



Capital Program Cost Trends

Board of Directors' Meeting
December 8, 2008

- Measure M sales taxes
 - Actual and forecasted declines
- State and federal funds
 - Forecasted reduction in future revenue
- State infrastructure bonds
 - Major funds already allocated

Potential Revenue Trends

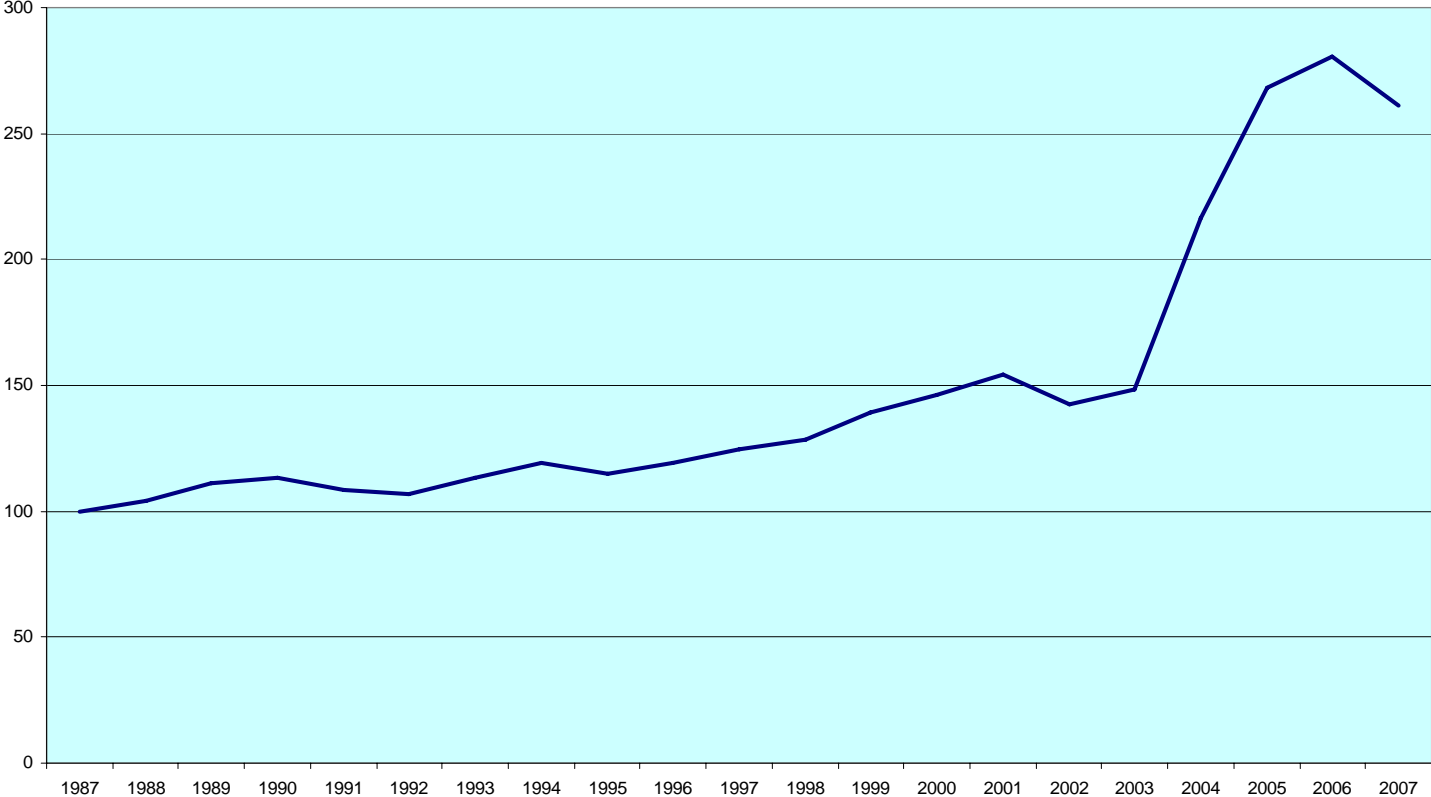


- Economic stimulus program
- Reauthorization of federal highway program
- Expansion of 91 Express Lanes
- Container fee program

