

# SR 520 Tolling Update

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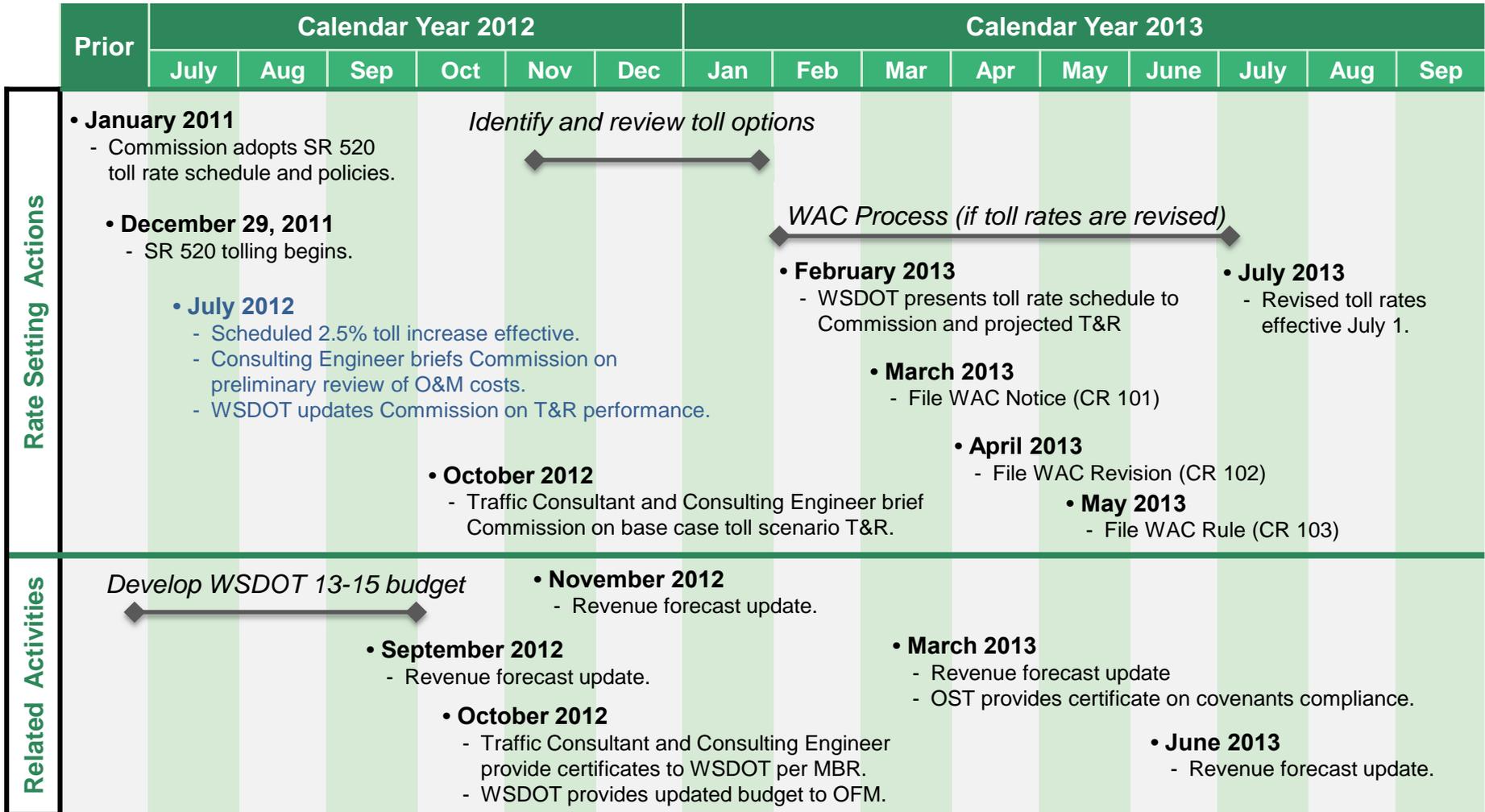
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**Washington State Transportation Commission**  
**July 17, 2012**

# Preliminary Toll Rate Setting Timeline\*



\* Timeline subject to change.

# Initial SR 520 May Toll Traffic Results

MAY 2012 TOLL TRAFFIC	Actual <sup>1</sup>	Forecast <u>with</u> Ramp-Up <sup>2,3</sup>	% Variance
Average Weekday <sup>4,7</sup>	67,420	57,482	<b>+17%</b>
Average Weekend <sup>5,7</sup>	39,320	28,388	<b>+39%</b>
Average Daily <sup>6</sup>	58,990	48,850	<b>+21%</b>

- Average weekday daily traffic exceeded forecasts by as much as +17%
- Average weekend daily traffic exceeded forecasts by as much as +39%
- Overall, average daily traffic was +21% above forecasts.
- The average daily share of *Good To Go!* transactions was approximately 81%.
  - Average weekday *Good To Go!* share was approximately **83%**.
  - Average weekend daily *Good To Go!* share was approximately **73%**.

