SR 520 Toll Rate Setting

Craig J. Stone, P.E.
Assistant Secretary
Toll Division

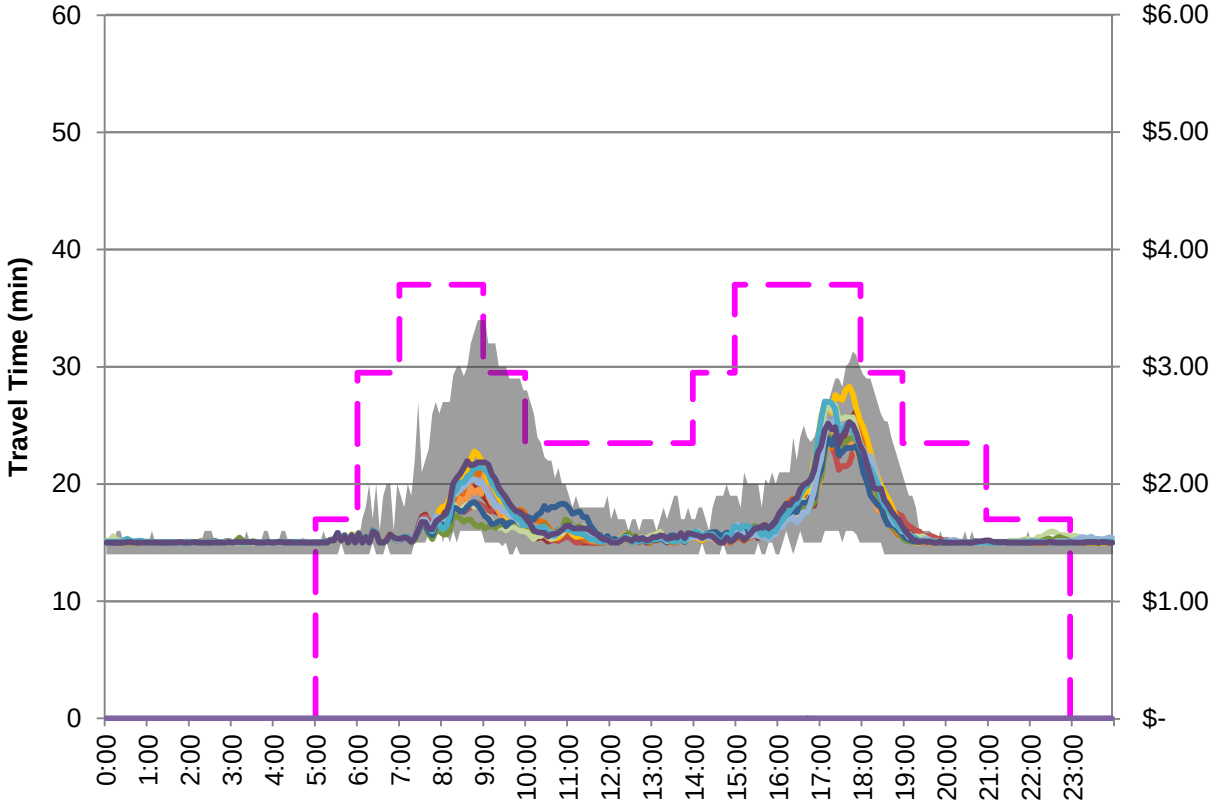
Washington State Transportation Commission
December 11, 2013

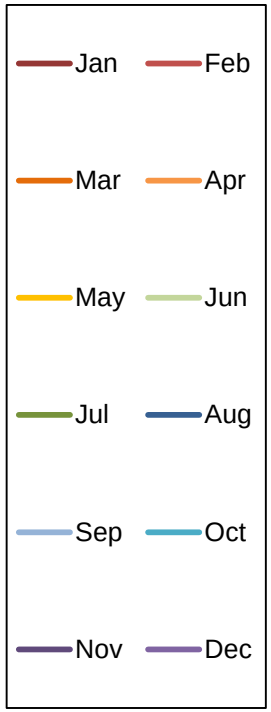
Washington State
Department of Transportation

Agenda

- Traffic and Travel Times
- Certification Process
- Financial Requirements
- CDM Smith Gross Revenue Work
- Parsons Brinckerhoff Net Revenue Work
- Alternative Scenario Results

Travel Time: Redmond to Seattle via SR 520 Monthly Average

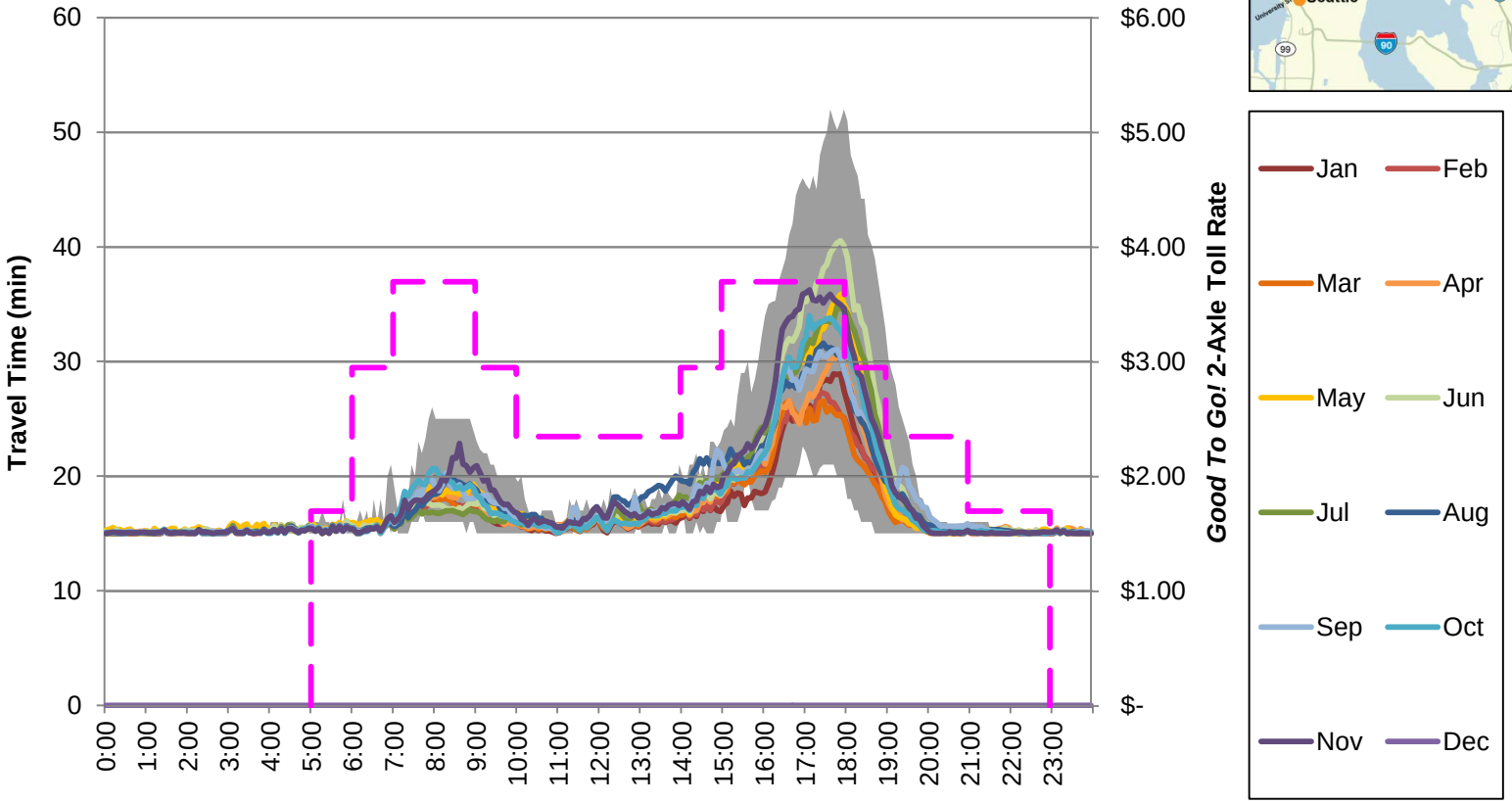




Pre-tolling average is for all 2011 weekdays
Post-tolling average is for January - November 2013 weekdays
Toll rates for FY 2014 ($3.70 peak period toll)

Washington State Department of Transportation

Travel Time: Seattle to Redmond via SR 520 Monthly Average



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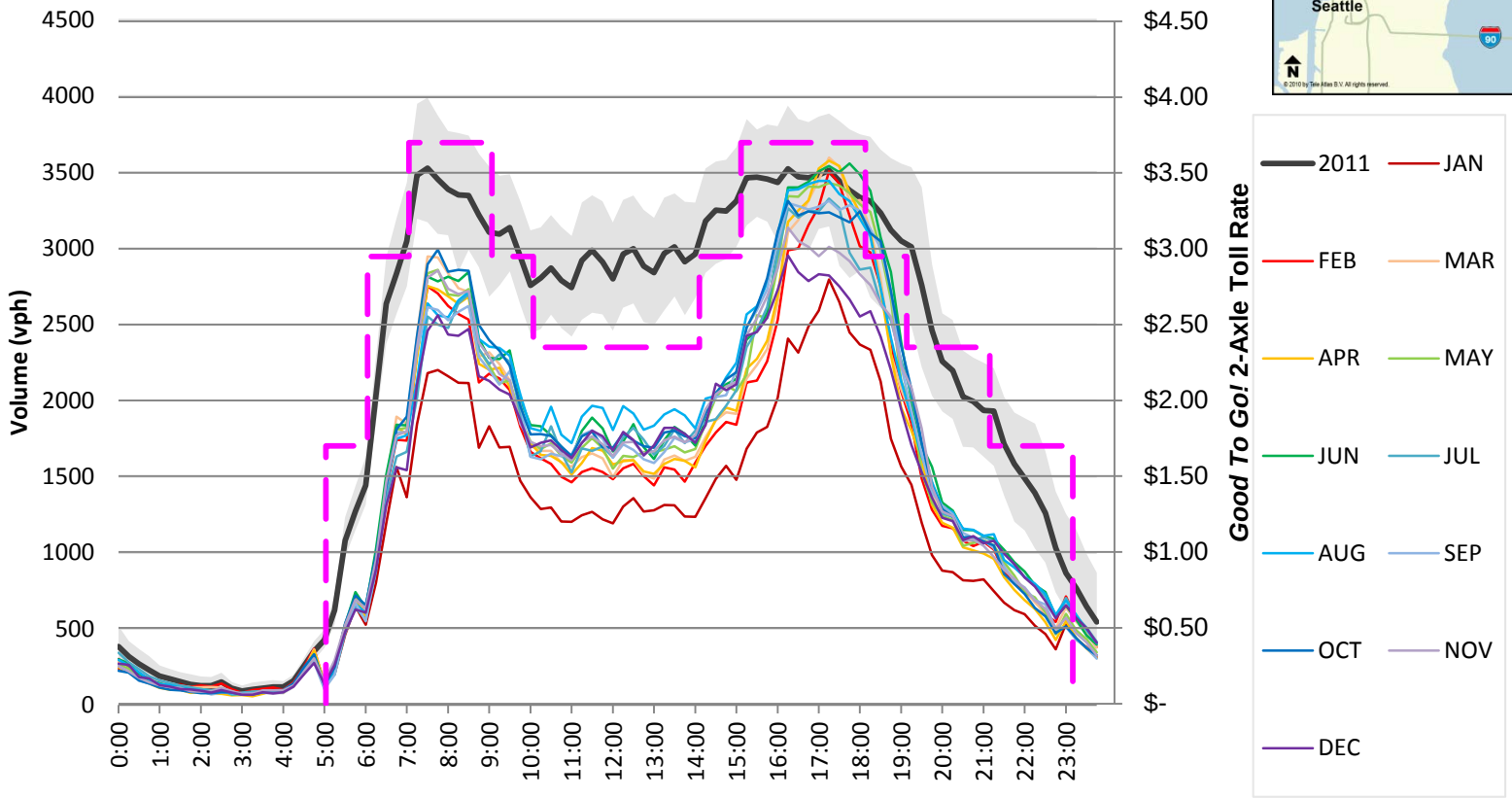
Washington State Department of Transportation

