

SR 520 Toll Rate Setting Update

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Washington State Transportation Commission
February 20, 2013

Agenda

- Traffic and Revenue – FY 2013 Q2
- Goals for Toll Rate-Setting
- SR 520 financial requirements
- Scenarios
 - Description
 - Options meeting financial tests
 - Traffic impacts
 - Results
- Cost to collect

Initial SR 520 FY 2013 Q2 Toll Traffic Results

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FY13- Q2 TOLL TRAFFIC	Actual ^{1,7}	Forecast ^{2,3}	% Variance
Average Weekday ^{4,8}	65,247	62,868	+3.8%
Average Weekend ^{5,8}	38,733	31,544	+22.8%
Average Daily ⁶	57,870	54,227	+6.7%

- Average weekday daily traffic exceeds forecast by +3.8%
- Average weekend daily traffic exceeds forecast by more than +22%
- Overall, average daily traffic was +6.7% above forecast
- Approximately 80% of average daily trips were prepaid (*Good To Go!*) transactions
 - Average weekday *Good To Go!* share was approximately **82%**
 - Average weekend daily *Good To Go!* share was approximately **76%**

¹ Toll traffic counts are generated by in-lane toll collection equipment. Actual counts exclude transit buses and other toll-exempt vehicles.

² CDM Smith forecast dated August 2012 after applying a monthly seasonal adjustment factors. Forecasts exclude transit buses and other toll-exempt vehicles.

³ Ramp-up adjustments are no longer included in the FY 2013 forecasts.

⁴ Average weekday traffic is subject to construction activity but there were no weekday construction closures during the tolling hours from 5 AM to 11 PM.

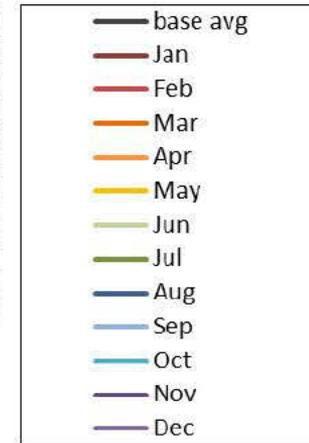
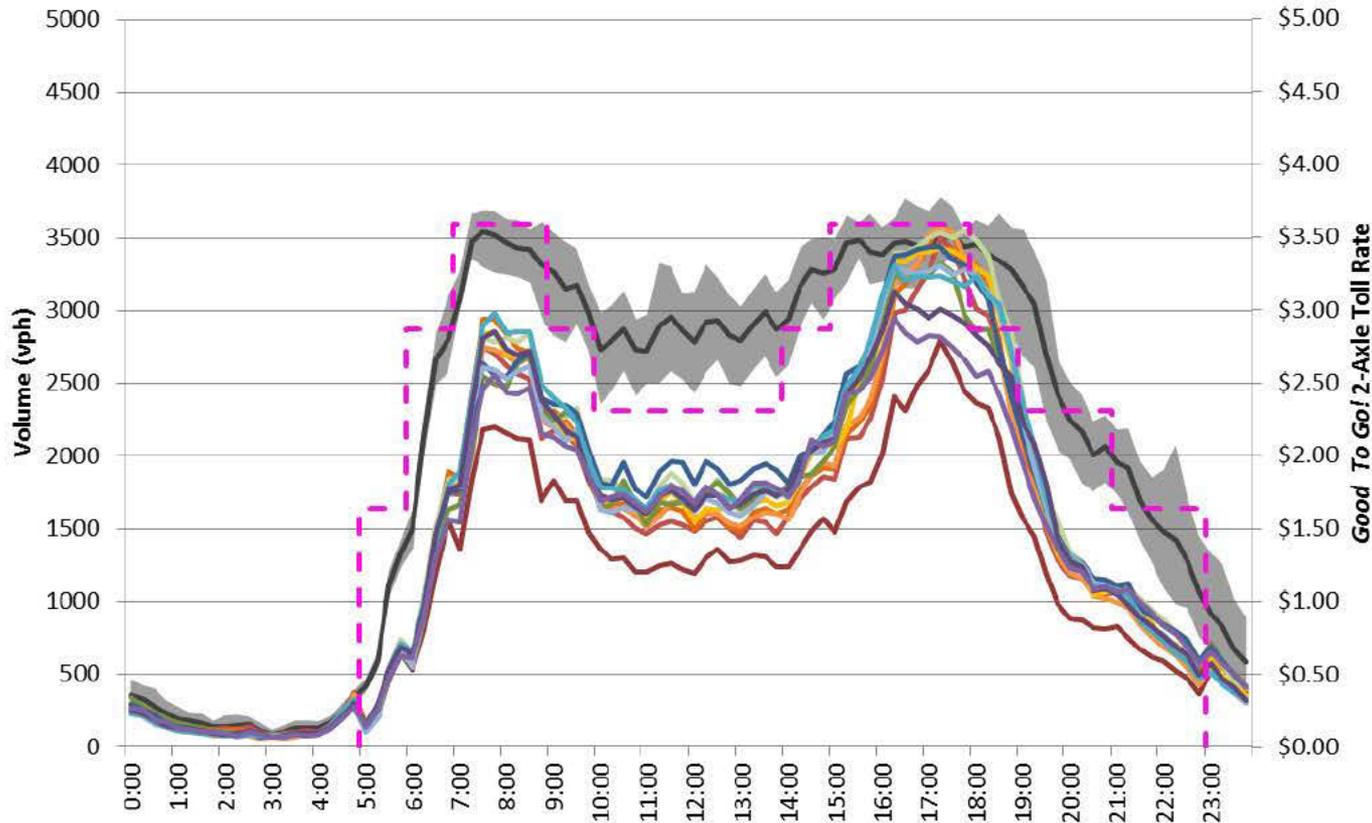
⁵ Calculation of average weekend daily traffic excludes planned weekend construction closures days.

⁶ Average daily traffic calculated as a blend of all weekdays and weekends days, except as noted in (4) and (5) above.

⁷ WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Until completion of this review, reported traffic and revenue will be based on preliminary, un-reconciled database queries.

⁸ Average weekend daily traffic calculations are inclusive of holidays during which weekend toll rates are charged (e.g., Christmas Day).

Traffic Volume: Westbound SR 520



Pre-tolling average is for weekdays Oct. 29-Nov. 18, 2011 and Nov. 26-Dec.16, 2011

Post-tolling average is for weekdays Jan. 1, 2012 – Dec. 31, 2012

Initial SR 520 FY 2013 Q2 Toll Revenue Results*

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FY 2013 – Q2 TOLL REVENUE	Actual	Forecast ¹	% Variance
Adjusted Gross Revenue after Allowance for Doubtful Accounts ^{2,3}	\$15,180,548	\$13,993,674	+7.8%

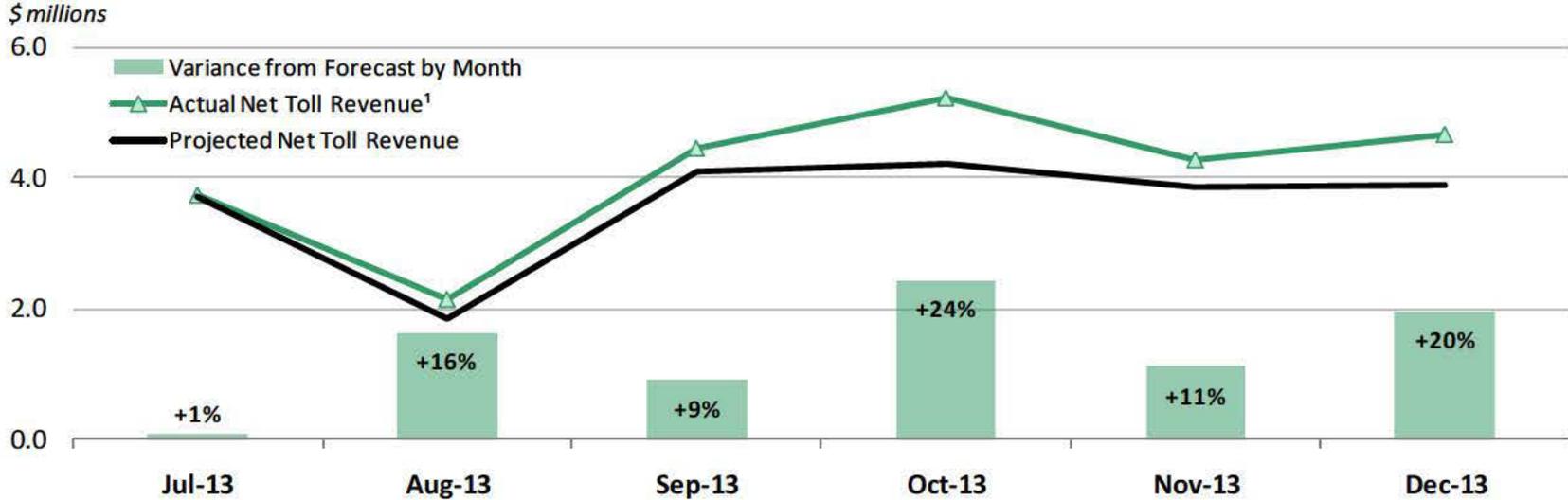
- Adjusted gross revenue after an allowance for doubtful accounts was **7.8%** above forecasts after the second quarter of FY 2013.

* Revenue data current as of January 23, 2013

- 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.
- 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.
- Actual gross revenues do not currently include tolls and fees recovered through the adjudication/civil penalty process; inclusion of these revenues via a transfer from the SR 520 Civil Penalty Account may result in an upward revision to actual gross revenues.
- WSDOT is in the process of reviewing CSC vendor reconciliation reports, which will become the primary source of this data. Pending completion of this review, reported revenues are based on preliminary, un-reconciled database queries.

