provided to the Federal Highway Administration

In December 2004, TxDOT rebaselined (normalized) its initial cost estimate to the Federal Highway Administration (FHWA) from \$1.761 billion (January 2003) to \$2.490 billion (see Table 1 in the attachment to this letter). The reason given for the rebaselining was to include contingencies and indirect costs. **By rebaselining, the Katy Freeway Reconstruction project now appears to be only 10 percent over budget.** In accordance with federal guidance, TxDOT

² "Rebaselining" means retroactively adjusting costs estimates.

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prepares and submits financial plans and updates to FHWA that compare original cost estimates to ongoing actual costs and project completion schedules. This information was essential to our understanding of how estimates for the Katy Freeway Reconstruction project have changed over time, but TxDOT does not routinely share this information with others.

These financial plans are required for major projects (projects with costs of \$1 billion or more). However, some major projects--such as the proposed 4,000-mile Trans Texas Corridor--may not be covered by the requirement. This is because the corridor project is planned in several individual segments. In June 2002, TxDOT estimated that the total Trans Texas Corridor costs would range from \$145.2 billion to \$183.5 billion.³

Recommendations for the Legislature's Consideration

The Legislature may wish to consider:

- Requiring that TxDOT notify the legislative budget and oversight committees prior to rebaselining projects.
- Requiring TxDOT to (1) prepare and submit financial plans and updates annually on all projects that are \$1 billion or more when taken as a whole, (2) make available its financial plans and quarterly updates for major projects on any project-specific Web sites, and (3) send copies to the legislative budget and oversight committees, the Legislative Budget Board, and the State Auditor's Office.

The State Auditor's Office conducted this work to assist the Legislature in ensuring that the State's financial interests are protected and that public funds are managed with the highest integrity.

The information in this letter and the attachments was provided primarily by TxDOT, and it has not been subjected to the tests and confirmations that would be performed in an audit. If you have any questions, please contact Sandra Vice, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachments

cc: The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Tom Craddick, Speaker of the House

³ *Crossroads of the Americas: Trans Texas Corridor Plan*, Texas Department of Transportation, June 2002.

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The Honorable Steve Ogden, Chairman, Senate Finance Committee
The Honorable Thomas "Tommy" Williams, Member, Texas Senate
The Honorable Jim Keffer, Chair, House Ways and Means Committee
Members of the House Appropriations Committee
The Honorable Mike Krusee, Chairman, House Transportation Committee
Mr. John O'Brien, Deputy Director, Legislative Budget Board
Ms. Darlene Brugnoli, Senior Policy Analyst, Office of the Speaker of the House
Ms. Cristina Self, Clerk, House Appropriations Committee
Texas Department of Transportation
Mr. Richard F. Williamson, Chair, Texas Transportation Commission
Ms. Hope Andrade, Texas Transportation Commission
Mr. Ted Houghton, Texas Transportation Commission
Mr. John W. Johnson, Texas Transportation Commission
Mr. Robert Lee Nichols, Texas Transportation Commission
Mr. Michael W. Behrens, P.E., Executive Director

Attachment 1

The following tables provide additional information regarding the Katy Freeway Reconstruction project:

- **Table 1 - Estimated Costs:** This table shows that estimated costs increased from approximately \$1.504 billion in fiscal year 2001 to \$2.669 billion in fiscal year 2005.
- **Table 2 - Actual Expenditures:** This table shows that, as of February 28, 2005, \$839,495,284 has been spent on the Katy Freeway Reconstruction project.
- **Table 3 - Comparison of Fiscal Year 2001 Cost Estimates Made with TxDOT's Prior and Current Cost Estimation Methodologies:** This table shows that, if TxDOT had used its current cost estimation methodology when it estimated costs in 2001, its 2001 cost estimate would have been within approximately \$133 million of its 2005 cost estimate.
- **Table 4 - Toll Lane Payments TxDOT Will Receive from Harris County:** This table shows that TxDOT will receive \$237,500,000 from Harris County through installment payments that extend through June 2007. The present value of those payments is \$211,341,181.24.
- **Table 5 - Change Orders:** This table shows that change orders have not had a significant effect on project costs.
- **Table 6 - Incentive Payments:** This table shows that incentive payments have not had a significant effect on project costs.
- **Table 7 - Changes in Estimated Utility Costs:** This table shows that estimated utility costs increased by 83.64 percent from 2001 to 2005.
- **Table 8 - Status of Right of Way:** This table shows that TxDOT has acquired 57.31 percent of all the parcels it needs to acquire to complete the Katy Freeway Reconstruction project.
- **Table 9 - Example of a Right of Way Acquisition.** This table shows that TxDOT may be required to pay property owners significantly more than TxDOT's initial appraisal value for three parcels.