Traffic Volume: Westbound SR 520



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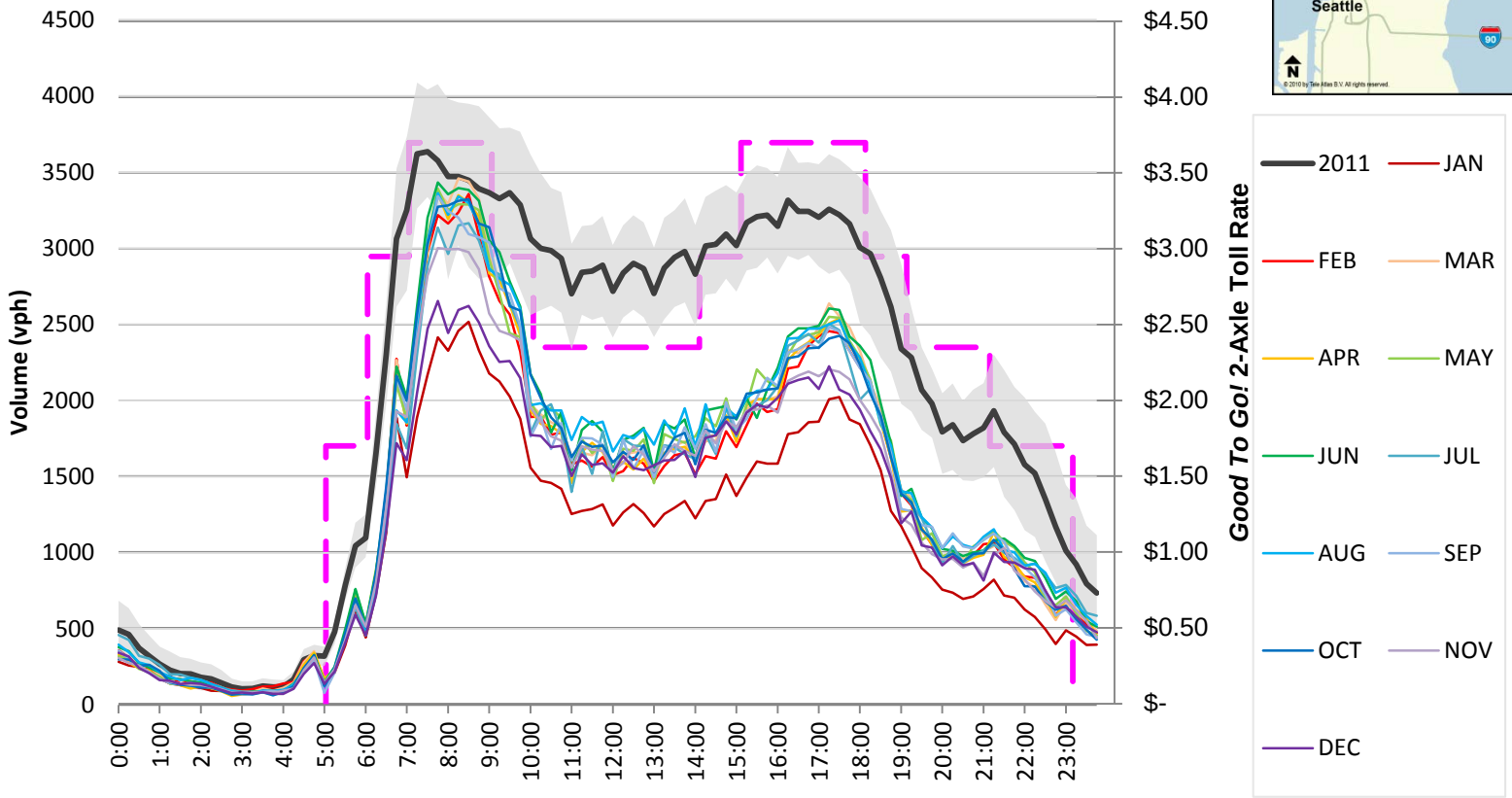
Traffic Volume: Eastbound SR 520



Pre-tolling average is for all 2011 weekdays
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Toll rates for FY 2014 ($3.70 peak period toll)

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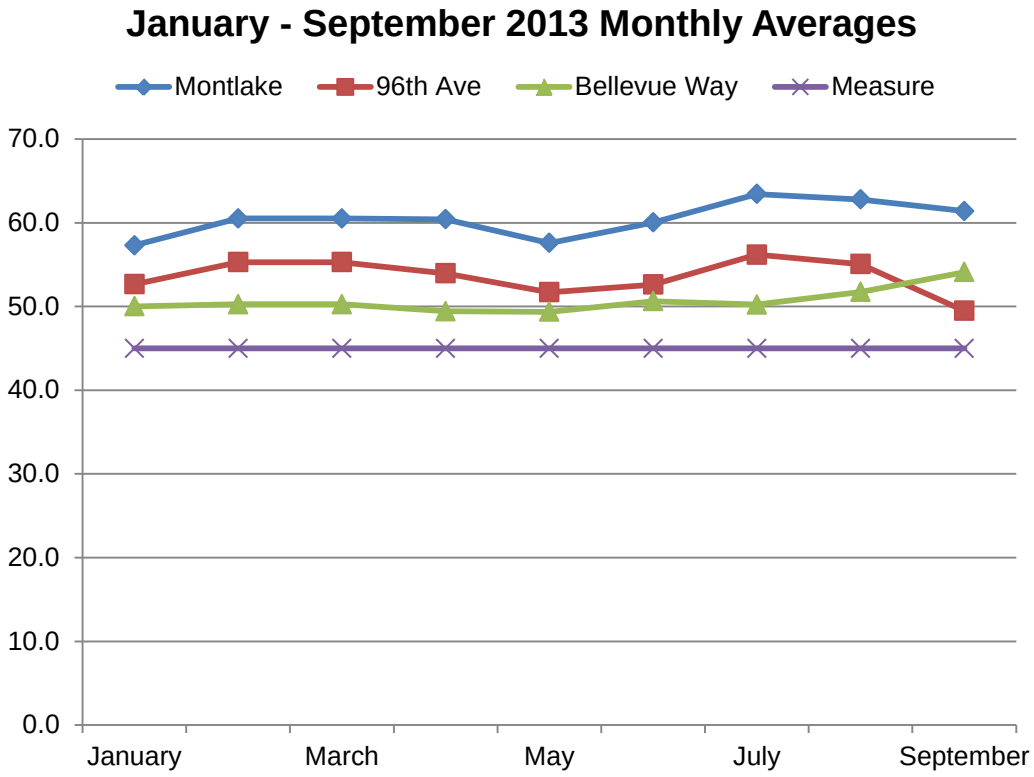
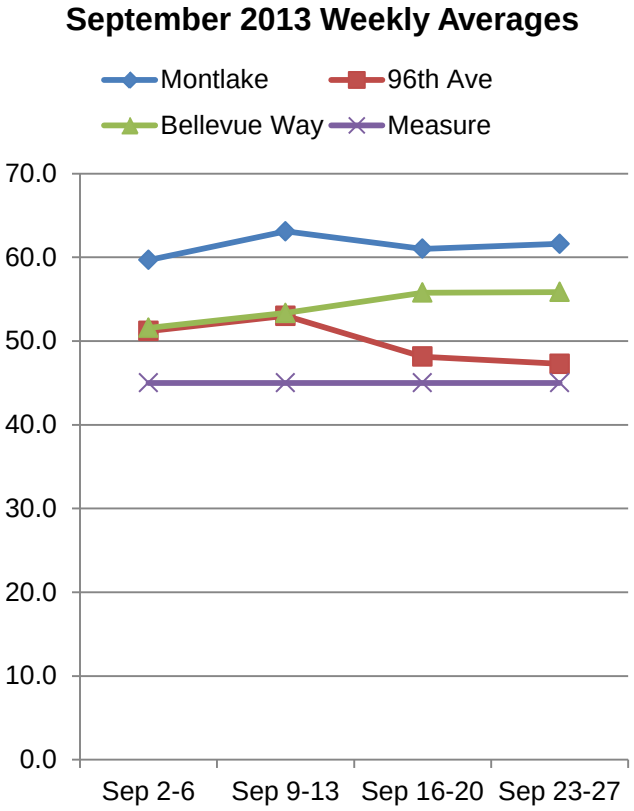
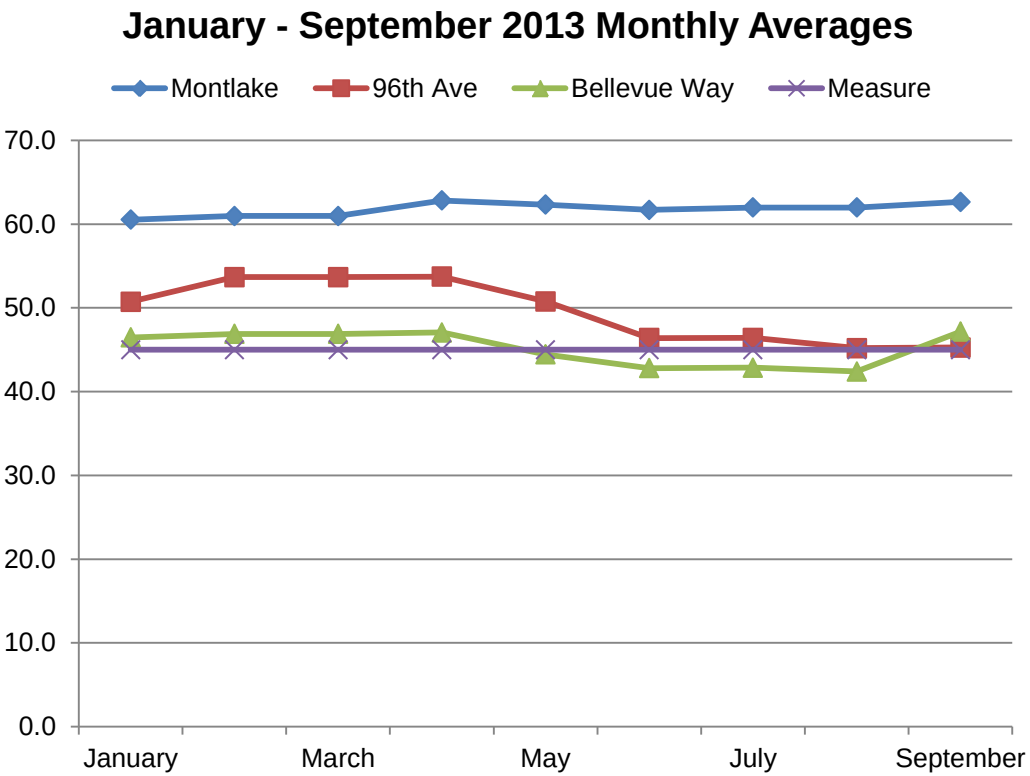
Average Weekday Speeds
AM Peak Hour (7–9 AM)

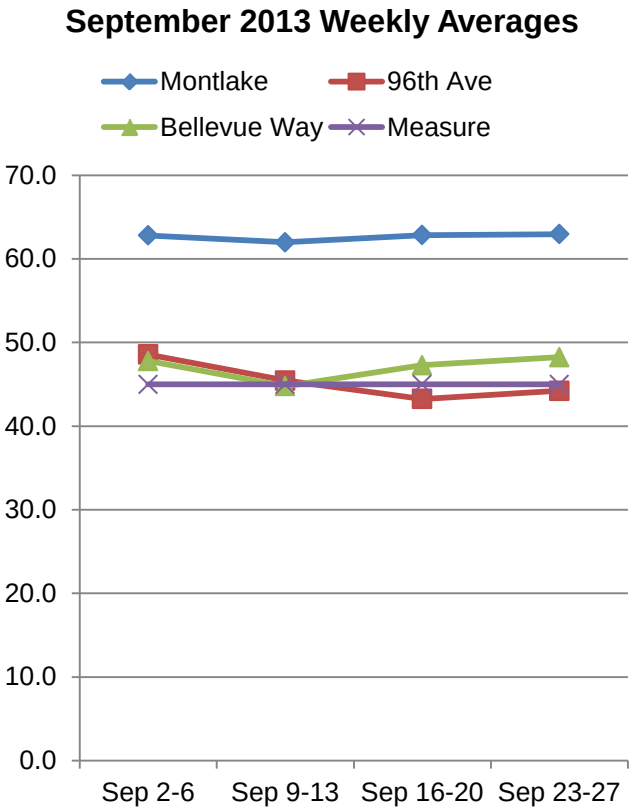




*After FY 2012 Q3 the data station used for collection was changed from 108th Ave to Bellevue Way due to data quality and consistency issues at the 108th Ave