Preliminary SR 520 Net Toll Revenue Results

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- Actual net revenue exceeded forecasts by **+7%** and **+19%** in Q1 and Q2, respectively, and approximately **+14%** year-to-date.
- Write-offs for uncollectible transactions are only partially reflected in these results.¹
- As of December, nearly \$250,000 of SR 520 operating expenditures were offset by UPA funding, improving net revenue performance.²

¹ To allow for the possibility of not collecting all toll and rebilling fee revenue owed to the State, an "allowance for doubtful accounts" has been included as an adjustment to actual toll and fee revenues. This allowance is estimated as 10% of toll and fee receivables, but may not fully account for other write-offs that occur during the year.

² Expenditures shown above exclude SR 520 operating expenditures covered by the UPA program, which amounted to \$242,713. Because UPA is a short-term funding source for operations, these expenditures will be funded solely by toll revenues in the future.

SR 520 Civil Penalty – FY 2013 Q2

	FY 2013 Q2
Number of civil penalty transactions issued ¹	67,406
Number of civil penalty transactions paid upon receipt of NOCP	6,811
Number of civil penalty transactions adjudicated via a written dispute in lieu of hearing	3,871
Number of civil penalty transactions adjudicated via an in-person hearing	2,336
Number of civil penalty transactions which did not receive a response	54,388
Workload costs related to adjudicated transactions ²	\$309,313
Cost and effectiveness of debt Collection activities ³	N/A
Cash received related to \$40 civil penalty fee ^{4,5}	\$798,322

- 1) Civil Penalty Transaction data is queried from the ETCC database. The data is pulled at least 25 days after the NOCP transaction date in order to allow each recipient time to pay or request a hearing prior to the NOCP due date.
- 2) Workload costs represent the total costs charged to each toll facility in relation to the civil penalty program during this reporting period.
- 3) Debt Collection activities are anticipated to begin in two phases; DOL Hold (Sept 2012) and Collections (end of 2013).
- 4) Revenues reported here are estimated from vendor system reports (ETC RITE System) for NOCP penalty payments only. They do not include any toll or reprocessing fee cash collected. Amounts presented are not in whole \$40 increments due to partial payments.
- 5) Financial statements report total revenues earned after an NOCP recipient has been found “liable” through an administrative hearing or deemed “liable” for not responding to the notice by the due date (20 days). These revenues differ from the amount of cash collected which is presented here. The booked NOCP revenues for SR 520 are \$2,701,819.00 for the period.

SR 520 Financial Statement

FY 2013 Q2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
 THE 520 BRIDGE ACCOUNT
 STATE FISCAL YEAR 2013, QUARTER ENDED DECEMBER 31, 2012

	NOTES	JULY THROUGH SEPTEMBER	OCTOBER THROUGH DECEMBER	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 13,867,862	\$ 15,180,548	\$ 29,048,410
Federal highway administration	2	5,864,056	-	5,864,056
Transponder sales	3	130,372	105,049	235,421
Toll vendor contractual damages	4	8,217	115,264	123,481
Toll bill reprocessing fee	5	517,383	659,457	1,176,840
Interest income		310,668	351,154	661,822
Miscellaneous	6	18,083	18,289	36,372
TOTAL REVENUES		20,716,641	16,429,761	37,146,402
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract		1,091,510	1,251,346	2,342,856
Toll lane vendor contract	7	109,051	(20,120)	88,931
Insurance		2,430,995	-	2,430,995
Credit card and bank fees		223,313	240,819	464,132
Transponder cost of goods sold	8	89,566	73,826	163,392
Other	9	52,285	59,513	111,798
Total Goods and Services		3,996,720	1,605,384	5,602,104
Personal service contracts	10	99,696	270,869	370,565
Salaries and benefits		273,270	251,800	525,070
Capital outlay - replacement bridge construction	11	45,604,513	121,468,077	167,072,590
TOTAL EXPENDITURES		49,974,199	123,596,130	173,570,329
DEFICIENCY OF REVENUES OVER EXPENDITURES		(29,257,558)	(107,166,369)	(136,423,927)
OTHER FINANCING USES				
Cost of investment activity	12	-	(157,035)	(157,035)
Operating transfers out - debt service	13	(6,564,244)	(4,337,496)	(10,901,740)
Operating transfers out - FHWA debt service	13	(5,864,056)	-	(5,864,056)
TOTAL OTHER FINANCING USES		(12,428,300)	(4,494,531)	(16,922,831)
NET CHANGE IN FUND BALANCE		(41,685,858)	(111,660,900)	(153,346,758)
FUND BALANCE - BEGINNING		566,862,353	525,176,495	566,862,353
FUND BALANCE - ENDING		\$ 525,176,495	\$ 413,515,595	\$ 413,515,595

Goals for FY 2014

- Generate Toll Revenue sufficient to:
 - pay operating and maintenance expenses
 - pay debt service
 - meet the State's financial and other covenants under the Master Bond Resolution
- Maintain travel time, speed, and reliability

Toll Rate Scenarios

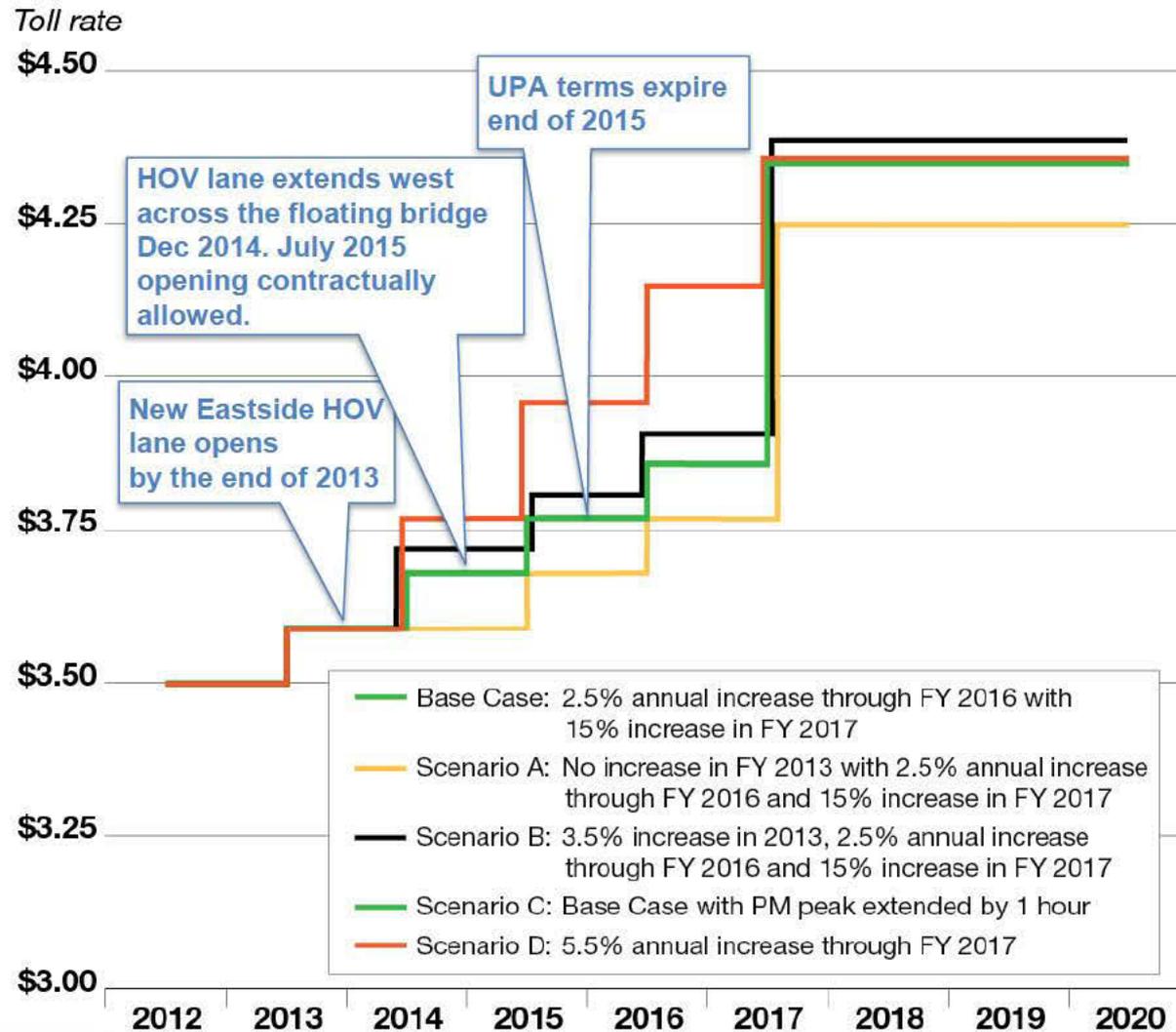
Base Case

- Currently used for financial plan
- Assumes 2.5 percent rate increase in FY 14, 15, and 16. One time increase in FY17 (15 percent-weekdays; 2.5 percent-weekends). No increases thereafter for financial purposes.