Table 1 - Estimated Costs: This table shows that estimated costs increased from approximately \$1.504 billion in fiscal year 2001 to \$2.669 billion in fiscal year 2005.

Katy Freeway Reconstruction Project Cost Estimate Development (For Estimating Purposes Only) (in millions of dollars)						
Category	Project Funding Estimate ^a October 2001	Initial Financial Plan Estimate ^b January 2003	Initial Financial Plan Estimate Rebaselined ^c January 2003	2003 Financial Plan Update Estimate ^d December 2003	2004 Financial Plan Update Estimate ^e December 2004	Estimates Presented by TxDOT at Appropriations Committee Hearing March 2005
Construction	\$995.1	\$1,111.1	\$1,528.0	\$1,511.0	\$1,665.0	\$1,650.0
Right of way	196.2	232.2	303.0	359.0	380.0	317.0
Utilities	169.4	249.7	343.0	307.0	325.0	325.0
Design and program Management	143.0	168.0	207.0	225.0	260.0	266.0
TxDOT's indirect costs	0.0	0.0	108.0	112.0	118.0	111.0
Totals	\$1,503.7	\$1,761.0	\$2,490.0^f	\$2,514.0	\$2,748.0	\$2,669.0

^a The program funding estimate is in 2001 dollars (no inflation factor was applied and no contingencies were included).

^b The initial financial plan (IFP) estimate is in year-of-expenditure dollars (no contingencies were included).

^c The rebaselined IFP estimate was retroactively rebaselined with contingencies and included TxDOT's indirect costs.

^d The 2003 financial plan update (FPU) estimate was retroactively adjusted with contingencies and included TxDOT's indirect costs.

^e The 2004 FPU estimate included contingencies and indirect costs.

^f This amount is not the exact sum of each component because of rounding.

Table 2 - Actual Expenditures: This table shows that, as of February 28, 2005, \$839,495,284 has been spent on the Katy Freeway Reconstruction project.

Katy Freeway Reconstruction Project Cost Actual Expenditures (as of February 28, 2005)	
Category	Expenditures
Right of way	\$179,533,120
Utilities	104,568,471
Construction:	
Incentive payments to contractors:	\$ 2,250,000
Other construction expenditures:	\$ 436,588,308
Total construction expenditures	438,838,308
Other expenditures (includes design costs)	116,555,385
Total expenditures	\$839,495,284

Table 3 - Comparison of Fiscal Year 2001 Cost Estimates Made with TxDOT's Prior and Current Cost Estimation Methodologies: This table shows that, if TxDOT had used its current cost estimation methodology when it estimated costs in 2001, its 2001 cost estimate would have been within approximately \$133 million of its 2005 cost estimate.

Katy Freeway Reconstruction Project Comparison of Fiscal Year 2001 Cost Estimates Made with TxDOT's Prior and Current Cost Estimation Methodologies (in millions)		
Category	Fiscal Year 2001 Cost Estimate Calculated Using TxDOT's PRIOR Cost Estimation Methodology	Fiscal Year 2001 Cost Estimate Calculated Using TxDOT's CURRENT Cost Estimation Methodology
Construction	\$ 995.1	\$1,652.8
Right of way	196.2	274.0
Utilities	169.4	264.1
Design and program management	143	230.7
TxDOT's indirect costs	0.0	114.6
Totals	\$1,503.7	\$2,536.3 ^a
Total cost estimate TxDOT presented in March 2005		\$2,669.0
Difference between (1) fiscal year 2001 cost estimate calculated using TxDOT's current cost estimation methodology and (2) total cost estimate TxDOT presented in March 2005		\$ 132.8

^a This amount is not the exact sum of each component because of rounding.