<sup>1</sup> Traffic counts generated by in-lane toll collection equipment. Actual counts include transit buses and other toll-exempt vehicles.

<sup>2</sup> CDM Smith forecasts, inclusive of a monthly seasonal adjustment factor. Forecasts exclude transit buses and other toll-exempt vehicles.

<sup>3</sup> Factors in a 5% reduction to reflect the overall ramp-up adjustment projected by CDM Smith for FY 2012.

<sup>4</sup> Average weekday and average daily traffic inclusive of short closure periods due to drawbridge activity, and exclusive of irregular traffic count data on May 3.

<sup>5</sup> Average weekend daily traffic excludes the effects of planned weekend construction closures.

<sup>6</sup> Average daily traffic across all weekdays and weekends, except as noted in (4) and (5) above.

<sup>7</sup> Average weekday toll traffic excludes observed Memorial Day on May 28. Average weekend toll traffic includes observed Memorial Day.

# Initial SR 520 May Toll Revenue Results

MAY 2012 TOLL REVENUE	Actual	Forecast <u>with</u> Ramp-Up <sup>4</sup>	% Variance
Adjusted Gross Revenue <sup>1,2</sup>	\$4,880,683	\$4,466,000	<b>+9%</b>
Adjusted Gross Revenue after Allowance for Doubtful Accounts <sup>3</sup>	\$4,853,102	\$4,345,000	<b>+12%</b>

- Gross revenue (before free trip incentives) was **+9%** above forecasts.
- Gross revenue adjusted for free trip incentives and an allowance for doubtful accounts was **+12%** above forecasts.
- Values based on preliminary, un-reconciled database query.<sup>5</sup>

<sup>1</sup> [Footnote applies to “Forecast” column only] – CDM Smith forecast inclusive of a monthly seasonal adjustment and a monthly average value for planned weekend construction closures; net of allowances for unreadable license plates / inability to identify vehicle owner; and inclusive of \$0.25 Pay By Plate fee revenues and \$0.50 customer initiated payment credits.

<sup>2</sup> [Footnote applies to “Forecast” column only] – Total revenue reduction due to free trip incentives was estimated to be \$1.5 million by the end of March 2012 and was assumed to be distributed equally over three months.

<sup>3</sup> The allowance for doubtful accounts uses an accounting estimate of 10% of the amount of Pay By Mail toll bills issued will be uncollectible. This amount results in a direct reduction to toll revenue for the facility.

<sup>4</sup> Factors in a 5% reduction to reflect the overall ramp-up adjustment projected by CDM Smith for FY 2012.

<sup>5</sup> The CSC vendor has not yet completed preparation of official financial reports.

# Initial SR 520 Toll Traffic Results Biennium-to-Date through May

2012 YEAR-TO-DATE TOLL TRAFFIC	Actual <sup>1</sup>	Forecast <u>with</u> Ramp-Up <sup>2,3</sup>	% Variance
Average Weekday <sup>4,7</sup>	62,600	56,273	<b>+11%</b>
Average Weekend <sup>5,7</sup>	37,486	27,791	<b>+35%</b>
Average Daily <sup>6</sup>	56,040	47,822	<b>+17%</b>

- Average weekday daily traffic exceeded forecasts by as much as +11%
- Average weekend daily traffic exceeded forecasts by as much as +35%
- Overall, average daily traffic was +17% above forecasts.
- The average daily share of *Good To Go!* transactions was approximately 80%.
  - Average weekday *Good To Go!* share was approximately **82%**.
  - Average weekend daily *Good To Go!* share was approximately **73%**.

<sup>1</sup> Traffic counts generated by in-lane toll collection equipment. Actual counts include transit buses and other toll-exempt vehicles.

<sup>2</sup> CDM Smith forecasts, inclusive of a monthly seasonal adjustment factor. Forecasts exclude transit buses and other toll-exempt vehicles.

<sup>3</sup> Factors in a 5% reduction to reflect the overall ramp-up adjustment projected by CDM Smith for FY 2012.

<sup>4</sup> Average weekday and average daily traffic inclusive of short closure periods due to drawbridge activity, and minor periods of toll equipment errors.

<sup>5</sup> Average weekend daily traffic excludes the effects of planned weekend construction closures.