In December, scenarios selected for testing:

- **Scenario A:** No rate increase for FY 14 (all other years continue with rate increases currently used for financial plan)
- **Scenario B:** 3.5 percent rate increase for FY 14 (all other years continue with rate increases currently used for financial plan)
- **Scenario C:** 2.5 percent rate increase, peak afternoon period is extended until 7:00 pm (currently peak period is 3-6 pm)
- **Scenario D:** Gradually growing rate increases in order to avoid larger increases later

WSTC Peak Toll Rate Scenarios



Financial Tests

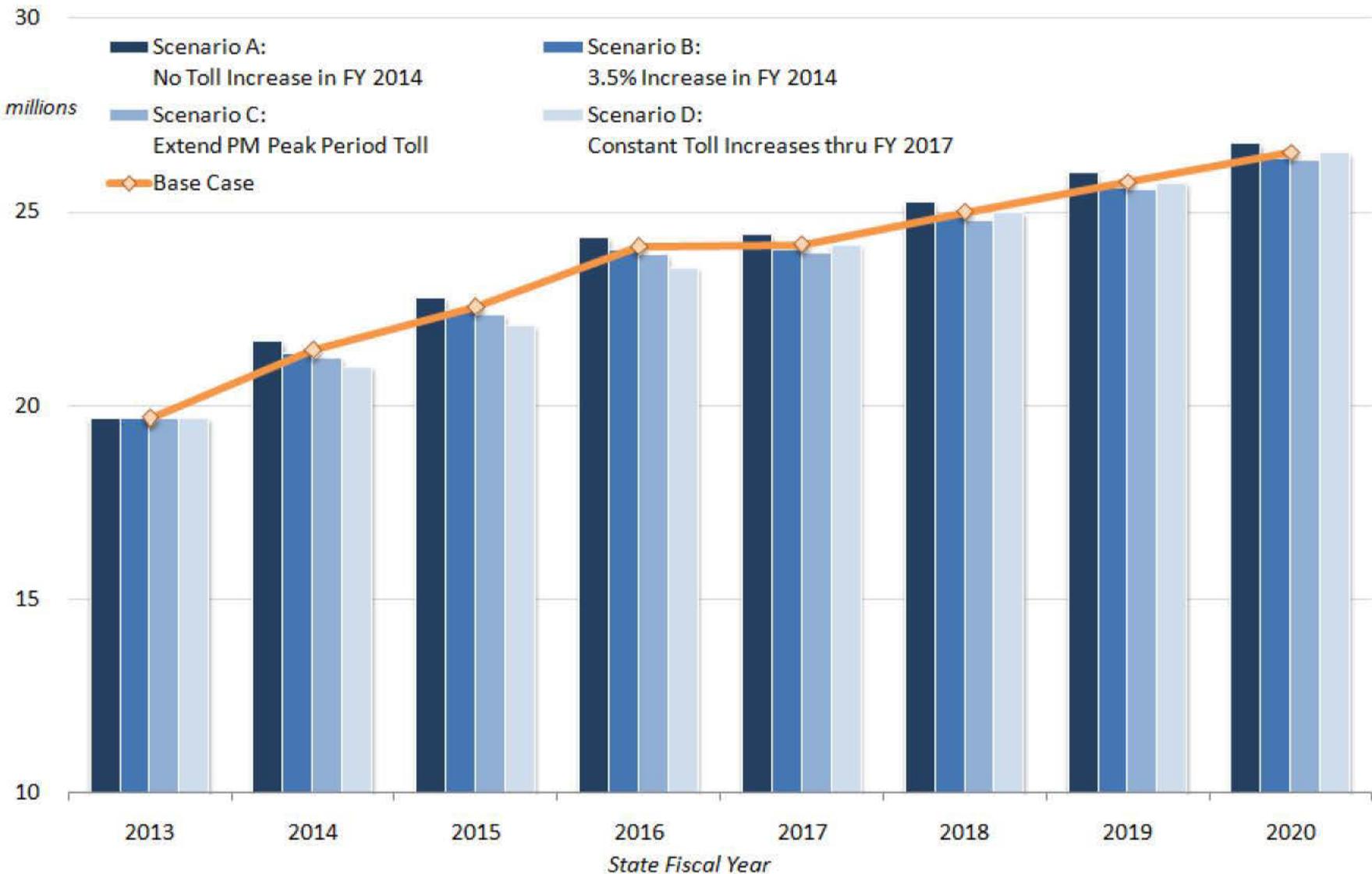
- Projected Net Revenues for the then-current Fiscal Year and each subsequent Fiscal Year through the last scheduled maturity of all Outstanding Bonds must be at least equal to 100% of the aggregate amount of the required payments; and
- Coverage ratios (Net Revenue/ debt service + reserves):
 - 1st Tier: 2.00x ABT coverage/ 1.5x covenant
 - 3rd Tier: 1.30x ABT coverage/ 1.25x covenant
 - 4th Tier: 1.15x ABT coverage/ 1.1x covenant
- Provide “pay-go” construction funding.

SR 520 Financial Plan Toll Sensitivity Test Impacts

Sensitivity Test Case*	Change in Pay-Go Toll Construction Funding	Minimum Coverage Ratios				Unrestricted Fund Balance ¹				
		1st Tier	3rd Tier	4th Tier ²	Overall ³	FY 2014 Period End	FY 2015 Period End	FY 2016 Period End	# FYs w/ Negative Balance	First / Last Fiscal Year with Negative Balance
Base Case Financial Plan (10/25/12)	—	2.00 ×	1.37 ×	1.15 ×	1.00 ×	\$0.2 M	\$0.2 M	\$0.2 M	None	N/A
Scenario A: No Toll Increase in FY 2014	(\$2.0 M)	1.95 ×	1.34 ×	1.13 ×	0.99 ×	\$0.2 M	\$0.2 M	(\$0.8 M) <i>Decrease of (\$1.0 M)</i>	28	2016 2043
Scenario B: 3.5% Increase in FY 2014	\$1.5 M	2.03 ×	1.38 ×	1.17 ×	1.01 ×	\$0.2 M	\$0.2 M	\$0.2 M	None	N/A N/A
Scenario C: Extend PM Peak Period Toll	\$1.6 M	2.03 ×	1.38 ×	1.17 ×	1.01 ×	\$0.2 M	\$0.2 M	\$0.2 M	None	N/A N/A
Scenario D: Constant Toll Increases through FY 2017	\$8.0 M	2.00 ×	1.37 ×	1.15 ×	1.00 ×	\$0.2 M	\$0.2 M	\$0.2 M	None	N/A N/A
Minimum Coverage Required for Issuing Additional Bonds (Debt)		2.00 ×	1.30 ×	1.15 ×	1.00 ×					

Notes:
¹ Based on existing Base Case Financial Plan debt structuring, with interest earnings included in the available funding for pay-go construction.
² Resolution No. 1117 requires 1.10× coverage on the 4th Tier in order to issue additional bonds; however, the TIFIA Base Case Financial Plan calls for 1.15×.
³ Coverage inclusive of reserve account deposits, including deferred sales tax, O&M, and R&R reserves.
* Impacts of the sensitivity test cases are based on Dec 2012/Jan 2013 T&R forecasts prepared by CDM Smith and net revenues by Parsons Brinckerhoff.

Comparison of Transactions by Scenario



Considerations

- Just completing first year of operations.
 - 12 months out of a 30-40 year financing horizon is inconclusive.
 - Gross revenues lag traffic performance.
- Ongoing construction has played a factor in traffic performance, especially on the eastside.
- In 2014, we need strong credit ratings.
 - WSDOT will be selling revenue bonds in early 2014
 - WSDOT will be making our first TIFIA draws.
 - Base case scenarios and scenarios B-D strengthen that and help with future bond sales.

SR 520 Rate Setting Milestones

	Milestone	WAC Revision Process	
		Maintain 2.5% increase (unrounded), update to the toll rate tables only	Deviate from the 2.5% increase (including rounding)
October	Rate setting kickoff meeting	✓	✓
	Certification of 2.5% increase	✓	
December	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	✓	✓

SR 520 Cost per Transaction

FY 2012 Q3 and Q4

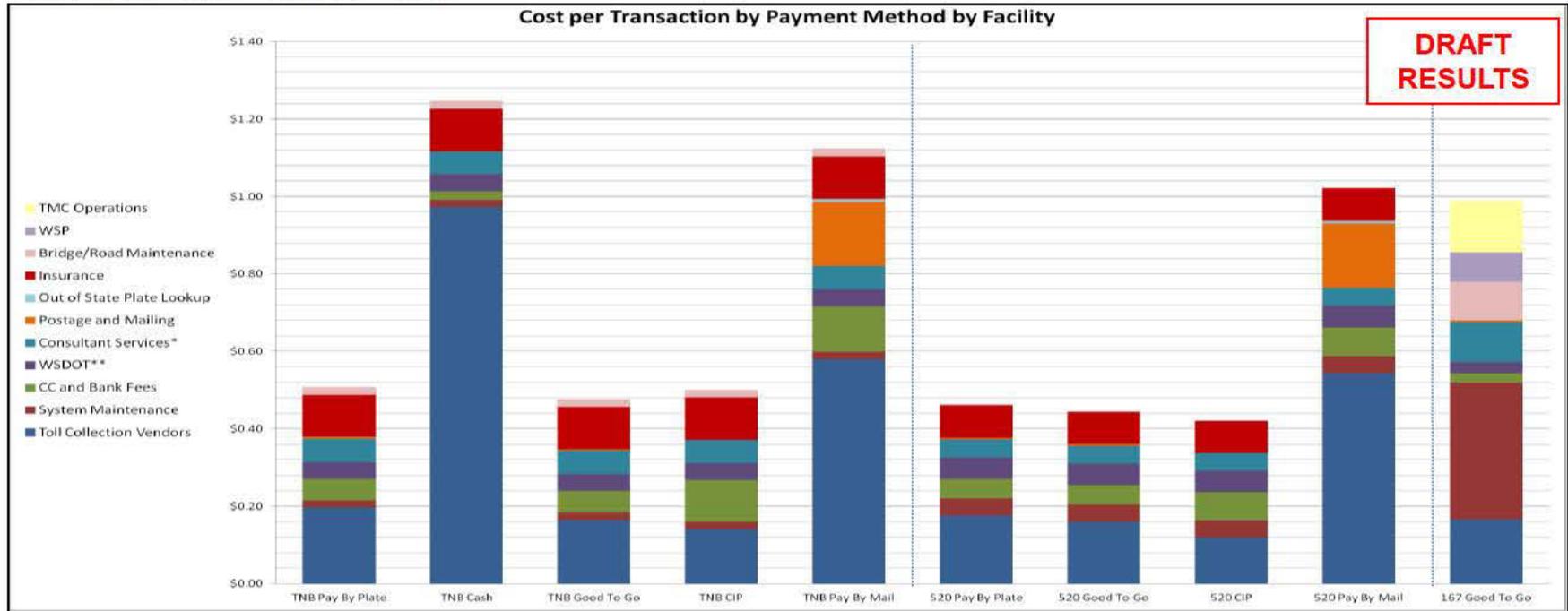
**DRAFT
RESULTS**

	Cost to Operate and Maintain ¹	Cost to Collect ²
<i>Good To Go! Pass</i>	\$0.44	\$0.36
Pay By Plate	\$0.46	\$0.38
Short Term Account	\$0.42	\$0.34
Pay By Mail	\$1.02	\$0.94
Tollbooth	N/A	N/A