Average Weekday Speeds
PM Peak Hour (3 – 6 PM)





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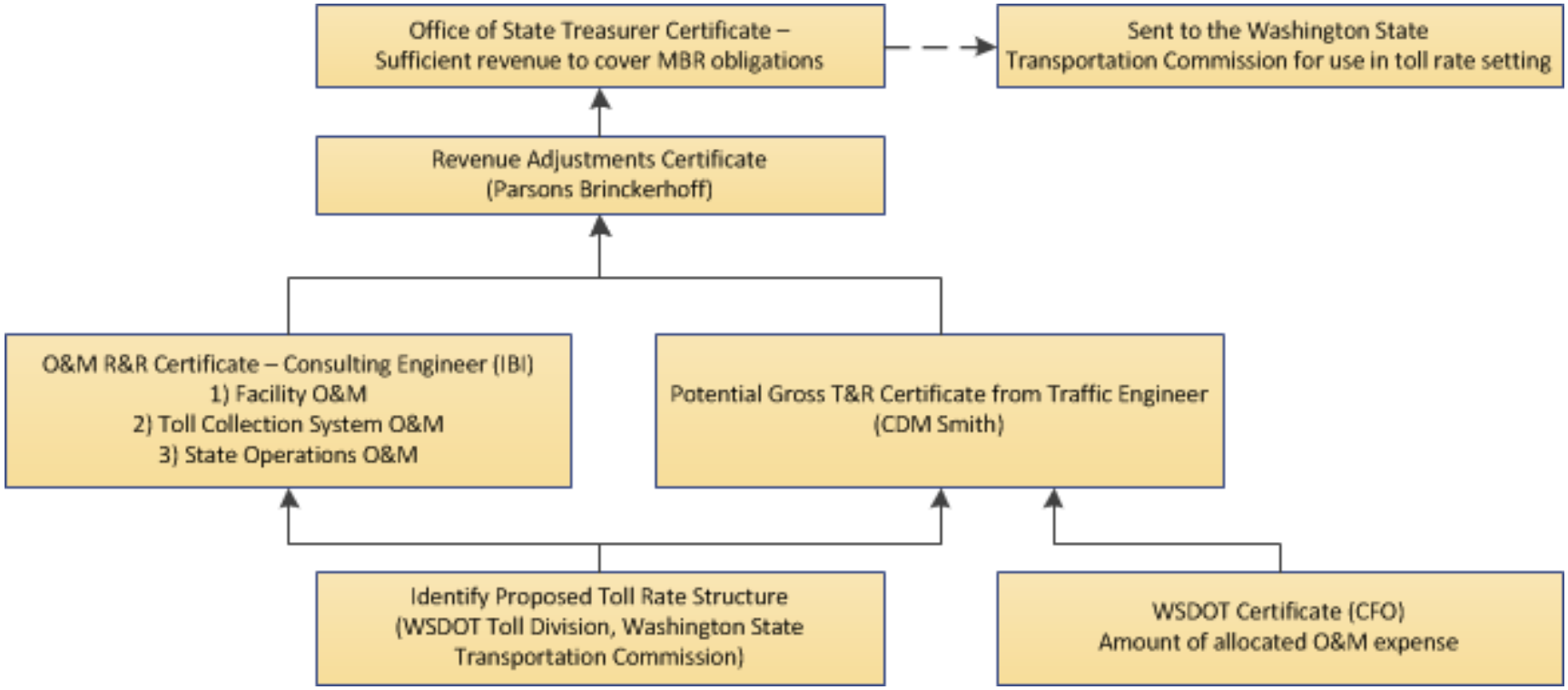
Certification Process



The Financial Charge for Rate Setting

Section 7.02 Master Bond Resolution.

"The State, acting by and through the Tolling Authority, covenants to set and adjust the Toll Rate Schedule and maintain Tolls on the SR 520 Corridor and on any Additional Eligible Toll Facilities at rates that will generate Toll Revenue sufficient to pay Operating and Maintenance Expenses; to pay, when due, the principal of and interest on all Outstanding Bonds; and to meet the State's financial and other covenants under this Master Resolution and applicable law. "

Financially, What Must Be Covered

- Operations & Maintenance (O&M)
- Timely deposit of required amounts into the reserves, including but not limited to debt service, O&M, and R&R reserves
- Minimum debt coverage covenants*
- "Other payments to comply with all financial and other covenants made by the State in this Master Resolution, in any Bond Sale Resolution and in other proceedings related to the issuance of Bonds."
- Other anticipated funding obligations of the System, giving due regard to the Projected Toll Rate Schedule provided to the Tolling Authority by WSDOT and the State Treasurer pursuant to Section 7.03(b) of this Master Resolution.

* *Meet "Additional Bonds Test" requirements in order for scheduled bond sales to occur*

Other Requirements

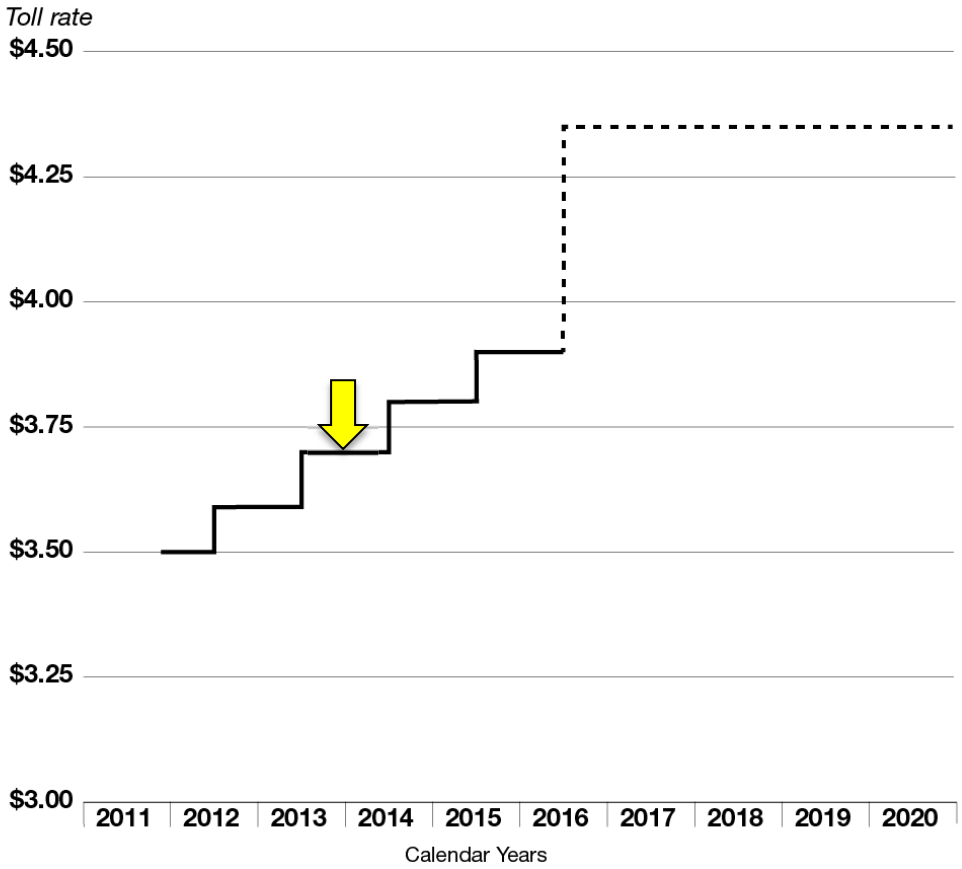
Section 7.02 Master Bond Resolution.

- The Tolling Authority shall include variable pricing in adopting Toll Rate Schedules.
- Tolls shall be set to maintain travel time, speed, and reliability and to generate sufficient Toll Revenue to meet all requirements previously outlines.
- Tolls may vary for type of vehicle, time of day, traffic conditions, or other factors designed to improve performance of the System.

WSTC Adopted Rate Schedule

Current adopted rate schedule in WAC 468.270.040 states,

"(b) Starting July 1, 2012, the toll rates will increase two and one-half percent annually, subject to review and potential adjustment by the commission, in order to generate toll revenue sufficient to meet the costs and obligations listed in RCW 47.56.830 through 47.56.850."



Toll Forecasting Process

CDM Smith
Gross Toll Revenue Process

Gross Toll Revenue Potential =

Assumes all vehicles pay the toll that they are supposed to pay (by class, time of day, day of week and payment type)

Parsons Brinckerhoff
Net Toll Revenue Process

Gross Toll Revenue Potential

+ Fees
– Discounts
– Revenue not recognized
– Unpaid toll revenue

= Gross Toll Revenue Collected*

* Aligns with SR 520 financial statements

SR 520 Traffic and Revenue Study Update

Washington State Transportation Commission

Eugene Ryan

December 11, 2013

CDM Smith

Presentation Overview

- Performance Assessment Summary
- Economic Growth Review
- Toll Model Revisions
- Revised Baseline Traffic and Revenue Forecasts

Traffic and Revenue Forecast History

- **September 2011 (Sep2011) Forecast:** Investment grade forecast prior to tolling
- **September 2012* (Sep2012*) Forecast:** Revised investment grade forecast, *modified to incorporate nickel rounding of toll rates in FY2014-16
- **October 2013 (Oct2013) Forecast:** Revised investment grade forecast

Toll Performance Assessment

- Annual Transactions vs. Forecast
- Annual Gross Toll Revenue Potential vs. Forecast
- Payment Share
- Average Weekday and Weekend vs. Forecast
- Vehicle Class

Notes:

- Toll performance analysis presented here is based on detailed but un-reconciled transaction data that could change further when reconciliation is reached
- Review covers January 2012 through June 2013