<sup>6</sup> Average daily traffic across all weekdays and weekends, except as noted in (4) and (5) above.

<sup>7</sup> Average weekday toll traffic excludes observed holidays on which the weekend toll rate schedule is applied (e.g., Memorial Day).

# Initial SR 520 Toll Revenue Results Biennium-to-Date through May\*

BIENNIUM-TO-DATE TOLL REVENUE*	Actual	Forecast <u>with</u> Ramp-Up <sup>4</sup>	% <i>Variance</i>
Adjusted Gross Revenue <sup>1,2</sup>	\$21,871,479	\$21,767,000	<b>+0.5%</b>
Adjusted Gross Revenue after Allowance for Doubtful Accounts <sup>3</sup>	\$21,118,021	\$19,676,000	<b>+7%</b>

- Gross revenue (before free trip incentives) is in-line with forecasts.
- Gross revenue adjusted for free trip incentives and an allowance for doubtful accounts is **+7%** above forecasts.
- Values based on preliminary, un-reconciled database query.<sup>5</sup>

\* Biennium-to-date includes toll revenues generated during three days in the month of December (29-31) and through the end of May 2012.

<sup>1</sup> [Footnote applies to “Forecast” column only] – CDM Smith forecast inclusive of a monthly seasonal adjustment and a monthly average value for planned weekend construction closures; net of allowances for unreadable license plates / inability to identify vehicle owner; and inclusive of \$0.25 Pay By Plate fee revenues and \$0.50 customer initiated payment credits.

<sup>2</sup> [Footnote applies to “Forecast” column only] – Total revenue reduction due to free trip incentives was estimated to be \$1.5 million by the end of March 2012 and was assumed to be distributed equally over three months.

<sup>3</sup> The allowance for doubtful accounts uses an accounting estimate of 10% of the amount of Pay By Mail toll bills issued will be uncollectible. This amount results in a direct reduction to toll revenue for the facility.

<sup>4</sup> Factors in a 5% reduction to reflect the overall ramp-up adjustment projected by CDM Smith for FY 2012.

<sup>5</sup> The CSC vendor has not yet completed preparation of official financial reports.

# Promises to Bondholders

- Last September, the State Finance Committee adopted a “Master Bond Resolution (MBR)” that sets forth the requirements for issuance of SR 520 bonds.
- The state has pledged to bondholders that tolls will be set to produce revenues to cover **O&M**, meet debt service and fund all other required obligations including debt service coverage, deferred sales tax, and reserves.
- *The state covenants it will maintain and operate the system in an efficient and economical manner. (7.04)*
- *The state covenants that each year we will hire a nationally recognized engineering firm that is experienced in determining the costs of toll facility operations and maintenance, and costs of repair and replacement. (7.06)*

# Consulting Engineer

- From March – June, Scott Bacsikin, HDR, has been reviewing planned expenditures for the 2013-15 Operational Budget. Initial focus was on:
  - Facility Maintenance
  - Shared Back Office Costs
- In June, WSDOT received a preliminary certificate that our proposed 13-15 budget includes reasonable and necessary charges.
- A final certificate will come in September, incorporating adjustments based on actual experience and on the updated September forecast.

# Independent Evaluation

- Goal
- Approach
  - Collaborations with WSDOT staff
  - Independent review
  - Like facility comparison
- Focus
  - Toll operations and maintenance
  - Facilities operations and maintenance
  - Repair and replacement
  - Shared O&M expenses
  - Other costs

# Independent Evaluation Observations

- Toll Operations & Maintenance
  - Repair & Replacement
  - Shared Costs
- Facilities Operations & Maintenance
  - Staffing
  - Shared Costs

# Next Steps – Final Certification

- Next Steps
  - Toll Operations & Maintenance Costs Revisions
  - Projected vs. Actual Cost Comparison
- Final Certification

# Actual vs Anticipated Expenditures

Actual Traffic causes 2 major changes:

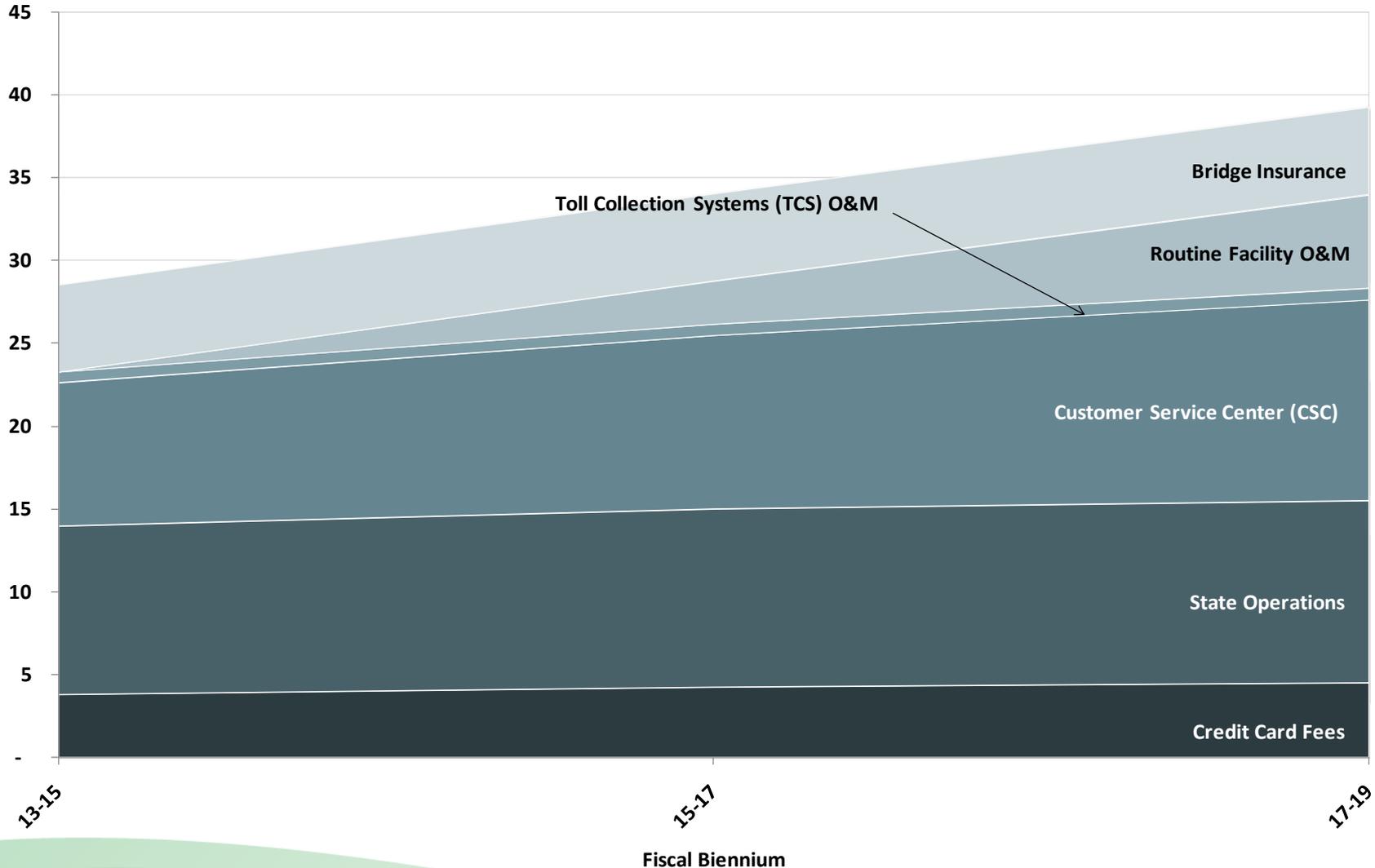
1. More traffic than projected.
2. 50% fewer Pay By Mail than expected. This results in lower costs.

Other changes:

- Credit card fees lower than originally projected
- State operations:
  - Fewer Image Reviewers have been hired than originally projected due to fewer Pay By Mail customers than projected.
  - Reassigned Image Reviewer to other customer service tasks
  - Postage costs decreased
- Customer service center – no change at this time
- Toll collection systems vendor contract remains within budget.
- Routine facility O&M is covered by existing budget until the new bridge is complete. – no change
- Insurance costs are market-driven. Increased insurance cost have been accommodated through offsetting decreases in postage.

# Projected Biennial Operations Costs

\$ millions (YOE)



# September Forecast Revision

- CDM Smith's September forecast will be based on 6 months of actual experience and an updated regional economic forecast.
- Expectations are that gross revenue estimates will remain largely unchanged, at least in the short run.
- The "Net Revenue" report will be updated in September to match the new forecast and actual experience.

# Implications for 2013 Rate-Setting

- Has the 13-15 net revenue target changed? Comparison to current finance plan
  - Our current financial plan is based on CDM Smith's Investment Grade Study from last fall.
  - Financial plan covers commitments for O&M, debt service, cash for SR520 construction, and deposits to mandatory reserves.
  - Through May, toll receipts have met projections.
  - The current plan will be updated in September. All new information will be available to you in early October.

# Questions?

For more information regarding the SR 520 tolling, please contact:

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