Notes:

1. The expenditures from the facility financial statements are used for the Cost to Operate and Maintain calculation and includes all costs to B-Program (Toll Operations Sub-Program) except transponder costs, WSP NOI certification costs (TNB only), capital outlays for software and bridge replacement, and adjudication related costs. The UPA grant payment of \$455,286.94 for toll system maintenance and consulting services was added to the cost analysis.
2. Cost to Collect is a subset of the Cost to Operate and Maintain. The Costs to Collect calculation includes toll vendor cost, toll system maintenance cost, credit card and banking fees, mailing and postage expenses, license plate lookup expense and WSDOT operations cost (including consultant services).
3. The transaction count information used to calculate cost to operate and maintain and cost to collect is preliminary and not reconciled. Upon completion of the ETCC reconciliation, any discrepancies identified will be addressed and necessary correcting adjustments will be made.

WSDOT Toll Division Cost to Operate and Maintain Analysis FY 2012 Q3 and Q4



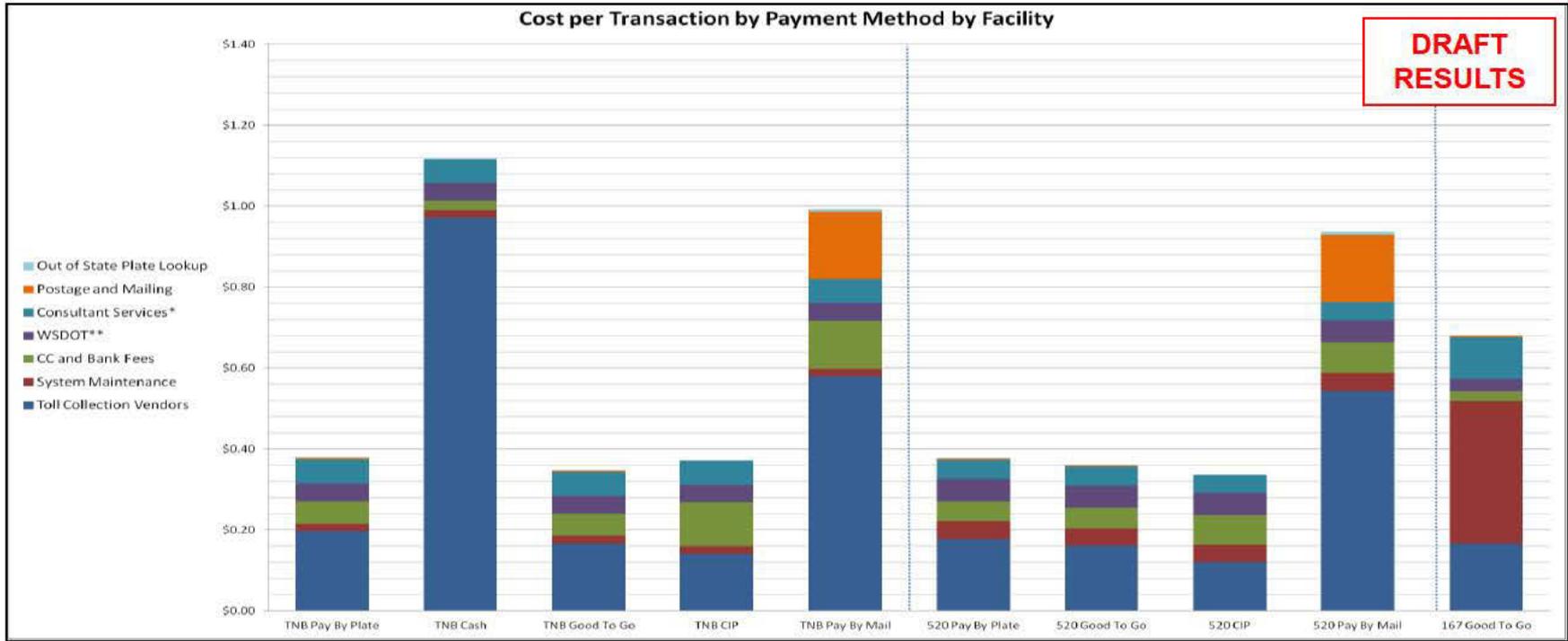
	TNB Pay By Plate	TNB Cash	TNB Good To Go	TNB CIP	TNB Pay By Mail	520 Pay By Plate	520 Good To Go	520 CIP	520 Pay By Mail	167 Good To Go
Transaction Count	295,386	1,582,239	4,713,642	279	207,311	997,655	7,179,819	3,524	1,500,395	454,888
Average \$ per Transaction	\$2.73	\$4.14	\$2.73	\$5.33	\$5.82	\$2.48	\$2.48	\$3.54	\$3.67	\$1.19
Toll Collection Vendors	\$0.196	\$0.972	\$0.166	\$0.141	\$0.580	\$0.177	\$0.160	\$0.120	\$0.544	\$0.166
System Maintenance	\$0.019	\$0.019	\$0.019	\$0.019	\$0.019	\$0.044	\$0.044	\$0.044	\$0.044	\$0.353
CC and Bank Fees	\$0.056	\$0.023	\$0.056	\$0.108	\$0.119	\$0.051	\$0.051	\$0.072	\$0.075	\$0.024
WSDOT**	\$0.044	\$0.043	\$0.044	\$0.044	\$0.044	\$0.055	\$0.055	\$0.055	\$0.055	\$0.029
Consultant Services*	\$0.060	\$0.060	\$0.060	\$0.060	\$0.060	\$0.046	\$0.046	\$0.046	\$0.046	\$0.104
Postage and Mailing	\$0.004		\$0.004		\$0.166	\$0.004	\$0.004		\$0.166	\$0.004
Out of State Plate Lookup	\$0.001				\$0.007	\$0.001			\$0.007	
Insurance	\$0.109	\$0.109	\$0.109	\$0.109	\$0.109	\$0.085	\$0.085	\$0.085	\$0.085	
Bridge/Road Maintenance	\$0.020	\$0.020	\$0.020	\$0.020	\$0.020					\$0.100
WSP										\$0.076
TMC Operations										\$0.134
Total Cost per Transaction	\$0.51	\$1.25	\$0.48	\$0.50	\$1.12	\$0.46	\$0.44	\$0.42	\$1.02	\$0.99
Cost Margin	18.6%	30.1%	17.5%	9.4%	19.3%	18.6%	17.9%	11.9%	27.8%	83.0%

* Consultant Services includes CSC Support, Benchmark Studies, and Forecasting

** WSDOT includes salaries and benefits of WSDOT Staff for oversight and administration of toll operations

WSDOT Toll Division Cost to Collect Analysis

FY 2012 Q3 and Q4



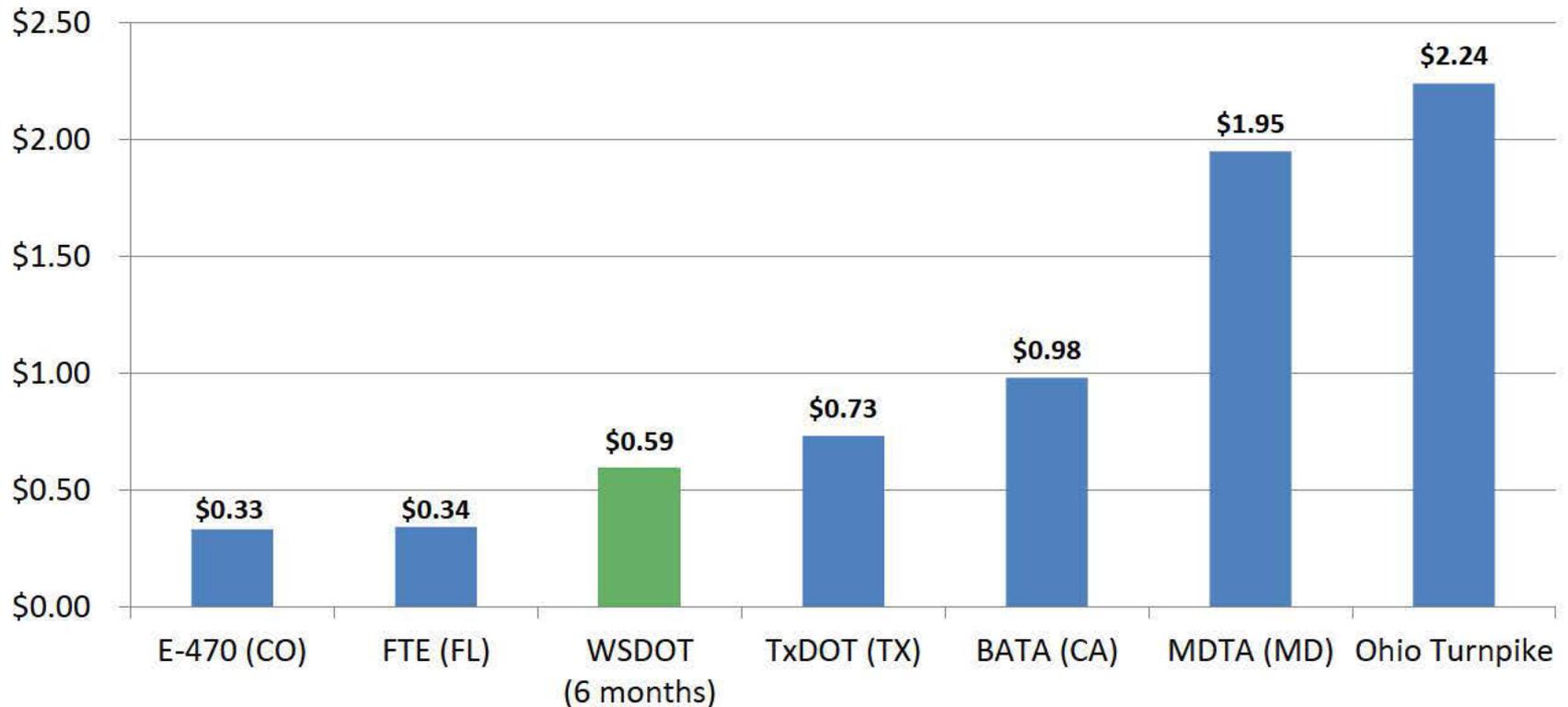
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System Maintenance	\$0.019	\$0.019	\$0.019	\$0.019	\$0.019	\$0.044	\$0.044	\$0.044	\$0.044	\$0.353
CC and Bank Fees	\$0.056	\$0.023	\$0.056	\$0.108	\$0.119	\$0.051	\$0.051	\$0.072	\$0.075	\$0.024
WSDOT**	\$0.044	\$0.043	\$0.044	\$0.044	\$0.044	\$0.055	\$0.055	\$0.055	\$0.055	\$0.029
Consultant Services*	\$0.060	\$0.060	\$0.060	\$0.060	\$0.060	\$0.046	\$0.046	\$0.046	\$0.046	\$0.104
Postage and Mailing	\$0.004		\$0.004		\$0.166	\$0.004	\$0.004		\$0.166	\$0.004
Out of State Plate Lookup	\$0.001				\$0.007	\$0.001			\$0.007	
Total Cost per Transaction	\$0.38	\$1.12	\$0.35	\$0.37	\$0.99	\$0.38	\$0.36	\$0.34	\$0.94	\$0.68
Cost Margin	13.9%	27.0%	12.7%	7.0%	17.1%	15.2%	14.5%	9.5%	25.5%	57.0%

