SR 520 Traffic and Revenue Forecasts: Context and Status

- Toll traffic and revenue forecasting supports toll rate setting and the assessment net toll revenue sufficiency to meet all financial obligations

- Updated SR 520 traffic and gross toll revenue potential (T&R) forecasts have been prepared annually since the initial forecast in 2011
  - CDM Smith prepared investment-grade T&R forecasts through the November 2016 forecast
  - Stantec began preparing the T&R forecasts effective November 2017
  - The November 2018 T&R forecast is complete and the annual T&R report is forthcoming.

- Updated SR 520 net toll revenue projections have been prepared annually by WSB USA since the initial projections in 2011
  - The November 2018 net toll revenue projections are “DRAFT”
  - The DRAFT projections imply that no changes to toll rates are necessary
Summary of Changes in the November 2018 Traffic and Gross Toll Revenue Potential Forecasts

- Forecast horizon adjusted to FY 2019 through FY 2056

- Toll transactions are 6.3% higher over the forecast period than the November 2017 forecast mainly due to:
  - Upward revisions to population and employment forecasts
  - Actual FY 2018 transactions were 4.8% higher than previously forecasted

- Gross toll revenue potential is also 6.3% higher over the forecast horizon
Net Toll Revenue Components

- **Gross Toll Revenue Potential**
  - Toll Payment Discounts and Fees
  - Revenue Not Recognized
  - Unpaid Toll Revenue
  - Recaptured Toll Revenue at *Good To Go!* Rates

- **Adjusted Gross Toll Revenue Collected**
  - Miscellaneous Pledged Revenue
  - Transponder Sales Revenue
  - Pay By Mail Rebilling Fees
  - Toll Revenue Recovered at Pay By Mail Rates

- **Adjusted Gross Toll Revenue & Fees**
  - Credit Card Fees
  - Toll Collection O&M Costs¹
  - Routine Facility O&M Costs
  - Bridge Insurance Premiums

- **Net Toll Revenue**
  - Deferred Sales Tax Payments & Debt Service²
  - Periodic Facility R&R²
  - Periodic Toll Equipment and CSC R&R²

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¹ Includes Transponder Purchase & Inventory, State Operations, Customer Service Center Vendor and Roadway Toll System Vendor Costs

² Only WSDOT forecasted uses of net toll revenues shown; other uses include debt service and various reserve account deposits
Key Changes in Net Revenue Components

- SR 520’s share of system-wide Toll Collection O&M costs allocated based on each facility’s toll trips have increased due to:
  - A higher toll traffic forecast for SR 520
  - Materially lower forecasts for toll trips on I-405 and SR 167

- Revenue Not Recognized has been revised higher due to unreadable license plates from yet unresolved camera glare issues

- Other Toll Collection O&M cost factors have increased
  - The portion of Customer Service Center costs attributed to toll collection has increased, with a reduction in the amount allocated to civil penalty adjudication
  - Toll bill printing and postage costs have increased due to higher per unit mailing costs and more projected mailings, partially by offset by higher second invoice rebilling fees

- Bridge Insurance Premiums have been revised higher based on recent trends

- Overall, forecast variances taken together, total revenue adjustments and operating costs are 15% higher than the previous forecast
Summary of Changes in the **DRAFT** November 2018 Net Toll Revenue Projections

- The DRAFT net toll revenue projections are expected to be at least 2.6% higher than the previous forecast over the FY 2019-56 horizon.

- DRAFT net toll revenue is higher in every forecast year through FY 2052, and only marginally lower thereafter.
  - Planned principal and interest payments on the existing program debt are completed in FY 2051.

- Higher net toll revenues are expected to result in higher ratios for debt service coverage and sum sufficient coverage, thereby improving upon the previous forecast’s financial sufficiency.
  - The Office of the State Treasurer will be reporting on their updated financial sufficiency assessment at the February WSTC meeting.
Averaged over the FY 2019-56 forecast horizon, the November 2018 forecast for toll transactions is projected to be 6.3% higher than the November 2017 forecast.
Averaged over the FY 2019-56 forecast horizon, the November 2018 forecast for gross toll revenue potential is projected to be 6.3% higher than the November 2017 forecast.
Averaged over the FY 2019-56 forecast horizon, the DRAFT November 2018 forecast for net toll revenue is projected to be at least 2.6% higher than the November 2017 forecast.
Higher near term net revenue projections help protect financial sufficiency, which typically is leanest in the early forecast years.

Deferred sales tax payments of ~$16 million per year will be incurred over FYs 2023-32.
Forecast vs. Actual Performance for FY 2019 (July through November 2018 — Preliminary)

- Actual Gross Toll Revenue Potential is trending 2.2 percent higher than the upwardly revised November 2018 forecast though the first 5 months of FY 2019
- The actual to forecast variance in Adjusted Gross Toll Revenue is slightly higher at 2.8% due to recaptured toll revenue trending higher and leakage rate trending slightly lower than forecasted
- Actual net toll revenue is 7.4 percent higher due to a combination of higher than projected interest earnings, lower RTS vendor costs while resolving system requirement issues, and lower state costs in FY 2019

<table>
<thead>
<tr>
<th>FY 2019 July-November 2018 Draft Performance</th>
<th>Actual Values</th>
<th>Nov 2018 Forecast</th>
<th>Actuals vs Nov 2018 Forecast</th>
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</thead>
<tbody>
<tr>
<td>Gross Toll Revenue Potential</td>
<td>$39,612,141</td>
<td>$38,744,000</td>
<td>+2.2%</td>
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<td><strong>DRAFT</strong> Adjusted Gross Toll Revenue Collected</td>
<td>$36,241,226</td>
<td>$35,258,000</td>
<td>+2.8%</td>
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<td><strong>DRAFT</strong> Net Toll Revenue</td>
<td>$27,682,685</td>
<td>$25,768,250</td>
<td>+7.4%</td>
</tr>
</tbody>
</table>
For additional information...

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