Table 4 - Toll Lane Payments TxDOT Will Receive from Harris County: This table shows that TxDOT will receive \$237,500,000 from Harris County through installment payments that extend through June 2007. The present value of those payments is \$211,341,181.24.

Katy Freeway Reconstruction Project Payments TxDOT Will Receive from Harris County for the Construction of Four Managed Toll Lanes ^a		
Date TxDOT will Receive Payment	Payment Amount	Present Value of Payment Amount (assuming 4.25 interest compounded annually)
May 1, 2003	\$37,500,000	\$ 37,291,575.85
September 1, 2005	25,000,000	22,554,106.31
December 1, 2005	25,000,000	22,322,200.19
March 1, 2006	25,000,000	22,095,014.56
June 1, 2006	25,000,000	21,864,279.24
September 1, 2006	25,000,000	21,634,634.35
December 1, 2006	25,000,000	21,412,182.44
March 1, 2007	25,000,000	21,194,258.57
June 1, 2007	25,000,000	20,972,929.73
Totals	\$237,500,000	\$211,341,181.24

^a In the tri-party agreement signed by TxDOT, Harris County, and the Federal Highway Administration, Harris County agreed to contribute to TxDOT an amount equal to the total costs of the toll facility construction, provided this does not exceed \$250,000,000 less \$12,500,000 (\$237,500,000) for county expenditures on the toll facility.

Table 5 - Change Orders: This table shows that change orders have not had a significant effect on project costs.

Katy Freeway Reconstruction Project Construction Contract Costs, Change Orders, and Potential Change Orders (as of March 2005)					
Firm Name	Project Section Number(s) ^a	Value of Original Contract	Value of Change Order(s) in Progress	Value of Potential Change Order(s)	Total Value of Original Contract, Change Orders, and Potential Change Order(s)
Williams Brothers Construction Co., Inc.	1 and 2	\$ 262,488,569.29	\$ 2,306,293.93	\$ 0	\$ 264,794,863.22
Williams Brothers Construction Co., Inc.	3	158,240,147.67	0	0	158,240,147.67
Williams Brothers Construction Co., Inc.	4	204,268,147.64	383,521.25	0	204,651,668.89
Williams Brothers Construction Co., Inc.	5	250,411,714.80	2,057,620.46	175,537.06	252,644,872.32
Balfour Beatty Construction, Inc.	6	83,955,124.97	(63,722.80)	0	83,891,402.17
Williams Brothers Construction Co., Inc.	8 and 9	207,795,338.34	6,338,131.11	204,009.92	214,337,479.37
Balfour Beatty Construction, Inc.	10	83,392,268.04	2,933,597.48	0	86,325,865.52
Totals		\$ 1,250,551,310.75	\$13,955,441.43	\$ 379,546.98	\$ 1,264,886,299.16

^a There have not been any change orders for Section 7. Therefore, Section 7 is not presented in this table.

Table 6 - Incentive Payments: This table shows that incentive payments have not had a significant effect on project costs.

Katy Freeway Reconstruction Project Incentive Payments								
Project Section(s) and Description	Date Associated Contract Was Let	Engineer's Estimated Contract Cost (in millions)	Contract Bid Amount (in millions)	Total Project Duration (in days)	Barricade Months	Maximum Days Allowed for Early Completion	Range of Incentive Amounts per Day	Maximum Total Incentive Amount (in millions)
Sections 8 and 9	May 2003	\$174	\$208	930	35	180	\$10,000 to \$50,000	\$5.5
Sections 1 and 2A	July 2003	\$245	\$262	1,359	51	215	\$5,000 to \$75,000	\$12.1
Section 10	July 2003	\$84	\$83	921	35	110	\$25,000 to \$50,000	\$3.0
Section 5	July 2004	\$201	\$250	1,351	51	580	\$10,000 to \$30,000	\$13.35
Section 6	December 2004	\$87	\$84	1,100	41	110	\$5,000 to \$10,000	\$0.85
Section 4	January 2005	\$185	\$204	1,186	44	205	\$10,000 to \$60,000	\$8.45
Section 3	February 2005	\$158	\$158	1,192	45	160	\$20,000 to \$60,000	\$10.5
Section 7	March 2005	\$171	\$153	1,167	44	332	\$10,000 to \$50,000	\$7.5
Section 2B	(Contract is scheduled to be let in January 2007)	\$38	(not applicable)	(not applicable)	(not applicable)	(not applicable)	(not applicable)	(not applicable)
Total								\$61.25

Table 7 - Changes in Estimated Utility Costs: This table shows that estimated utility costs increased by 83.64 percent from 2001 to 2005.