FY2012-FY2013 Annual Transactions vs. Forecast

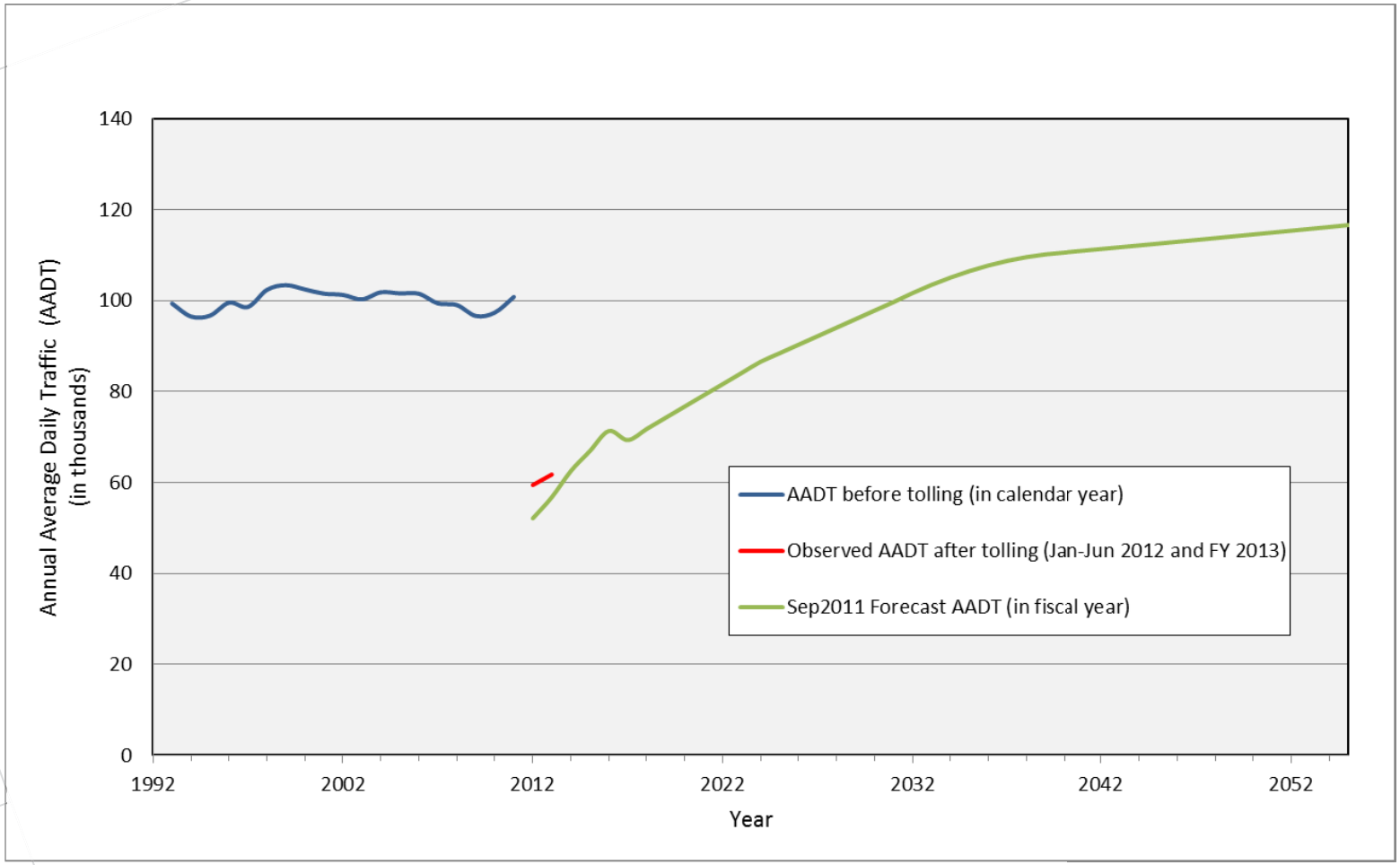
Transactions				
	CDM Smith Forecast			Actuals vs Sep2011
Fiscal Year	Sep2011 Forecast	Sep2012* Forecast	Actuals	Variance
FY 2012 (1)	8,659,000	N.A.	9,507,553	9.8%
FY 2013	18,973,000	19,682,000	20,220,601	6.6%

(1) does not include first three days of tolling which were in 2011

Notes:

- Jan-Dec 2012 actual transaction data derived from customer service center system
- Jan-Jun 2013 actual transactions developed from toll lane equipment adjusted to reflect duplicate and estimated non-revenue transaction removal

Average Annual Daily Traffic



Note: Includes all traffic (non-revenue, overnight, and weekends) but adjusted to exclude closed weekends.
Sources: WSDOT traffic recorders for history; CDM Smith Sep2011 Forecast.

FY2012-FY2013 Annual Gross Toll Revenue Potential Actual vs. Forecast

Gross Toll Revenue Potential				
	CDM Smith Forecast			Actuals vs Sep2011
Fiscal Year	Sep2011 Forecast	Sep2012* Forecast	Actuals	Variance
FY 2012	$27,840,000 (1)	NA	$28,055,637	0.8%
FY 2013	$61,810,000	$62,590,000	$61,301,711	-0.8%

(1) does not include first three days of tolling which were in 2011

Notes:

- Actual Gross Toll Revenue Potential from November 2013 Transportation Revenue Forecast Council

Payment Share

Transaction Payment Type Proportion	FY 2012	FY 2013
Good To Go! – Tag	71.2%	69.6%
Good To Go! – Pay By Plate	11.6%	13.7%
Total Good To Go!	82.8%	83.3%
Pay By Mail*	17.2%	16.7%
Total	**100%**	**100%**

*includes pay by mail, revenue not recognized, and unpaid toll revenue

Note: Results based on unreconciled data and estimates - subject to change

- FY 2012: 83% share of Good To Go! transactions (Tag + Pay By Plate) much higher than 72% assumed in Sep 2011 study
- FY 2013: 83% share of Good To Go! transactions (Tag + Pay By Plate) much higher than 74% assumed in Sep 2011 study

Average Weekday/Weekend vs. Forecast Transactions

Transactions FY 2012			
	Sep2011 Forecast	Actuals	Variance
Weekday	55,808	62,719	12.4%
Weekend Days*	27,561	37,404	35.7%
Transactions FY 2013			
	Sep2012* Forecast	Actuals	Variance
Weekday	65,036	64,341	-1.1%
Weekend Days*	33,088	38,904	17.6%

- Weekday transactions exceeded the original forecast by about 12% during FY 2012 but were very close to the Sep2012 revised forecast during FY 2013
- Weekend transactions exceeded the forecasts during FY 2012 and FY 2013

Note: January 12-16, 2012 were removed due to major snow storm; closed weekends removed; results based on un-reconciled data and estimates - subject to change

FY2012-FY2013 Vehicle Class - Trucks

Trucks	CDM Smith Forecast	Actuals
Share of Transactions	5.0%	0.9%
Share of Gross Toll Revenue Potential	9.5%	1.8%

Note: Trucks defined as 3 or more axles

- The observed truck percentage is extremely low, and much lower than assumed in the Sep2011 forecast
- No adjustments were made in the Sep2012* revision due to inconclusive data available at the time
- The impact of lower total trucks is lower toll revenue potential

Performance Summary

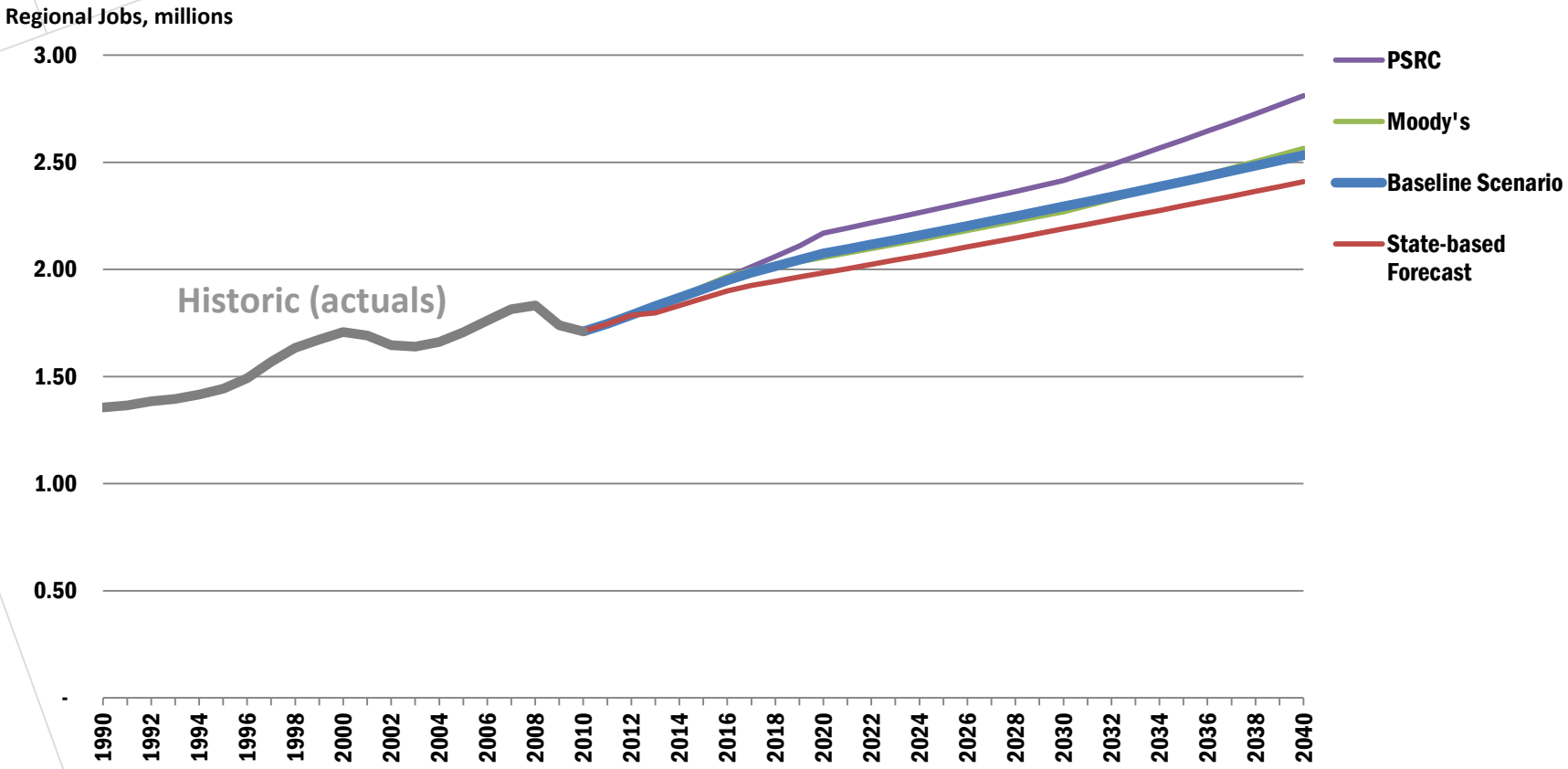
- Transactions were about 7-10% above forecast
- Gross Toll Revenue Potential was slightly above forecast in FY2012 and slightly below forecast in FY2013
- Good to Go! account share is higher than forecast
- Weekend transactions were higher than expected and a greater share of overall transactions
- Trucks (vehicles with 3 or more axles) were much lower

Economic Growth Review – Approach (1/2)

- Multiple state and regional forecasts reviewed
  - **Baseline Scenario** (used for T&R forecast) = Conway Pedersen (CP) regional county forecast through 2023, then extrapolated using forecast and historic value
  - **PSRC** = Utilizes new UrbanSim regional distribution and new PSRC regional economic estimates and forecast
  - **Moody's** = private for purchase forecast
  - **State-based Forecast**
    - Employment = WA Economic and Revenue Forecast Council with OFM extrapolation
    - Population = OFM
- Allocated regional forecasts based on revised PSRC system and recent real-estate market activity