* Consultant Services includes CSC Support, Benchmark Studies, and Forecasting
 ** WSDOT includes salaries and benefits of WSDOT Staff for oversight and administration of toll operations

Agency Comparisons

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RESULTS

Cost Per Transaction



1. All information is based on agencies' published financial statements. WSDOT information is from FY 2012 3rd and 4th Quarters.
2. Only FTE and Ohio Turnpike report interest expenses under Operating Expenses; all other agencies report interest expenses under Non-Operating Revenue (Expenses) so those have been removed from the analysis.

SR 167 HOT Lanes Update

SR 167 Financial Statement

FY 2013 Q2

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
 HIGH OCCUPANCY TOLL OPERATIONS ACCOUNT
 STATE FISCAL YEAR 2013, QUARTER ENDED DECEMBER 31, 2012

	NOTES	JULY THROUGH SEPTEMBER	OCTOBER THROUGH DECEMBER	YEAR-TO-DATE
REVENUES				
Tolling revenue	1	\$ 263,889	\$ 277,189	\$ 541,078
Transponder sales	2	9,176	7,570	16,746
Toll vendor contractual damages	3	386	5,707	6,093
Interest income		596	838	1,434
Miscellaneous	4	1,011	998	2,009
TOTAL REVENUES		275,058	292,302	567,361
EXPENDITURES				
Goods and Services				
Toll CSC operations vendor contract		43,609	42,570	86,179
Credit card and bank fees		4,579	4,589	9,168
Transponder cost of goods sold	5	6,302	5,321	11,623
Washington state patrol	6	20,331	21,095	41,426
Other	7	3,236	4,177	7,413
Total Goods and Services		78,057	77,752	155,809
Personal service contracts	8	43,697	28,483	72,180
Salaries and benefits	9	51,800	(219)	51,581
Infrastructure maintenance	10	74,793	35,157	109,950
TOTAL EXPENDITURES		248,347	141,173	389,519
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		26,712	151,129	177,841
NET CHANGE IN FUND BALANCE		26,712	151,129	177,841
FUND BALANCE - BEGINNING		1,046,636	1,073,348	1,046,636
FUND BALANCE - ENDING		\$ 1,073,348	\$ 1,224,477	\$ 1,224,477

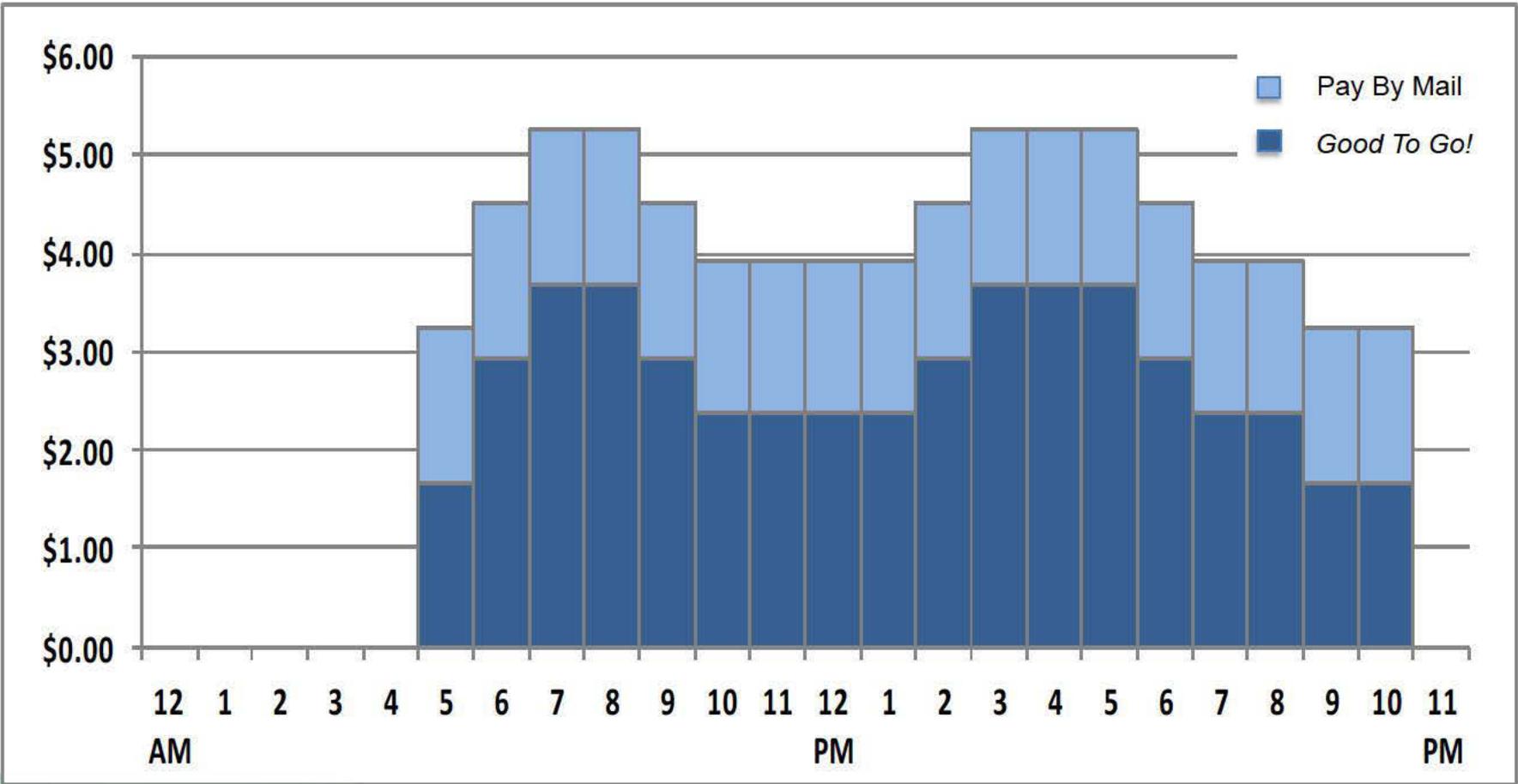
Questions?

For more information, please contact:

Craig Stone
Assistant Secretary, Toll Division
(206) 464-1222 or StoneC@wsdot.wa.gov