Katy Freeway Reconstruction Project Changes in Estimated Utility Costs				
Utility Category	Initial Financial Plan Cost Estimate (October 2001)	Current Cost Estimate (March 2005)	Increase (Decrease) in Cost Estimate	Percent Increase (Decrease) in Cost Estimate
Cable television	\$ 12,715,272	\$ 5,344,343	\$ (7,370,929)	(57.97)%
Electric	87,761,049	112,278,213	24,517,164	27.94%
Pipeline	4,635,882	5,752,708	1,116,826	24.09%
Telecommunications	63,630,482	128,042,672	64,412,190	101.23%
Water and sewer	626,528	59,606,977	58,980,449	9,413.86%
Totals	\$ 169,369,213	\$ 311,024,913 ^a	\$ 141,655,700	83.64%

^a The \$311,024,913 cost estimate in this table differs from the \$325 million estimate in Table 1 because the estimate in Table 1 includes undesignated contingencies and the estimate in this table does not.

Table 8 - Status of Right of Way: This table shows that TxDOT has acquired 57.31 percent of all the parcels it needs to acquire to complete the Katy Freeway Reconstruction project.

Katy Freeway Reconstruction Project Status of Right of Way (as of February 28, 2005)					
Project Section Number	Number of Parcels to Be Acquired	Percent of Parcels Acquired	Percent of Parcels Not Yet Acquired	Acquisition Price of Parcels Acquired	Appraisal Value of Parcels Not Yet Acquired ^a
1	4	100.00%	0.00%	\$ 9,936,783	\$ 0
2	16	100.00%	0.00%	21,533,981	0
3	62	56.45%	43.55%	38,869,549	70,410,889
4	118	58.47%	41.53%	30,619,711	67,177,167
5	66	34.85%	65.15%	16,564,729	57,018,654
6	51	66.67%	33.33%	7,442,251	11,484,817
7	53	28.30%	71.70%	4,692,041	8,777,756
8	28	82.14%	17.86%	6,786,356	375,647
9	27	85.19%	14.81%	793,634	86,854
10	13	69.23%	30.77%	1,975,919	1,110,762
Totals	438	57.31%	42.69%	\$ 139,214,954	\$ 216,442,546

^a These are the appraisal values that TxDOT provided to the Federal Highway Administration. The eventual acquisition prices of these parcels will not necessarily equal the appraisal values.

Table 9 - Example of a Right of Way Acquisition: This table shows that TxDOT may be required to pay property owners significantly more than TxDOT's initial appraisal value for three parcels.

Katy Freeway Reconstruction Project Example of Right of Way Acquisition					
Parcel	TxDOT's Initial Appraisal Value for the Parcel	Property Owners' Testimony Regarding Value of Parcel	Commissioner's Award Amount for Parcel	Jury Award Amount for all Three Parcels ^a	Jury Award as a Percentage of Total Initial Appraisal Amount
1	\$1,757,389	\$4,157,490	\$3,250,901	\$9,398,532	346.87 %
2	828,696	2,253,205	1,507,135		
3	123,436	3,496,235	2,640,379		
Totals	\$2,709, 521	\$9,906,930	\$7,398,415		

^a TxDOT is currently appealing this award.

Attachment 2

Below is a copy of the August 19, 2004, memo that TxDOT sent its district engineers regarding funding for right of way acquisitions.



MEMORANDUM

TO: District Engineers **DATE:** August 19, 2004
FROM: Amadeo Saenz, Jr., P.E. 
SUBJECT: Strategy 102 Expenditures for FY 2005

This memo reiterates the July 16, 2004, memorandum sent to you by the Right of Way Division (ROW). The FY 2005 statewide Strategy 102 budget is pre-determined at \$325 million. This figure does not include the right of way acquisition, relocation assistance and utility adjustment dollars needed to meet the addition of the projects selected for acceleration into the 2005-2007 letting schedule.