Total Regional Employment by Forecast Scenario

Millions of Jobs, 1990-2040

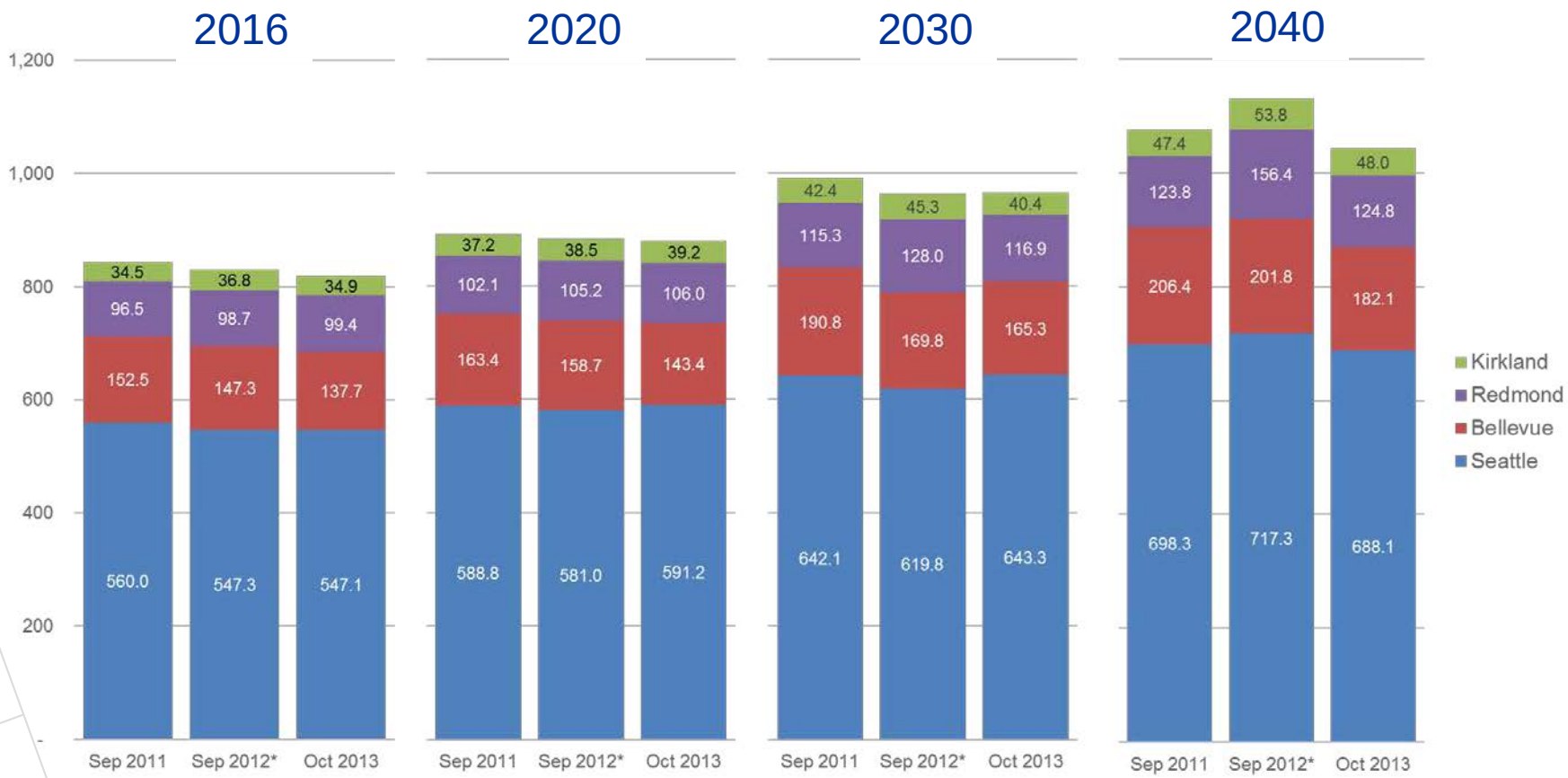


- Baseline is Conway-Pedersen forecast through 2023 and extrapolation for years 2030 and 2040 based on CP trends and historic data

Source: Community Attributes Inc.

Seattle & Eastside Major Cities Employment Forecast vs. Previous Forecasts

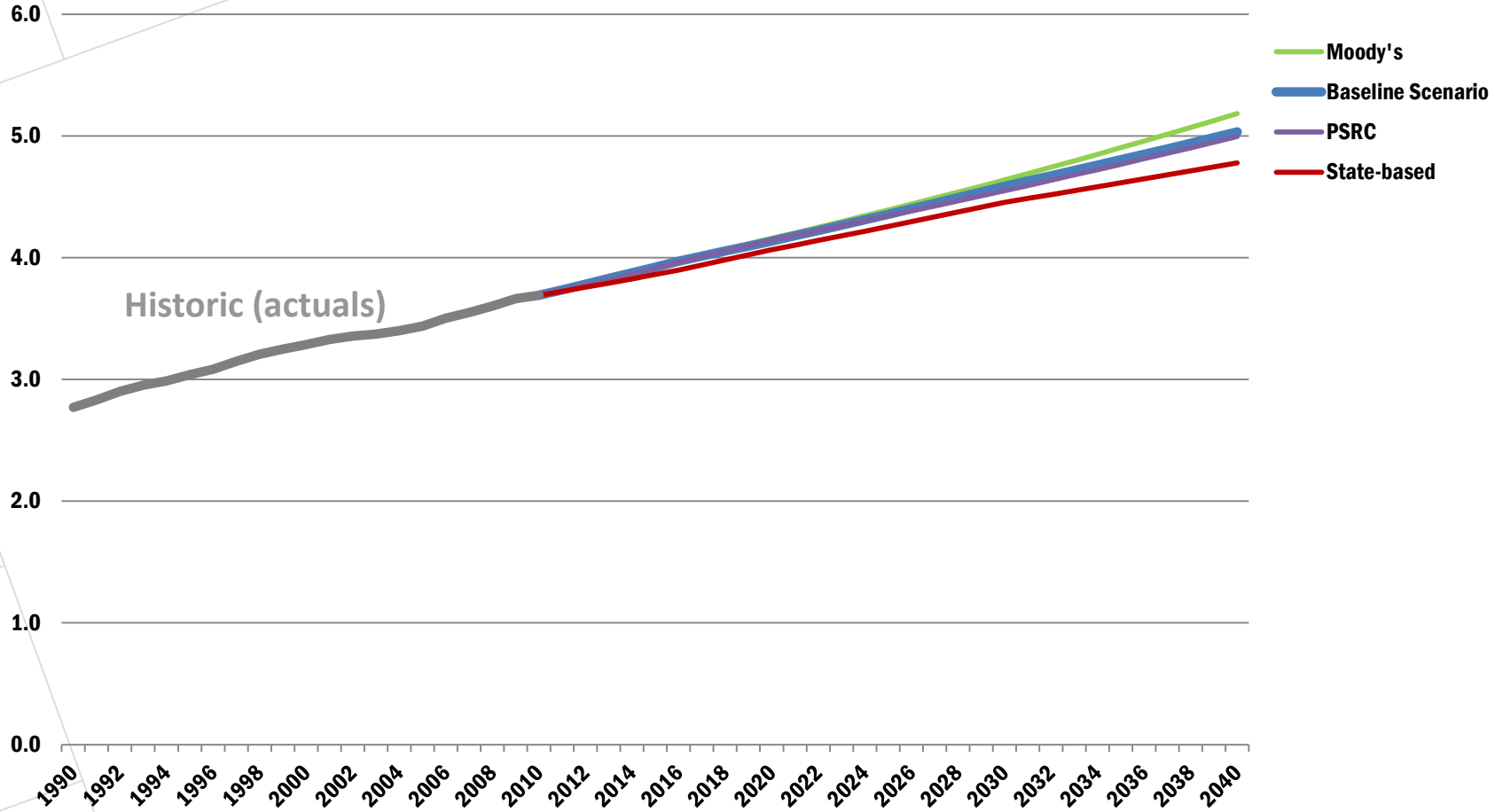
Thousands of workers, 2016, 2020-2040



Source: Community Attributes Inc.

Total Regional Population by Forecast Scenario

Millions, 1990-2040



- Baseline is Conway-Pedersen forecast through 2023 and extrapolation for years 2030 and 2040 based on CP trends and historic data

Source: Community Attributes Inc.

Socio Economic Summary

- Revised regional baseline employment follows Moody's forecast closely
- Revised regional baseline population forecast follows PSRC forecast closely
- State based regional forecast is lower than baseline
- Revised corridor area employment baseline shows no change to slightly lower employment for early forecast years, and a slightly more significant lowering for FY2040

Toll Model Revisions – Transaction Share

- Revised share of Good To Go! transactions

Good To Go! Transaction %

Fiscal Year	Sep2011 Forecast	Sep2012* Forecast	Oct2013 Forecast	Actual
2012	72%	--	--	83%
2013	74%	80%	--	83%*
2014	76%	81%	82%	--
2016	80%	82%	83%	--
2017	80%	82%	84%	--
2024	85%	89%	86%	--
2031	87%	88%	86%	--

* Jul-Dec 2012 Actual, Jan-Jun 2013 Estimated

Toll Model Revisions - Trucks

- Revised proportion of trucks

Proportion of Trucks

Fiscal Year	Sep2011 Forecast	Sep2012* Forecast	Oct2013 Forecast	Actual
2012	5%	5%	--	1%
2013	5%	5%	1%	1%*
2014	5%	5%	1%	--
2016	6%	6%	1%	--
2017	6%	6%	1%	--
2024	7%	7%	2%	--
2031	8%	8%	2%	--

*Jul-Dec 2012 Actual, Jan-Jun 2013 Estimated

- The lower number of trucks reduces gross toll revenue potential by about 8% in FY 2014

Toll Model Revisions - Closures

- Changes in planned weekend closures

Equivalent Weekend Closures

Fiscal Year	Sep2011 Forecast	Sep2012* Forecast	Oct2013 Forecast	Actual
2013	5	7	--	8
2014	4	3	9	--
2015	2	5	5	--
2016	0	1	0	--
2017	0	1	2	--

- Each weekend closure has about a 0.4% impact on transactions and about a 0.3% impact on gross toll revenue potential
- For FY2014, the revised gross toll revenue potential is reduced by about 2% due to 6 additional closures assumed in the forecast

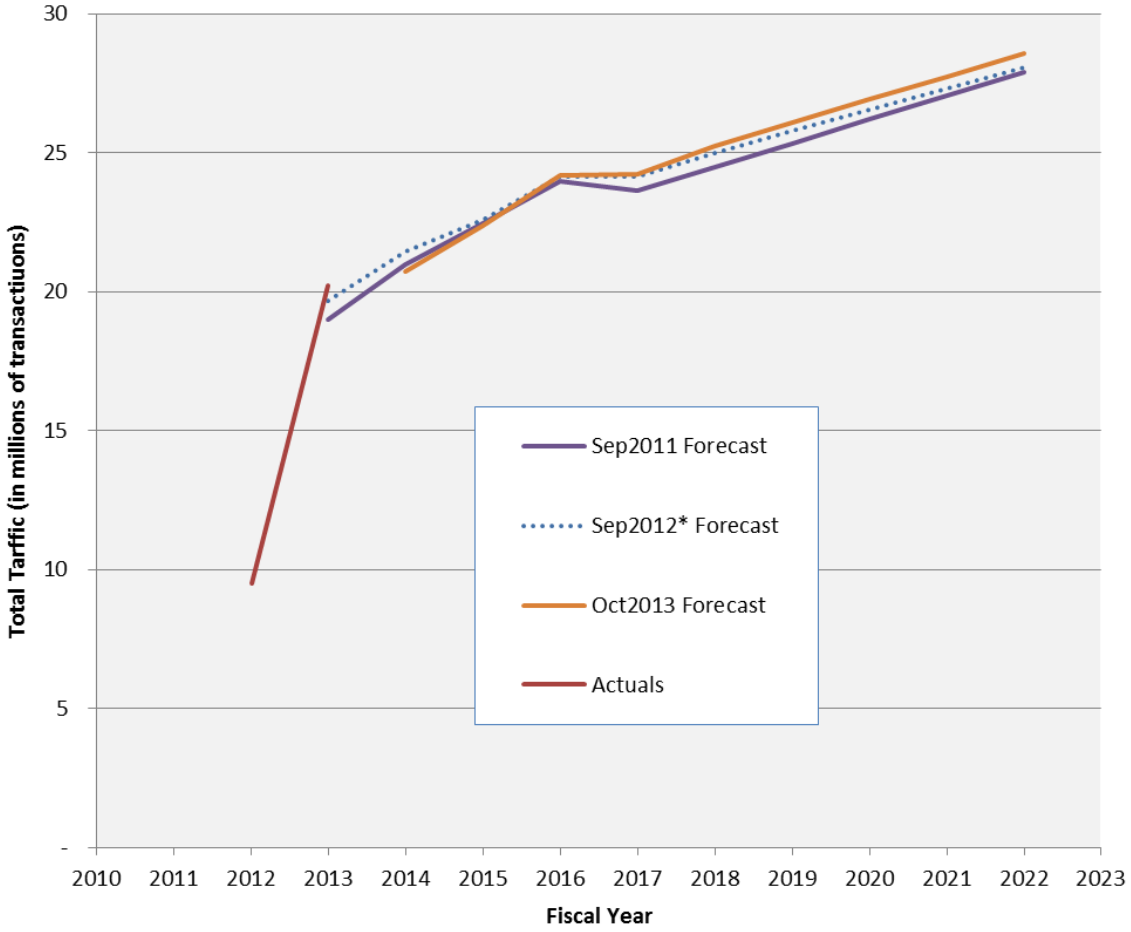
Toll Model Revisions - Others

- Toll model calibration - Calibrated to performance of tolled SR 520 and corresponding traffic on alternative routes
- Time Shifting - Data shows little to no net time shifting away from peak periods under tolled conditions – shifting removed
- Revised socioeconomic growth forecast
- Weekend toll transactions were raised up for FY2013 through FY2016 based on tolled performance