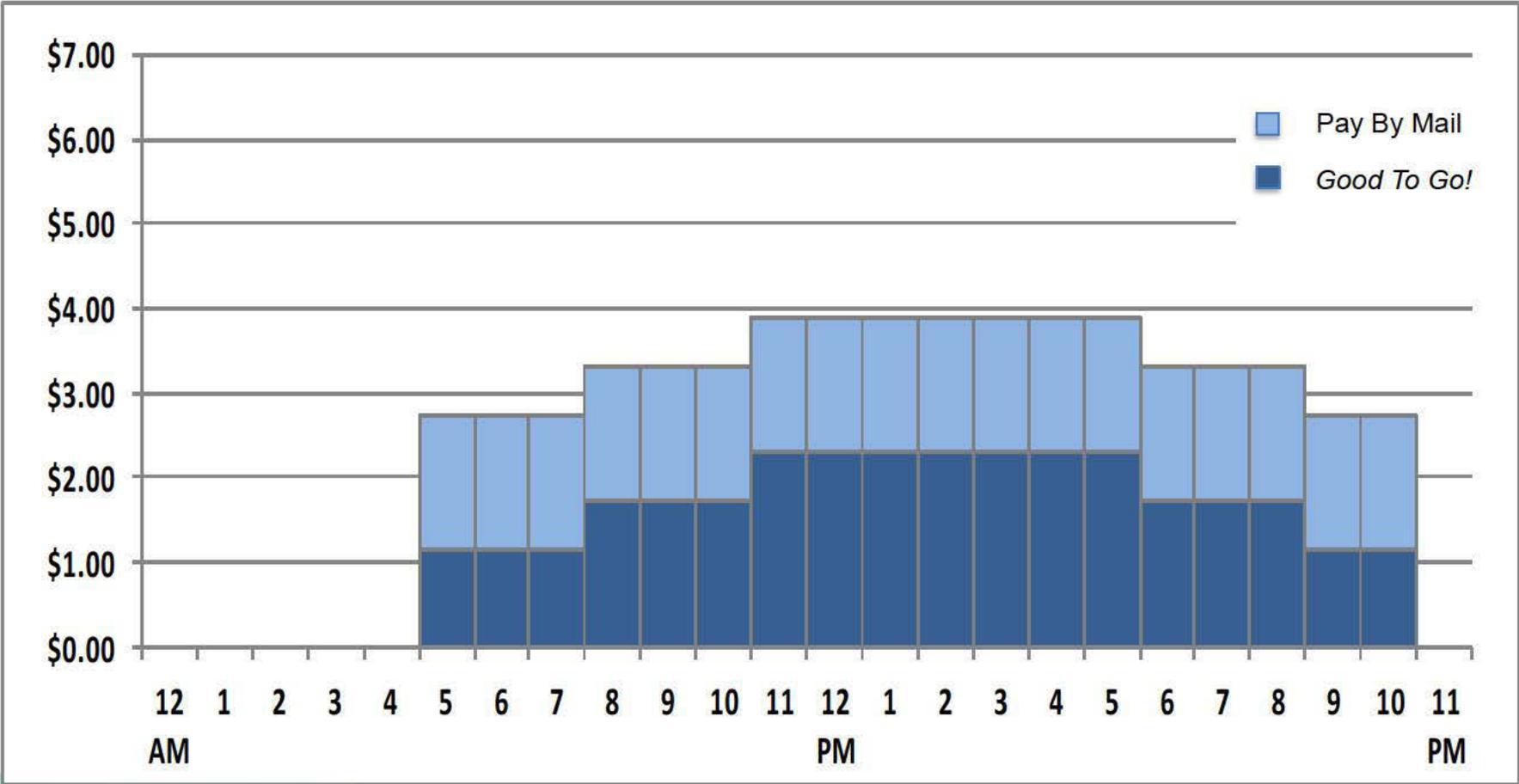
Baseline Weekday Toll Rates

FY 2014



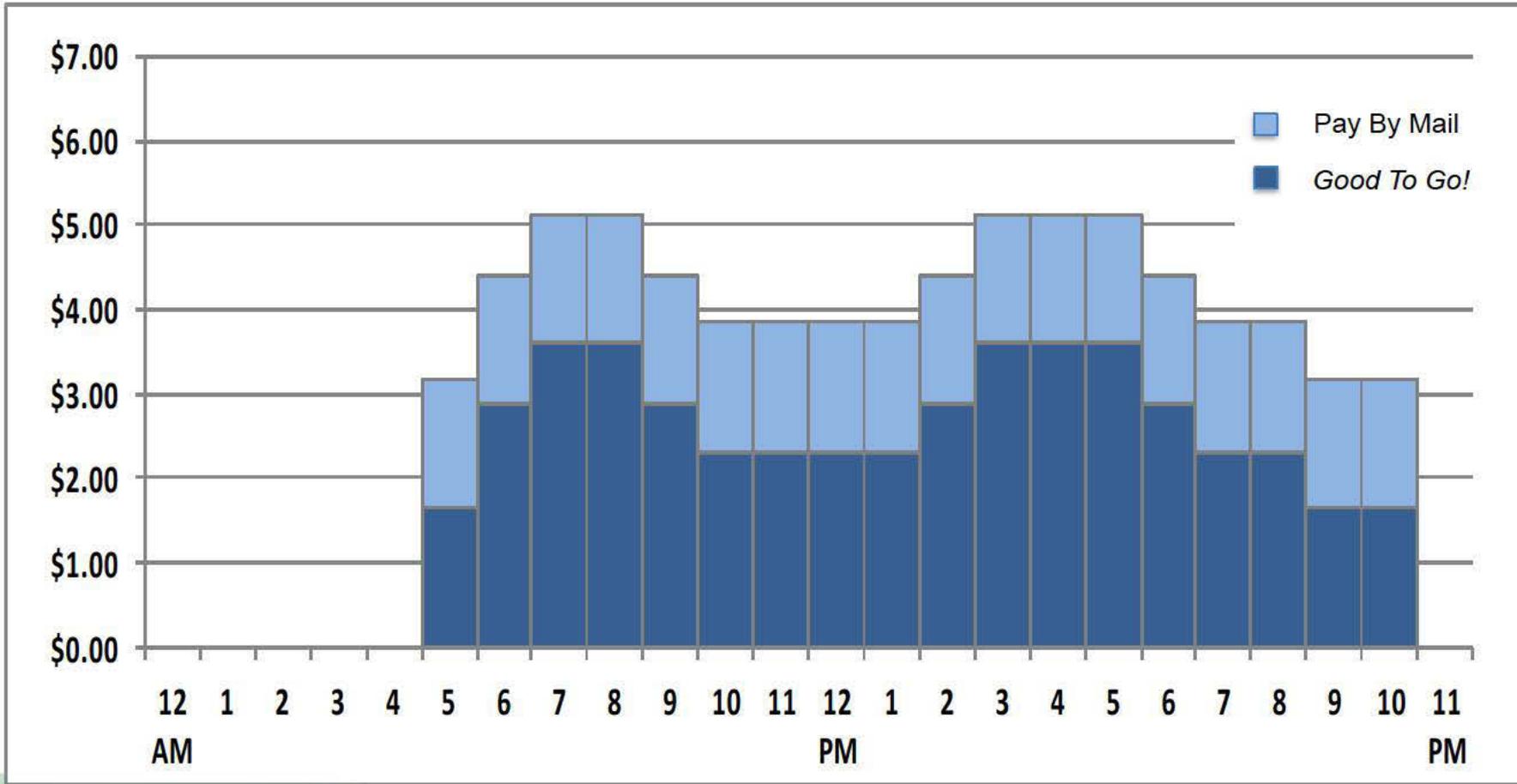
Baseline Weekend Toll Rates

FY 2014



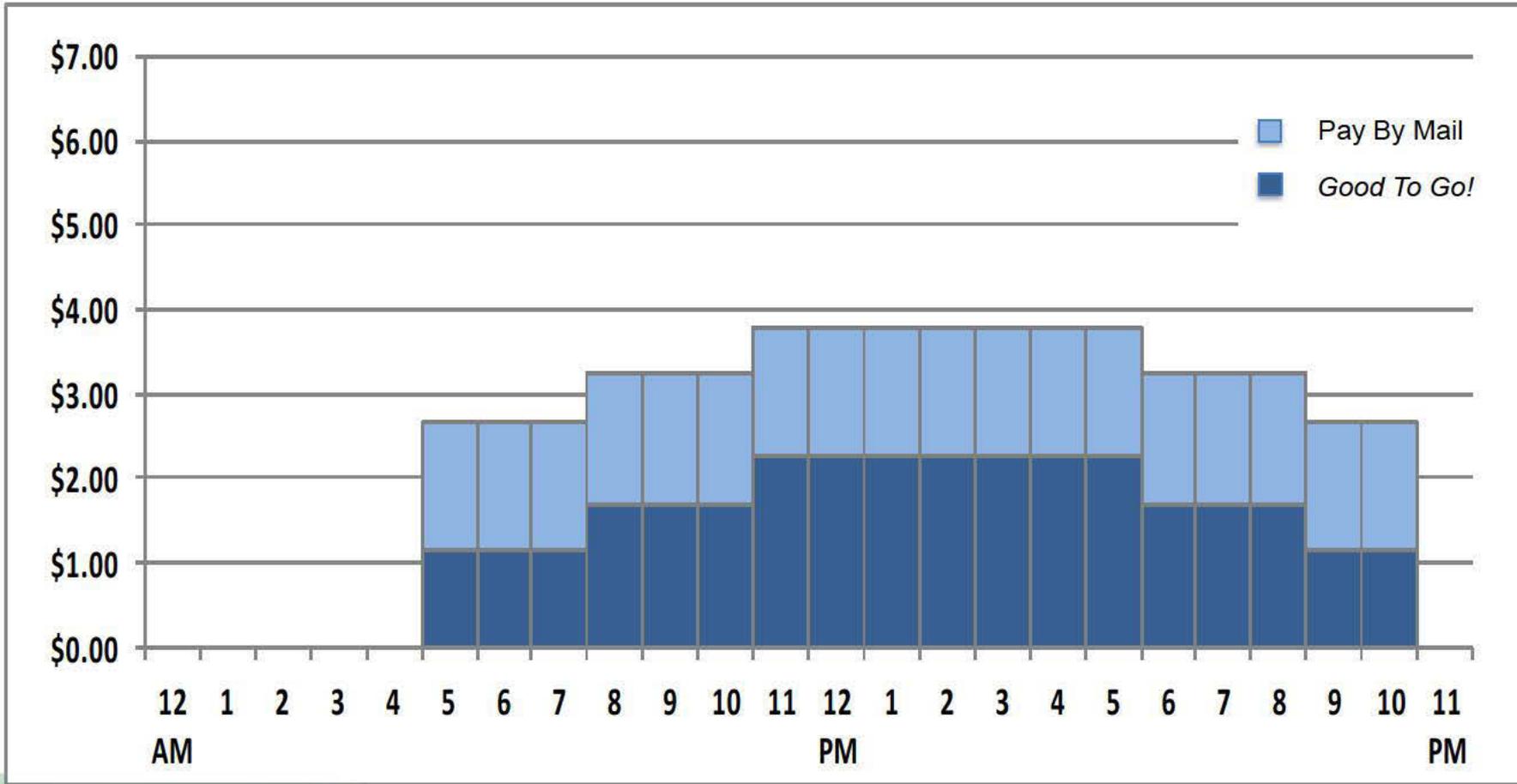
Scenario A Weekday Toll Rates

FY 2014