To meet the needs of the accelerated schedule, District ROW Administrators have projected \$657 million dollars in Strategy 102 expenditures required for FY 2005. In preliminary action to meet this projected demand, the ROW Division made an initial allocation of \$450 million to Strategy 102 in order to accommodate anticipated expenditures through the first half of the fiscal year.

We want to again emphasize to the districts that the acquisition of required right of way and the adjustment of impacted utility facilities are critical to the timely advancement of transportation projects to construction. Any project with develop or construct authority and that have completed right of way maps and environmental clearance, should move forward immediately without hindrance of any perception that Strategy 102 funds are limited in any capacity. Therefore, we are increasing the initial allocation of FY 2005 Strategy 102 funds to the \$657 million projected by districts to meet their letting schedules. The attached spreadsheet shows the increased allocation for FY 2005.

The ROW Division has 30 right of way acquisition professional service providers under contract for assignment to districts. These providers can be assigned and working on your project in any district in the state in two weeks or less. Most districts will need the additional manpower provided by these companies in order to meet the aggressive letting schedule.

If you require additional information or further clarification on the initial allocation or use of right of way acquisition providers, please contact John P. Campbell, P.E. at the ROW Division at (512) 416-2918.

Attachment

cc: James Bass, Director, Finance Division
John P. Campbell, P.E., Director, Right of Way Division
District TP&D Directors
District ROW Administrators

Strategy 102
 District Strategy 102 Allocation for FY-2005
 (Allocations as of 8/13/04 Based on 100% of District Forecast)

District		FY-2005		
		District FY-2005 Projections for Strategy 102 Expenditures to meet Construction Letting Requirements	Allocation as a % of Forecast	Allocation
No.	Location			
1	PAR	12,620,000	100.0%	12,620,000
2	FTW	16,871,225	100.0%	16,871,225
3	WFS	6,532,676	100.0%	6,532,676
4	AMA	3,733,000	100.0%	3,733,000
5	LBB	2,900,000	100.0%	2,900,000
6	ODA	1,122,314	100.0%	1,122,314
7	SJT	2,064,000	100.0%	2,064,000
8	ABL	1,480,000	100.0%	1,480,000
9	WAC	31,918,446	100.0%	31,918,446
10	TYL	17,163,000	100.0%	17,163,000
11	LFK	17,151,000	100.0%	17,151,000
12	HOU	151,087,000	100.0%	151,087,000
13	YKM	4,604,291	100.0%	4,604,291
14	AUS	69,995,600	100.0%	69,995,600
14	AUS-CTTP	8,808,000	100.0%	8,808,000
15	SAT	26,770,000	100.0%	26,770,000
16	CRP	3,743,000	100.0%	3,743,000
17	BRY	20,021,381	100.0%	20,021,381
18	DAL	204,025,500	100.0%	204,025,500
19	ATL	4,677,000	100.0%	4,677,000
20	BMT	6,816,600	100.0%	6,816,600
21	PHR	14,619,000	100.0%	14,619,000
22	LRD	8,925,000	100.0%	8,925,000
23	BWD	1,194,268	100.0%	1,194,268
24	ELP	14,632,992	100.0%	14,632,992
25	CHS	3,630,500	100.0%	3,630,500
Districts		\$657,105,793	100.0%	\$657,105,793

Notes:

Projected Strategy 102 needs for FY-2005 reported by Districts as of 7/16/04.

Dollars for CTPP projects in the AUS District include projects funded through traditional methods. ROW Expenditures for projects with toll potential are excluded.

Attachment 3

Below is TxDOT's illustration of the Katy Freeway Construction project.



Construction Package	Contract A	Contract B	Contract C1	Contract C2	Contract D	Contract E1	Contract E2	Contract F	Contract G
Description	Ft. Bend County Line to E of Peak	E of Peak to W of SH 6	W of SH 6 to E of Eldridge	E of Eldridge to E of Kirkwood	E of Kirkwood to E of BW 8	E of BW 8 to E of Campbell	E of Campbell to E of Silber	E of Silber to E of IH 610 & Interchange	E of IH 610 to W of Washington
Proposed Letting Date	7/2003	5/2003	3/2005	12/2004	7/2004	1/2005	2/2005	7/2003	1/2007
End of Construction	7/2006	6/2006	8/2008	8/2008	12/2008	9/2008	12/2008	12/2007	3/2009