Construction Cost Trends



Construction Price Index

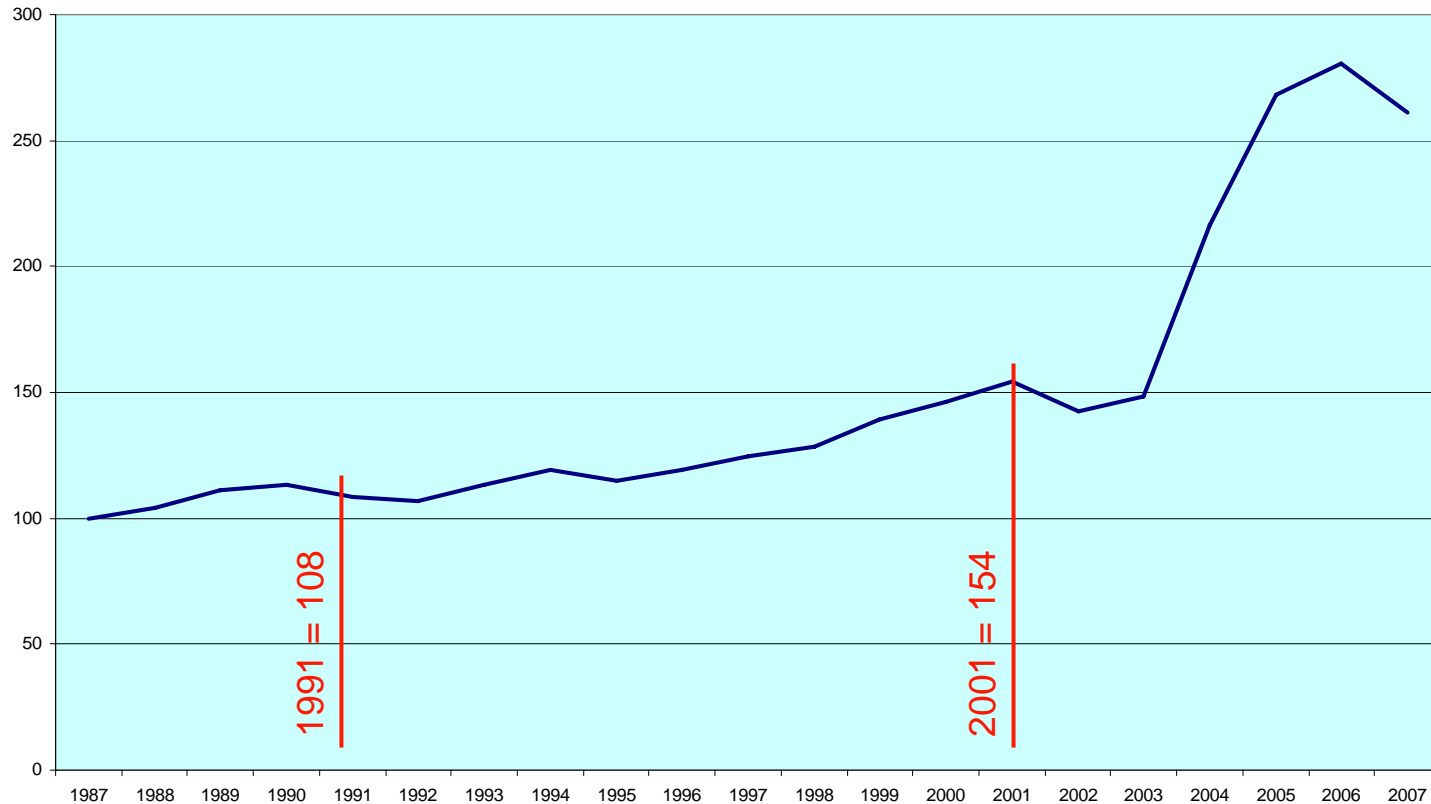


Caltrans Cost Index

Historical Cost Increases



Construction Price Index

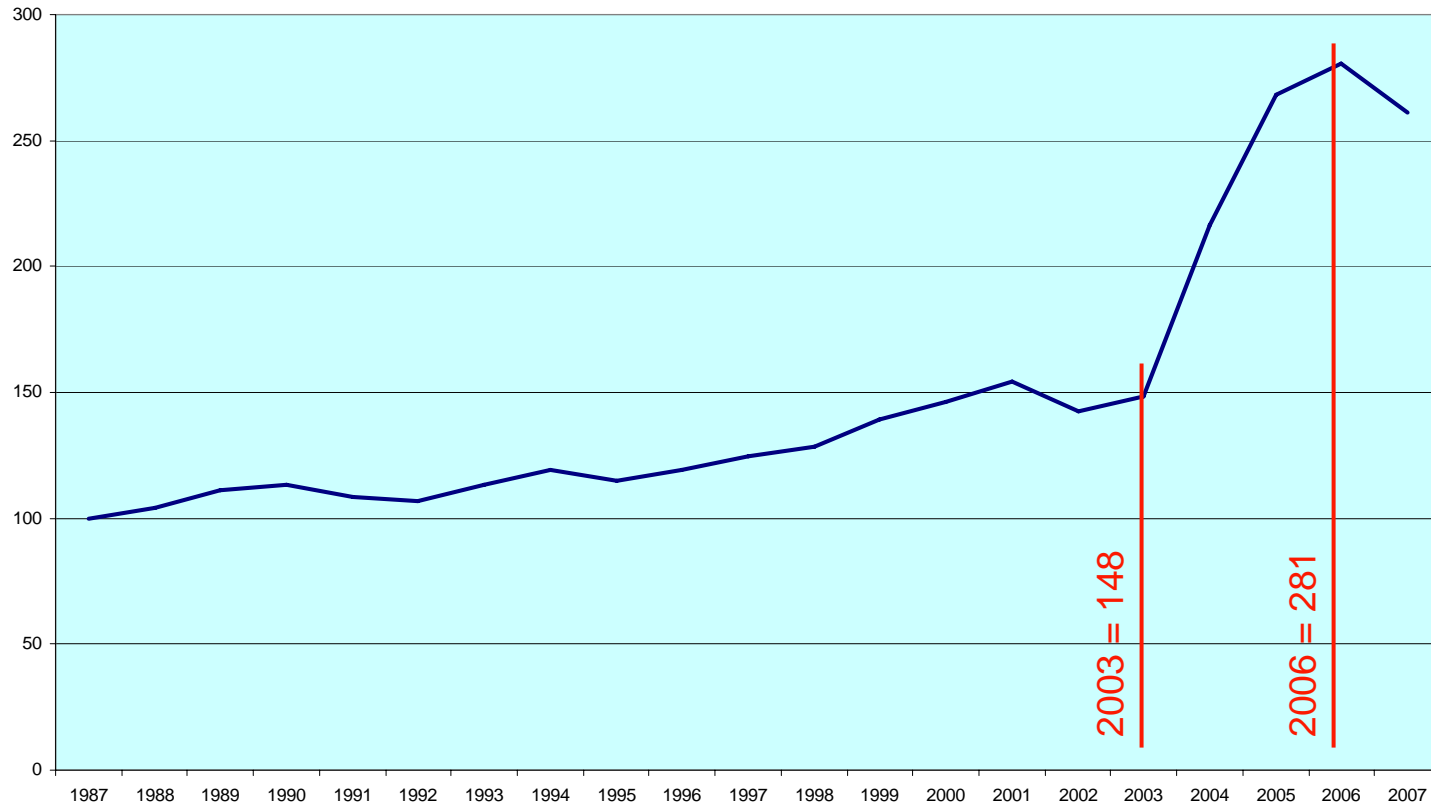


3.6% annual increase

Recent Jump in Costs



Construction Price Index

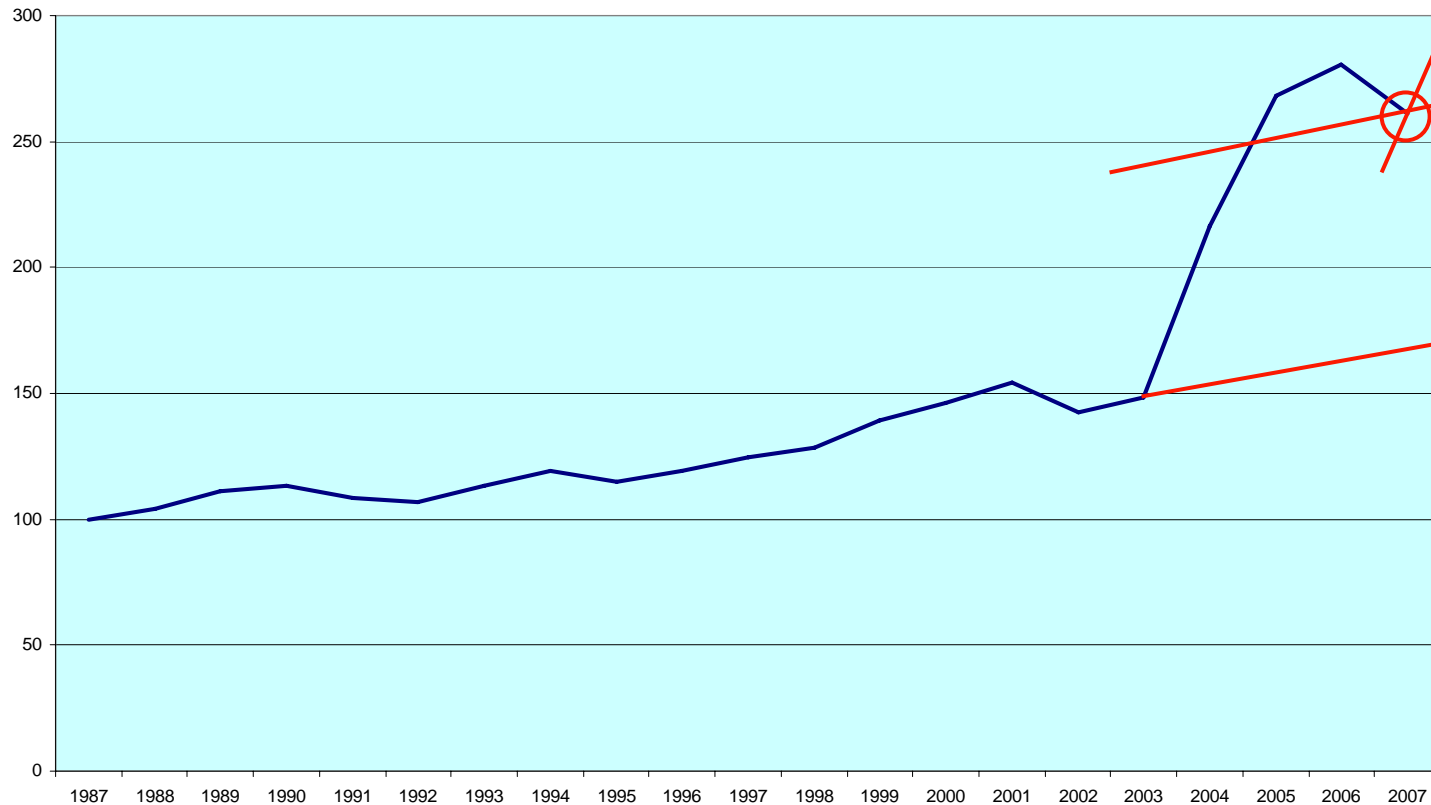


23.6% annual increase

Forecasting Cost Trends



Construction Price Index



Forecast assumptions

- Caltrans project cost escalator
 - 3% annual increase
- 2008 ENR construction cost index
 - 6% annual increase
- Orange County Business Council
 - Modest increases for 2-3 years, then higher cost growth

- Negative trends
 - Decrease in revenues
 - Increase in construction costs
- Positive trends
 - Very competitive bidding environment
 - Lower property costs
 - Potential new funding sources

- Leverage use of federal and state funds
- Maintain early construction schedules
- Minimize new project scope additions
- Craft projects to fit likely funding

- Maintain progress on current projects
- Apply strategies to mitigate potential downside risks
- Prepare strategies to capitalize on future upside opportunities
- Return to Board with any proposed adjustments to project implementation strategies