Effect and Magnitude on Gross Toll Revenue Potential

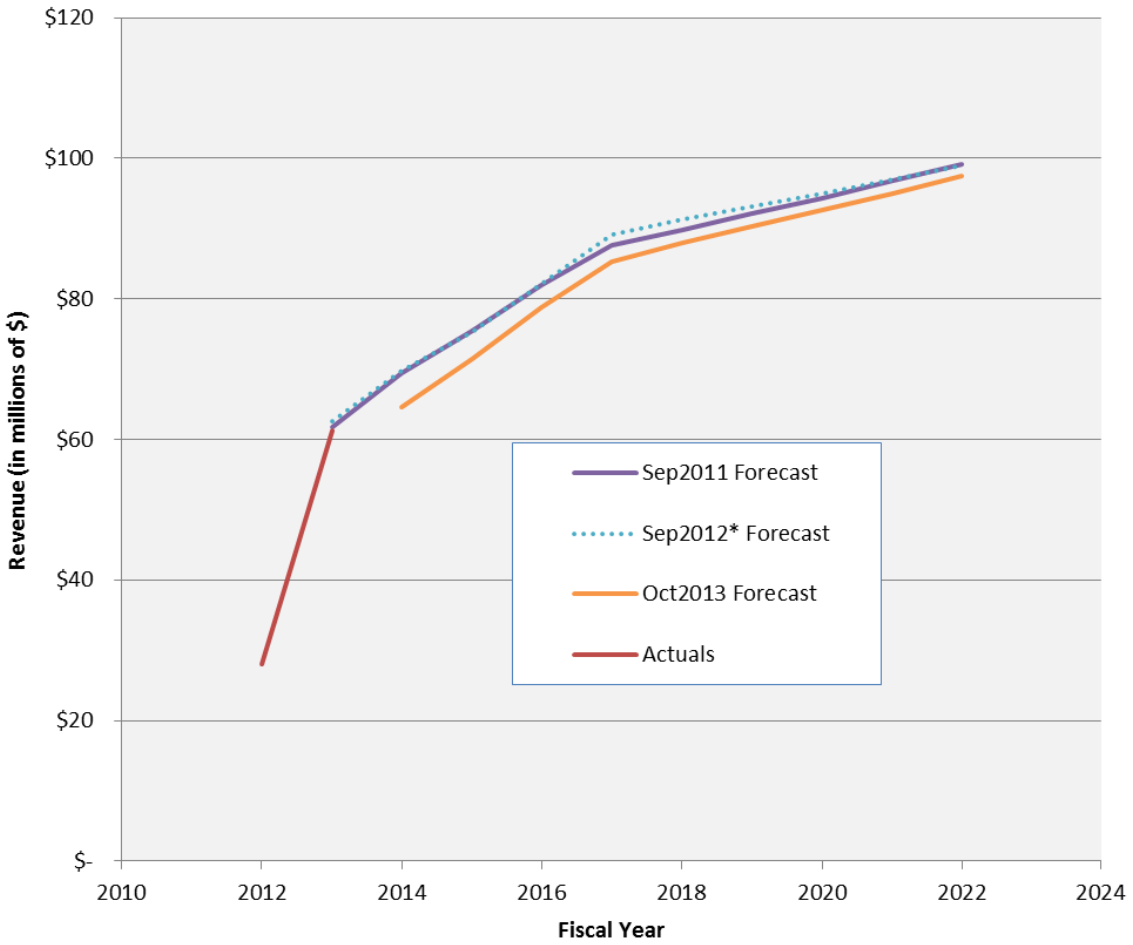
Factor	Changes in Oct2013 Forecast	Effect on Gross Toll Revenue Potential
Truck transactions	Lower transactions. Decreased revenue. High impact.	↓ High
Number of planned weekend closures	Increased number of closures. Decreased revenue. Medium impact (in FY 2014).	↓ Medium (FY 2014)
Weekend toll transactions	Raised up for FY 2013 through FY 2016. Increased revenue. Medium impact.	↑ Medium (FY2013 – FY 2016)
Good To Go! transaction share weekdays	Raised up slightly. Decreased revenue. Low impact.	↓ Low
Good To Go! transaction share weekends	Lowered. Increased revenue. Low impact.	↑ Low
Ramp-up factors	No further changes.	No Impact FY 2014 Forward
Time shifting	Removed. Increased revenue. Low impact.	↑ Low
Adjusted corridor population and employment forecasts	Near term employment slightly lower, nearly even by 2030, and lower 2030-2040. Decreased revenue. Low impact.	↓ Low

Toll Traffic



Note: Only 6 months of tolling in FY 2012

Gross Toll Revenue Potential



Note: Only 6 months of tolling in FY 2012

Forecasted Gross Toll Revenue Potential - Detail

Fiscal Year	Potential Revenue		
	Sep2012* Forecast	Oct2013 Forecast	Oct2013 vs Sep2012*
2014	$ 69.740	$ 64.660	-7.3%
2015	$ 75.180	$ 71.370	-5.1%
2016	$ 81.980	$ 78.710	-4.0%
2017	$ 89.160	$ 85.340	-4.3%
2018	$ 91.230	$ 88.050	-3.5%
2019	$ 93.120	$ 90.310	-3.0%
2020	$ 95.060	$ 92.630	-2.6%
2021	$ 97.020	$ 95.010	-2.1%
2022	$ 99.040	$ 97.450	-1.6%
2023	$ 101.090	$ 99.950	-1.1%
2024	$ 103.180	$ 102.520	-0.6%

*Sep2012 forecast with nickel rounding April 2013

SR 520 Net Toll Revenue Update

Presented by:

Brent Baker
Vice President
Parsons Brinckerhoff

Net Revenue Forecast Notes

- Updated net toll revenue projections were prepared from CDM Smith's October 2013 traffic and revenue forecasts
- Results are shown for the forecast horizon FY 2014-56
- Compared with September 2012* net revenue projections, changes for October 2013 are attributable to:
  - Updated toll transaction forecasts by payment method
  - Updated toll revenue forecasts
  - Revisions to the revenue adjustment assumptions
  - Revisions to the O&M and R&R cost estimates

* Modified to incorporate nickel rounding of toll rates in fiscal years 2014-16, as adopted by the Washington State Transportation Commission in May 2013.

Net Revenue Components

- **Revenue Adjustments**
  - Toll Payment Discounts and Fees (12)
  - Revenue Not Recognized (13)
  - Unpaid Toll Revenue (14)
  - Miscellaneous Pledged Revenue (16) – historical data reported but not forecasted
  - Transponder Sales Revenue (17)
  - Pay By Mail Rebilling Fees (18)
  - Recovered Toll Revenue (19)
- **Operations and Maintenance (O&M) Costs**
  - Credit Card Fees (21)
  - Toll Collection O&M (22) – includes transponder purchase and inventory costs
  - Routine Facility O&M Costs (23)
  - Bridge Insurance Premiums (24)
- **Repair and Replacement (R&R) Costs**
  - Periodic Facility R&R (27)
  - Periodic Toll Equipment and CSC R&R (28)

Note: (#) = Column number reference on T&R table dated 11/26/2013

Forecast vs. Actual Comparison for FY 2013

Category (#) = T&R table column reference	Forecast vs. Actuals for Net Revenue Items ($ millions)			% Variance from Forecast
	Sep 2012* Forecast	Actual** Values	Variance from Forecast	
Total Gross Toll Revenue Potential (11)	**62.59**	**61.30**	**(1.29)**	**–2.1%**
Toll Payment Discounts and Fees (12)	0.73	0.67	(0.05)	–7.4%
Revenue Not Recognized (13)	(1.64)	(1.52)	0.12	–7.1%
Unpaid Toll Revenue (14)	(4.03)	(5.01)	(0.98)	+24.2%
Subtotal: Gross Toll Revenue Collected (15)	**57.65**	**55.44**	**(2.20)**	**–3.8%**
Miscellaneous Pledged Revenue (16)	-	0.24	0.24	N/A
Transponder Sales Revenue (17)	1.33	0.47	(0.87)	–65.0%
Pay By Mail Rebilling, NSF, Statement, & Transaction Fees (18)	1.91	1.38	(0.53)	–27.6%
Recovered Toll Revenue (19)	0.19	-	(0.19)	–100.0%
Credit Card Fees (21)	(1.40)	(0.91)	0.48	–34.6%
Toll Collection O&M Costs (22)	(10.09)	(7.16)	2.93	–29.0%
Bridge Insurance Premium (24)	(2.47)	(2.43)	0.04	–1.6%
Total Net Revenue Before R&R (25)	**47.12**	**47.02**	**(0.10)**	**–0.2%**

* Forecast values correspond to the September 2012 Net Revenue forecast update, modified to incorporate nickel rounding of toll rates in fiscal years 2014-16, as adopted by the Washington State Transportation Commission in May 2013.

** Actual values were calculated from the Unbilled Transactions Report and Monthly Toll Business Report, and include adjustments for the following items:

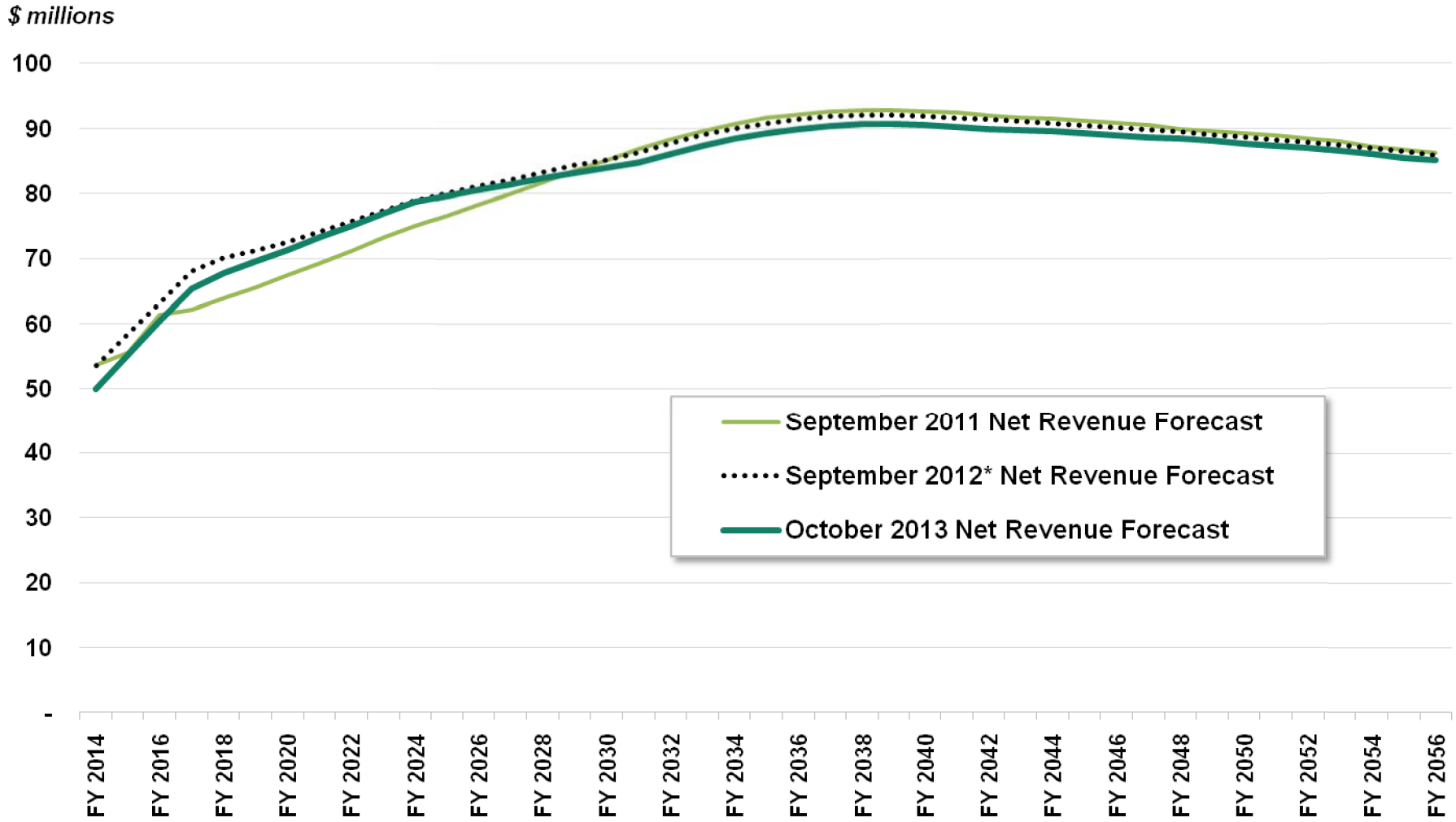
- Total Gross Toll Revenue Potential includes revenue before deducting $23,187 in free trip incentives
- Actual Toll Collection O&M Costs exclude amounts funded with Urban Partnership grant revenues