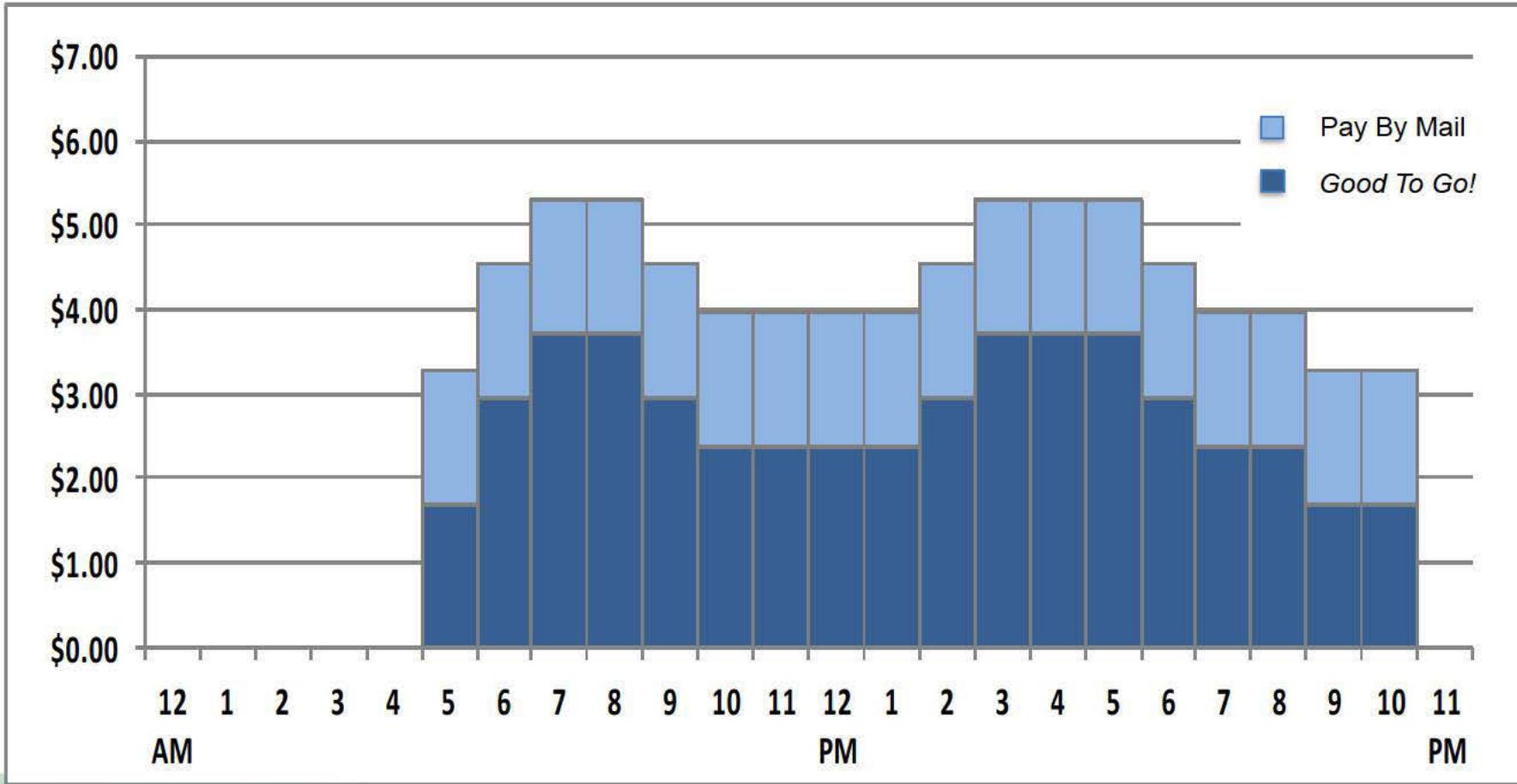
Scenario A Weekend Toll Rates

FY 2014



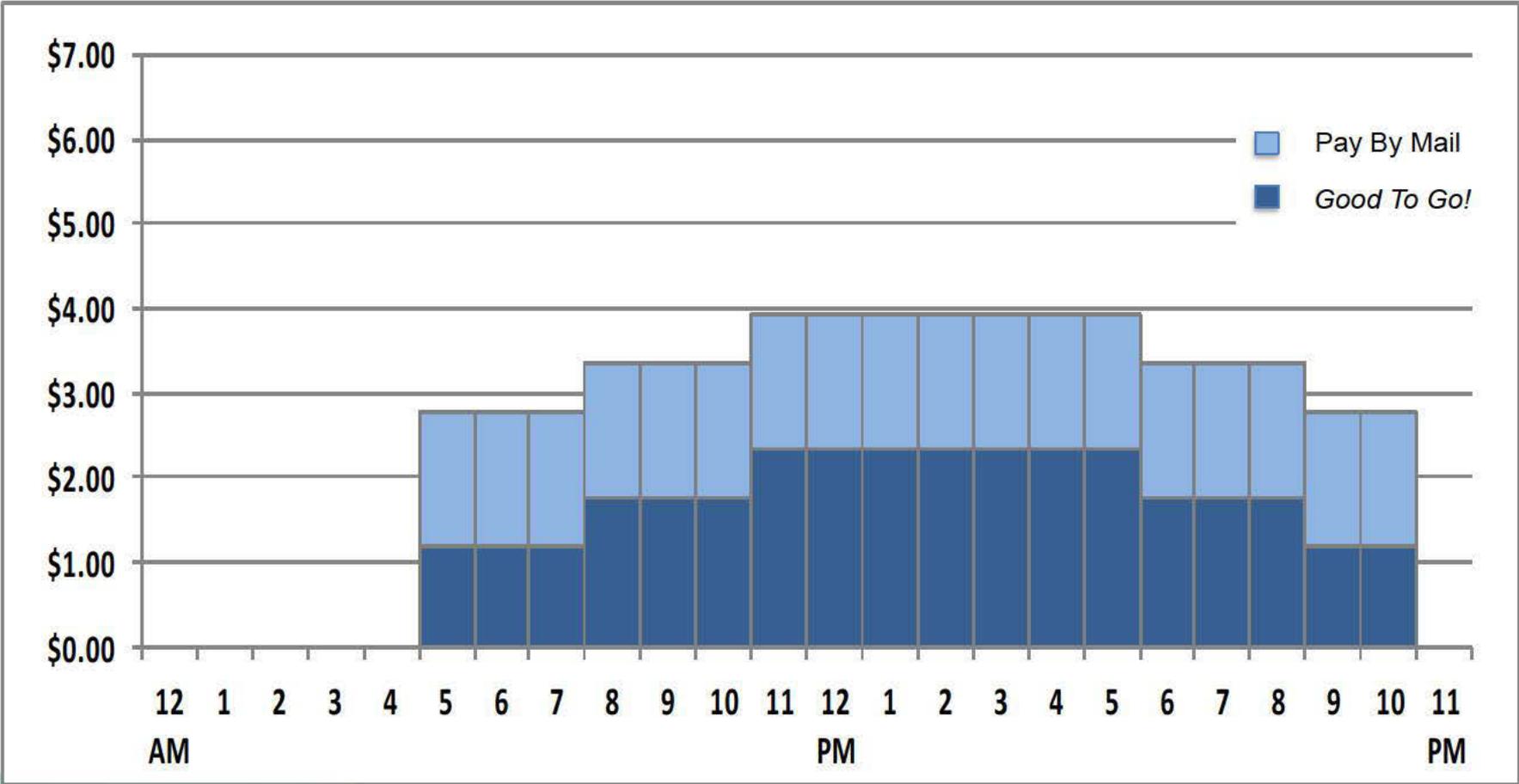
Scenario B Weekday Toll Rates

FY 2014



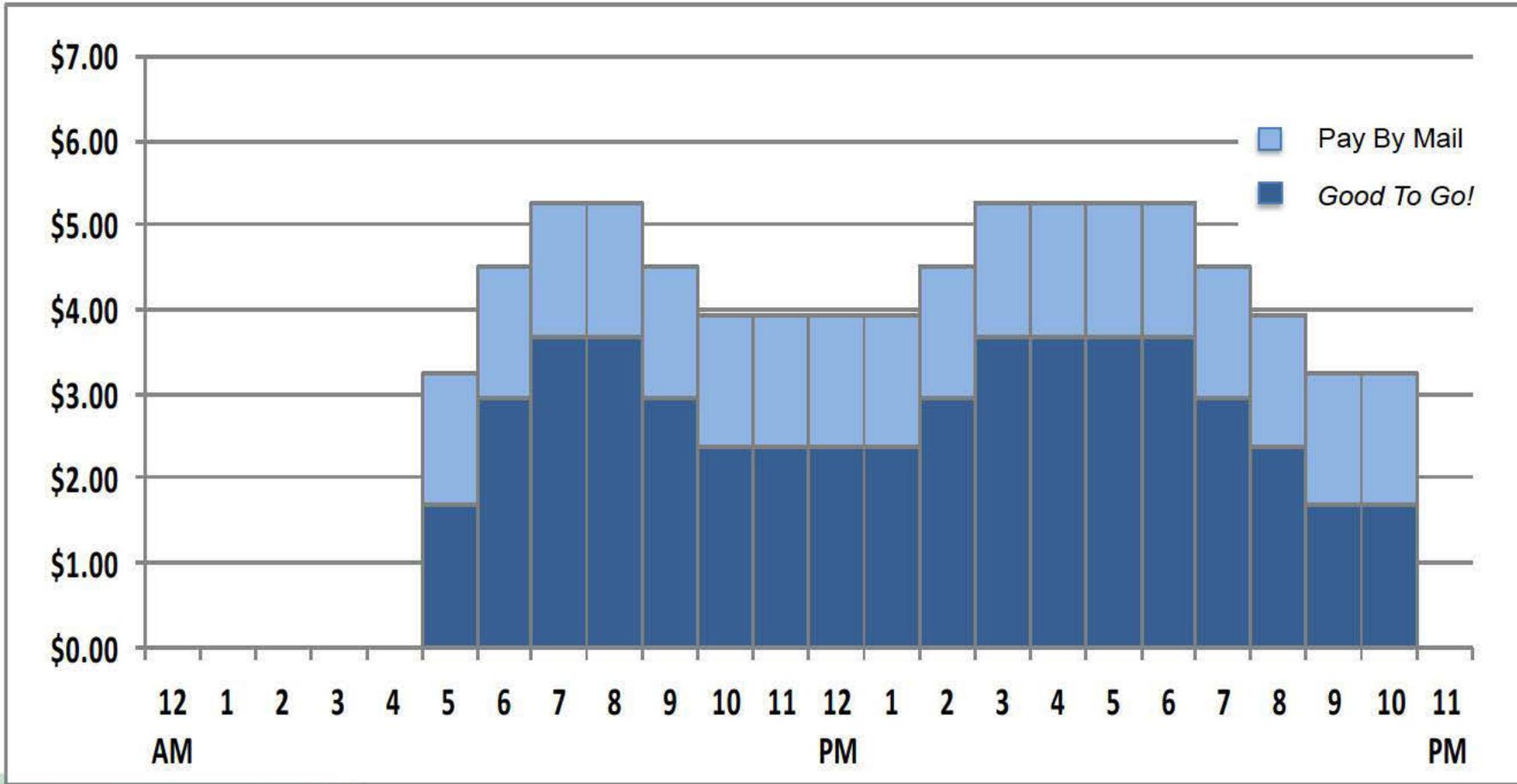
Scenario B Weekend Toll Rates

FY 2014