Summary of Effects on Net Revenue over the Forecast Horizon (FY 2014-56)

Forecast Category (#) = T&R table column reference	Sep 2012* Forecast ($ millions)	Oct 2013 Forecast ($ millions)	Variance ($ millions)	Variance (%)
Gross Toll Revenue Potential (11)	**5,020.6**	**4,908.6**	**(112.0)**	**–2.2%**
Subtotal: Revenue Adjustments	(118.7)	(110.7)	7.9	–6.7%
Subtotal: O&M Costs	(1,313.8)	(1,267.0)	46.8	–3.6%
Net Toll Revenue before R&R (25)	**3,588.2**	**3,530.8**	**(57.3)**	**–1.6%**
Subtotal: R&R Costs	(273.2)	(318.2)	(45.0)	+16.5%
Net Toll Revenue after R&R	**3,314.9**	**3,212.6**	**(102.3)**	**–3.1%**

* Modified to incorporate nickel rounding of toll rates in fiscal years 2014-16, as adopted by the Washington State Transportation Commission in May 2013.

Net Revenue Forecast Comparison FY 2014-56



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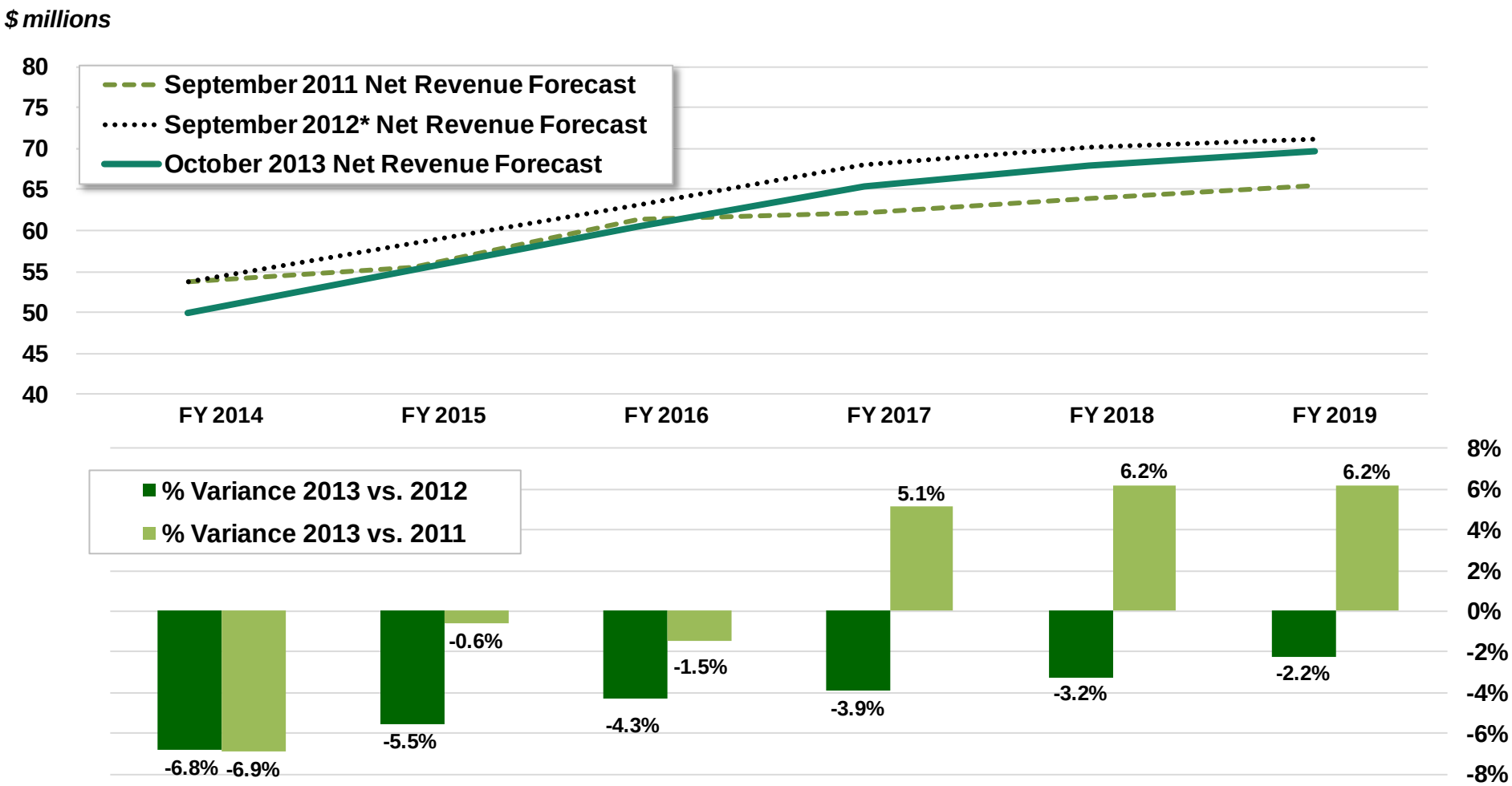
Net Revenue Forecast Comparison FY 2014-19



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Key Change Factors and Impacts on Net Revenue FY 2014-56 — Oct 2013 vs. Sep 2012* Forecast

	Key Forecast Driver	Description of Change	Impact FY 2014-56	Variance ($ M)	Net Revenue
Revenue Adjustments	Toll Payment Discounts & Fees (12)	Fee revenue decreased due to lower Pay By Plate forecast, despite the decrease in forecasted Short-term account discounts	large decrease in fee revenue	(16.7)	– ↓
	Revenue Not Recognized (13)	Reduced forecast assumption for unreadable license plates	small decrease in revenue leakage	6.1	+ ↑
	Unpaid Toll Revenue (14)	Fewer accounts with insufficient balances needing Pay By Mail processing, plus lower volume of returned invoices due to bad	large decrease in revenue leakage	41.4	+ ↑
	Pay By Mail Rebilling Fees (18)	Increase in Pay By Mail transactions results in more late fees	moderate increase in fee revenue	13.5	+ ↑
O&M Costs	Credit Card Fees (21)	Assumption for credit card fees as a percent of revenue decreased, as well as the expected amount of total revenue	large decrease in cost	18.4	+ ↑
	Toll Collection O&M (22)	Higher CSC costs due to added contingency for vendor market pricing; higher printing & postage costs due to fewer transactions per bill and more PBM transactions, offset by lower mailing unit cost, lower transponder costs, and upward revision to RTS costs	moderate decrease in cost	4.5	+ ↑
	Routine Facility O&M (23)	Decreased due to lower task force estmates for lower O&M costs	large decrease in cost	22.8	+ ↑
R&R Costs	Periodic Facility R&R (26)	O&M Task Force projects higher overall costs for facility R&R	moderate increase in cost	(13.9)	– ↓
	Periodic Toll Equipment and CSC R&R (27)	Addition of state costs to periodically re-procure RTS and CSC vendors as R&R, including oversight of system implementation and testing (CSC not previously included in R&R)	moderate increase in cost	(31.1)	– ↓

Washington State Department of Transportation

* Modified to incorporate nickel rounding of toll rates in fiscal years 2014-16, as adopted by the Washington State Transportation Commission in May 2013.

Key Change Factors and Impacts on Net Revenue FY 2014-19 — Oct 2013 vs. Sep 2012* Forecast

	Key Forecast Driver	Description of Change	Impact FY 2014-19	Variance ($ M)	Net Revenue
Revenue Adjustments	Toll Payment Discounts & Fees (12)	Fee revenue decreased due to lower Pay By Plate forecast, despite the forecasted reduction in credits for short-term account	Moderate decrease in fee revenue	**(1.3)**	– ↓
	Revenue Not Recognized (13)	Reduced forecast assumption for unreadable license plates and lower near-term share of Pay By Mail transactions	Moderate decrease in leakage	**2.1**	+ ↑
	Unpaid Toll Revenue (14)	Fewer accounts with insufficient balances needing Pay By Mail processing, plus lower volume of returned invoices due to bad	Larger decrease in revenue leakage	**7.4**	+ ↑
O&M Costs	Credit Card Fees (21)	Lower assumption for credit card fee rate and share of revenue subject to fees, combined with lower revenue forecast	Moderate decrease in cost	**2.5**	+ ↑
	Toll Collection O&M (22)	Higher CSC costs due to added contingency for vendor market pricing; higher printing & postage costs due to fewer transactions per bill, not fully offset by lower mailing unit cost and fewer PBM transactions; additional operations support in FY 2014-15; and upward revision to RTS costs	Larger increase in cost	**(2.2)**	– ↓
R&R Costs	Periodic Toll Equipment and CSC R&R (28)	Addition of new state costs to periodically re-procure CSC vendor as R&R (CSC not previously included in R&R estimates)	Moderate increase in cost	**(2.1)**	– ↓

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Washington State Department of Transportation

Updated Net Revenue Projections (FY 2014-56)

Forecast Category (#) = T&R table column reference	Sep 2012* Forecast ($ millions)	Oct 2013 Forecast ($ millions)	Variance ($ millions)	Variance (%)
Gross Toll Revenue Potential (11)	**5,020.6**	**4,908.6**	**(112.0)**	**–2.2%**
Toll Payment Discounts and Fees (12)	30.6	13.9	(16.7)	–54.6%
Revenue Not Recognized (13)	(96.6)	(90.5)	6.1	–6.4%
Unpaid Toll Revenue (14)	(237.5)	(196.1)	41.4	–17.4%
Miscellaneous Pledged Revenues (16)	-	-	-	
Transponder Sales Revenue (17)	74.0	35.7	(38.4)	–51.8%
Pay By Mail Rebilling Fees (18)	100.3	113.9	13.5	+13.5%
Recovered Toll Revenue (19)	10.5	12.5	2.0	+18.7%
Subtotal: Revenue Adjustments	**(118.7)**	**(110.7)**	**7.9**	**–6.7%**
Credit Card Fees (21)	(112.5)	(94.1)	18.4	–16.4%
Toll Collection O&M (22)	(867.5)	(863.0)	4.5	–0.5%
Customer Service Center (CSC)	*(425.8)*	*(461.1)*	*(35.3)*	*+8.3%*
Roadway Toll Sytems (RTS)	*(52.8)*	*(35.3)*	*17.5*	*–33.1%*
State Costs for Toll Bill Printing, Postage, and LES	*(141.7)*	*(160.1)*	*(18.4)*	*+13.0%*
State Operations	*(173.2)*	*(170.8)*	*2.4*	*–1.4%*
Transponder purchase and inventory costs	*(74.0)*	*(35.7)*	*38.4*	*–51.8%*
Routine Facility O&M Costs (23)	(190.6)	(167.8)	22.8	–11.9%
Bridge Insurance Premiums (24)	(143.1)	(142.1)	1.0	–0.7%
Subtotal: O&M Costs	**(1,313.8)**	**(1,267.0)**	**46.8**	**–3.6%**
Net Toll Revenue before R&R (25)	**3,588.2**	**3,530.8**	**(57.3)**	**–1.6%**
Periodic Facility R&R (27)	(256.2)	(270.1)	(13.9)	+5.4%
Periodic Toll Equipment and CSC R&R (28)	(17.0)	(48.2)	(31.1)	+182.6%