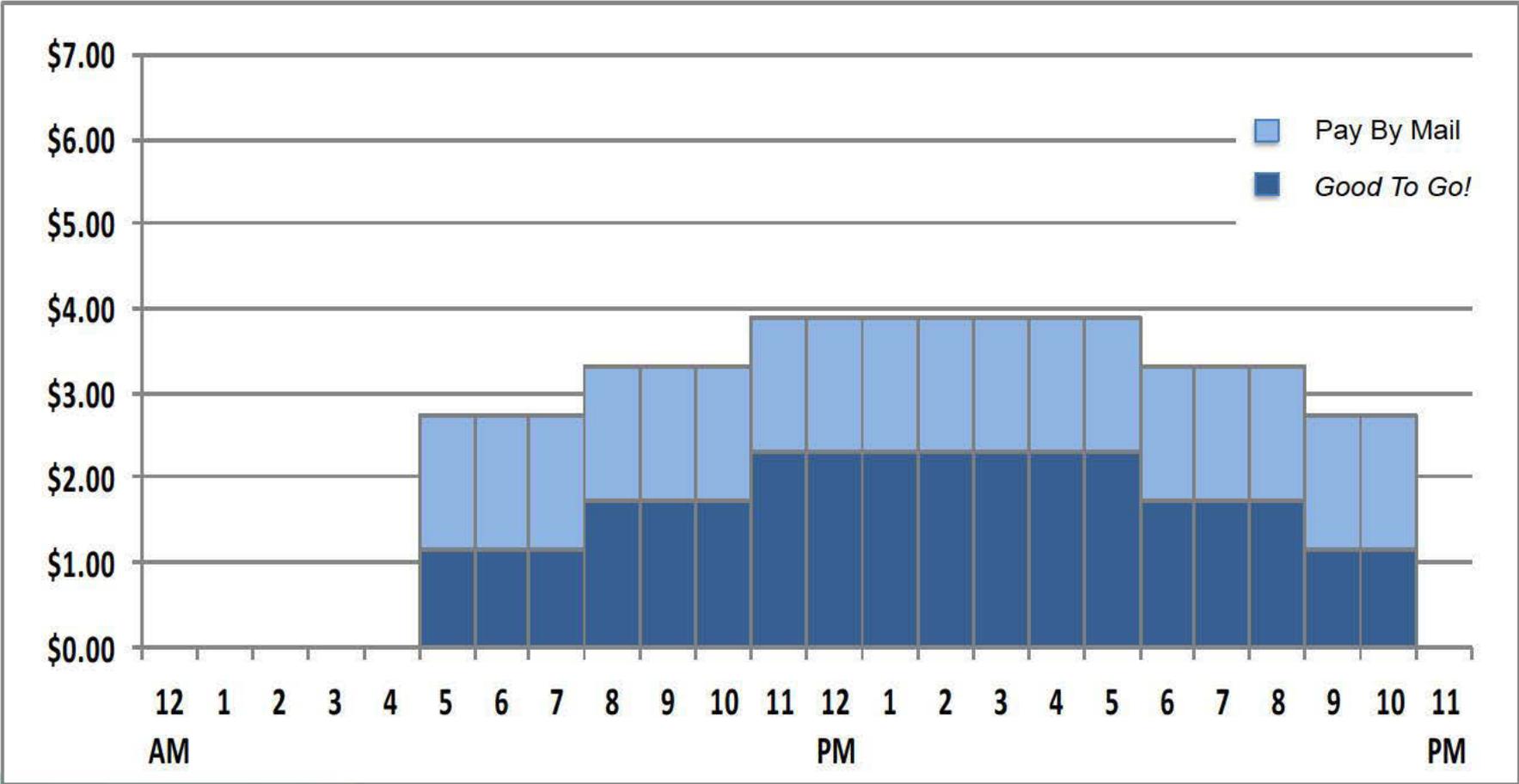
Scenario C Weekday Toll Rates

FY 2014



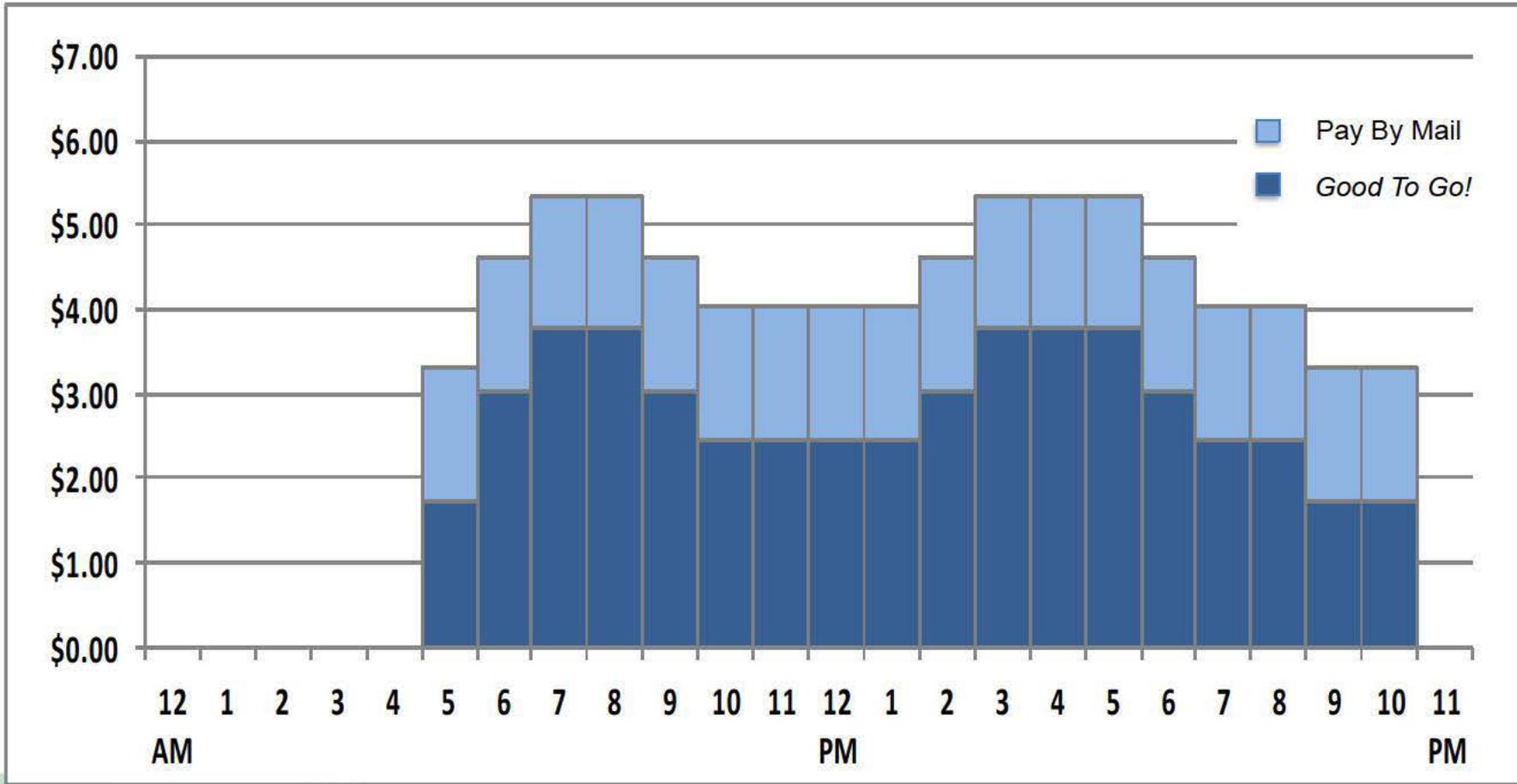
Scenario C Weekend Toll Rates

FY 2014



Scenario D Weekday Toll Rates

FY 2014



Scenario D Weekend Toll Rates

FY 2014