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Washington State Department of Transportation

Updated Net Revenue Projections (FY 2014-19)

Forecast Category (#) = T&R table column reference	Sep 2012* Forecast ($ millions)	Oct 2013 Forecast ($ millions)	Variance ($ millions)	Variance (%)
Gross Toll Revenue Potential (11)	**500.6**	**478.4**	**(22.2)**	**–4.4%**
Toll Payment Discounts and Fees (12)	4.4	3.1	(1.3)	–30.0%
Revenue Not Recognized (13)	(11.9)	(9.8)	2.1	–17.7%
Unpaid Toll Revenue (14)	(29.1)	(21.8)	7.4	–25.3%
Miscellaneous Pledged Revenues (16)	-	-	-	
Transponder Sales Revenue (17)	6.3	3.0	(3.3)	–51.8%
Pay By Mail Rebilling Fees (18)	12.4	12.6	0.2	+1.3%
Recovered Toll Revenue (19)	1.3	1.4	0.1	+6.2%
Subtotal: Revenue Adjustments	**(16.6)**	**(11.5)**	**5.1**	**–30.9%**
Credit Card Fees (21)	(11.2)	(8.8)	2.5	–21.8%
Toll Collection O&M (22)	(62.3)	(64.5)	(2.2)	+3.6%
Customer Service Center (CSC)	*(29.0)*	*(32.1)*	*(3.1)*	*+10.6%*
Roadway Toll Sytems (RTS)	*(2.5)*	*(3.3)*	*(0.8)*	*+30.3%*
State Costs for Toll Bill Printing, Postage, and LES	*(9.1)*	*(10.3)*	*(1.2)*	*+12.9%*
State Operations	*(15.4)*	*(15.9)*	*(0.5)*	*+3.1%*
Transponder purchase and inventory costs	*(6.3)*	*(3.0)*	*3.3*	*–51.8%*
Routine Facility O&M Costs (23)	(9.5)	(8.8)	0.7	–7.3%
Bridge Insurance Premiums (24)	(16.3)	(16.3)	(0.0)	+0.0%
Subtotal: O&M Costs	**(99.3)**	**(98.4)**	**0.9**	**–0.9%**
Net Toll Revenue before R&R (25)	**384.7**	**368.6**	**(16.1)**	**–4.2%**
Periodic Facility R&R (27)	(0.5)	(0.4)	0.1	–16.6%
Periodic Toll Equipment and CSC R&R (28)	-	(2.1)	(2.1)	new cost

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Washington State Department of Transportation

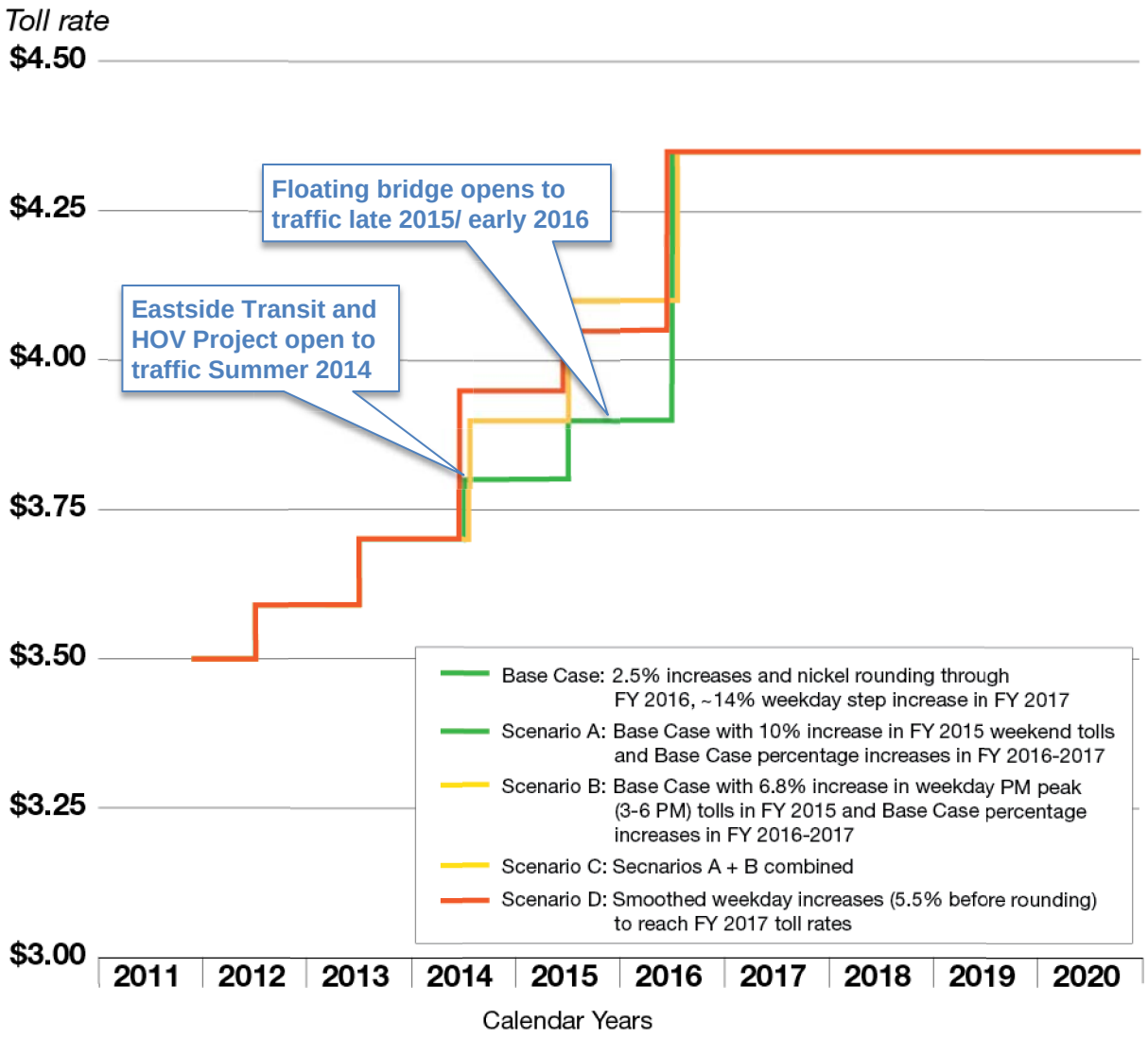
Summary Points and Findings

- Revenue Adjustments
  - Revisions provide an improvement to net revenues over forecast horizon, after excluding transponder revenues which have an equal cost offset
- O&M Costs
  - Revisions to components both up and down provide a small net improvement in net revenues, after excluding transponder costs which have an equal revenue offset
- Net revenues available for debt service are impacted by the revenue adjustments and O&M costs
  - Determinant of debt service coverage ratios
- R&R Costs
  - Revised estimates 16% higher over forecast horizon
  - Reduces excess revenues available to meet overall coverage

Potential SR 520 Rate Setting Scenarios for FY 2015

- **Base Case**
  - 2.5% increases with nickel rounding thru FY 2016
  - Approx. 14% weekday step increase FY 2017 (2.5% weekends)
- **Higher weekend tolls (Scenario A)**
  - Current weekend tolls are relatively low ($1.60-2.25) and demand has exceeded expectations
  - Assumes same FY 2016-17 percentage increases on higher base
- **Higher weekday PM peak tolls (Scenario B)**
  - Congestion/reduced speeds occurring afternoons, esp. westbound
  - Assumes same FY 2016-17 percentage increases on higher base
- **Higher weekday PM peak <u>and</u> weekend tolls (Scenario C)**
- **Smoothed weekday increases to reach FY 2017 steady state tolls (Scenario D)**
  - 5.5% weekday increases in FY 2016-17 before nickel rounding
  - Avoids ~14% weekday step increase

FY 2014 WSTC Peak Toll Rate Scenarios



Washington State Department of Transportation

SR 520 Potential Alternative Rate Scenarios — Revenue Impacts

Scenario	Description	Metric	FY 2014	FY 2015	FY 2016	FY 2017*	Notes
Base Case	2.5% increases & nickel rounding thru FY 2016; ~14% weekday step increase FY 2017	PM Peak Toll	$3.70	$3.80	$3.90	$4.35	Meets minimum coverage ratio requirements
		Max Weekend Toll	$2.30	$2.35	$2.40	$2.50	
		Gross Toll Revenue Potential	**$64.7 M**	**$71.4 M**	**$78.7 M**	**$85.3 M**	
A	Base Case with 10% increase in FY 2015 weekend tolls & Base Case percentage increases in FY 2016-2017	PM Peak Toll	$3.70	$3.80	$3.90	$4.35	Increase in week-end revenue continues thru forecast horizon
		Max Weekend Toll	$2.30	**$2.55**	**$2.60**	**$2.70**	
		Gross Toll Revenue Potential	**$64.7 M**	**$71.9 M**	**$79.4 M**	**$86.0 M**	
		% Increase from Base	*0.0%*	*0.8%*	*0.8%*	*0.8%*	
B	Base Case with 6.8% increase in weekday PM peak (3-6 PM) tolls in FY 2015 & Base Case percentage increase in FY 2016	PM Peak Toll	$3.70	**$3.95**	**$4.05**	$4.35	Increase in week-day revenue for FY 2015-16 only
		Max Weekend Toll	$2.30	$2.35	$2.40	$2.50	
		Gross Toll Revenue Potential	**$64.7 M**	**$71.9 M**	**$79.3 M**	**$85.3 M**	
		% Increase from Base	*0.0%*	*0.8%*	*0.7%*	*0.0%*	
C	Scenarios A + B combined — 10% increase in weekend tolls & 6.8% increase in weekday PM peak tolls in FY 2015 only	PM Peak Toll	$3.70	**$3.95**	**$4.05**	$4.35	Increase in week-day revenue for FY 2015-16; week-end inc. continues
		Max Weekend Toll	$2.30	**$2.55**	**$2.60**	**$2.70**	
		Gross Toll Revenue Potential	**$64.7 M**	**$72.5 M**	**$79.9 M**	**$86.0 M**	
		% Increase from Base	*0.0%*	*1.6%*	*1.5%*	*0.8%*	
D	Smoothed weekday increases (5.5% before rounding) to reach FY 2017 toll rates	PM Peak Toll	$3.70	**$3.90**	**$4.10**	$4.35	Increase in week-day revenue for FY 2015-16 only
		Max Weekend Toll	$2.30	$2.35	$2.40	$2.50	
		Gross Toll Revenue Potential	**$64.7 M**	**$72.8 M**	**$81.7 M**	**$85.3 M**	
		% Increase from Base	*0.0%*	*2.0%*	*3.8%*	*0.0%*	

* The SR 520 financial plan does not currently assume or rely on additional toll increases after FY 2017.

Note: Values for Scenarios A-D are preliminary estimates and subject to change with detailed traffic and revenue modeling.

Washington State Department of Transportation

SR 520 Rate Setting Milestones

		WAC Revision Process	
	Milestone	Maintain 2.5% increase, update to the toll rate tables only	Deviate from the 2.5% increase
December	WSDOT proposed rates	✓	✓
	Financial plan/funding needs	✓	✓
	WSTC proposed scenarios		✓
January	File CR 101		✓
February	Preliminary scenario results		✓
	Request any additional scenarios		✓
March	WSTC proposed rates		✓
	File CR 102		✓
	File CR 105	✓	
April	Public Input meetings		✓
	Certification of proposed rates		✓
May	Public Hearing		✓
	Adopt toll rates		✓
	File CR 103	✓	✓

For questions or further information…

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