



**Washington State
Transportation Commission**

**VERBATIM TRANSCRIPT
SR 520 TOLL RATE SETTING HEARING
MAY 17, 2016
1:45 p.m.**

**Washington State Department of Transportation
Nisqually Conference Room
310 Maple Park Avenue SE
Olympia, WA**

Chairman Haley: Okay, back on track with the State Route 520 Bridge, Patty and Carl.

Patty Rubstello: Okay, so we're here to talk about State Route 520 similar to Tacoma Narrows Bridge. We are at the point in the toll rate process, where we are looking at what adjustments the Commission is going to adopt or put into place. So just a quick agenda, you've seen this presentation last month when we went out and did public meetings. So I'll go through at a high-clip of what we've done so far, the scenarios that you've reviewed, and then turn it back over to Carl to walk you through, kind of finishing up the rate setting process. Again similar to Tacoma Narrows Bridge. We did embark on reviewing all our financials, expenditures and what the debt obligations were and we looked at several scenarios, started the actual CR 101 process, and as of last month you have gone through the 102 process and had your public meetings. As I've mentioned, today is to do that final CR 103 process. Just as a reminder, kind of the history or kind of where we sit with the bonds that we have on 520, we did enter into a contract which is a master bond resolution which stipulates several things with regards to how toll revenue can be used and of course the main thing being to payback the debt. It also talks about things like needing to cover operating and maintenance costs and that includes not only the toll system but the roadway, principle and interest. Then there's also deposits that need to be made for O&M reserves, major repair and restoration, so having that savings account building up to pay for future obligations that we have on the bridge. Then we need to make sure every year that we're meeting those obligations as well. Another thing with the bonds and the loans that we have is that we need to make sure we have what we call debt service coverage and so both between the triple pledge bonds that we have as well as the TIFIA Loan. There is a certain amount of coverage that also has to be factored in when looking at toll rates that will cover the outstanding

debt. As I mentioned, there were several scenarios the Commission looked at. As a reminder, the initial financial plan assumed that this year that the rates would go up 15% as well as nighttime tolling would be going into effect. But learned from the State Treasurer Office that with the deferral of one of the loan payments, there was some flexibility that the Commission had at looking at those toll rates. And so up here on the chart, you see that there were several scenarios that we looked at and the Commission honed in on Scenario 2. But in looking at Scenario 2 again, we wanted to dive in deeper and see what opportunities there were because that scenario had a 10% increase. And so with Scenario 2 we further refined it looked at further options within that and the Commission centered around this one called Scenario 2.A. What that does is a 5% increase this year, a 5% increase next year and also puts the nighttime tolling off until next year.

Commissioner Jennings: So that would be July 2017.

Patty Rubstello: Correct. So, July of 2016 this year would be the first 5% increase, next July would be the second and that would be when nighttime tolling would go into effect. Similar to previous actions every year, we come back and we revisit to see if we are still on target and if there are other flexibilities or opportunities that can be taken advantages of. So next steps, is really kind of finalizing these, the toll rates starting July 1 of this year. I'm going to turn it over now to Carl and he is going to walk you through more in depth about the particulars on the preferred toll rate structure that's been identified.

Carl See: Thank you Patty. So, this chart here demonstrates the discussed increase for at least the weekday peak period. As initially proposed it was the dotted line that would raise it from the \$3.90 to \$4.35. Sorry, the dark line with the arrow pointing at it. And then as this scenario that we're considering today increases from \$3.90 to \$4.20 then up to the, sorry \$4.10, then up to \$4.30 in the second step, so you see that there with the two steps. As you know we've had a 2.5 % increase from 2012 through last July 2015. So this change moves us away from 2.5 % increases and replaces it with the 5 and 5. As discussed, we're looking at a 5 % increase in FY 17, so this July, and then another 5%, then \$1.25 for the overnight tolls in FY 18. This applies to both weekdays and weekends and maintains the current exemptions for both transit and registered vanpools. It in addition, it applies a \$2.00 pay-by-toll increment aligning SR 520 with other tolling facilities that we have here in Washington State. While the revenue projected for the 5 and 5 for this toll proposal is less then was assumed under the estimated 15% increase, it still provides some room in future years above what is necessary for revenue collections. I'll touch back on that again a little bit later and explain that a little bit further.

Reema Griffith: Carl can you please clarify.

Carl See: Sure.

Reema Griffith: Fiscal Year 17 actually starts on July 1, 2016 correct.

Carl See: Correct.

Reema Griffith: FY 18 is actually July 1 of

Carl See: 2017.

Reema Griffith: Okay I just wanted to make sure that was clear.

Carl See: Sure thing. Always something worth clarifying, yes, it can be confusing. I have a chart on my desk saying exactly that. Next slide, we'll look at a slide that shows the difference between the assumed financial plan and the proposal for both the weekdays first and weekends second. So here is the weekend chart and the black outline is what was originally assumed in the 2017 financial plan, so starting July 1, 2016 in the financial plan. With the two-step proposal, we see rate increases for FY 17 this July, increasing with the light blue and then the dark blue is the additional fee increase that we'll see July 1, 2017. You'll note that the overnight tolling there starting in FY 18. So its dark blue and that the increases are closer to the original financial plan during peak hours than they are during off peak hours. An additional note is that the original financial plan assumed a 15% increase and the increase average came out to be about a 12 to 18% increase for different toll rates, as a point of comparison to what we were originally looking at, to what we are proposing today.

Commissioner Jennings: We were looking at that back in 20...

Carl See: 2011 yeah right. A lot of time for us to see how the construction has changed and traffic patterns have changed as well.

Commissioner Batra: Carl is the dark blue color pertains to the night tolling only or is it night tolling and the 5% increase combination.

Carl See: So the dark blue you'll see the night tolling hours there between 11:00 p.m. and 5:00 a.m.

Commissioner Batra: The really dark color up above in the middle, you know, right.

Carl See: That is right that dark blue is referring to the second 5% increase

Commissioner Batra: And night tolling.

Carl See: And night tolling red line. Yeah.

Commissioner Jennings: The white is the original.

Carl See: The white is a difference between the original and what you all end up at starting July 1, 2017.

Commissioner Jennings: Cool.

Carl See: The weekend comparison looks a little different because you see that the actual proposal is increasing rates higher than the original proposed in the financial plan for the weekends. Originally, there was a 2% weighted average increase for the weekends, which was really a 4% during the mid-day peak for weekend rates. With this proposal, you're applying the 5% equally to weekdays and weekends and that helps reduce the impact on weekdays while spreading the costs to weekend users as well. So here, you see that distinction on the dark blue for FY 18 and light blue for FY 17. Finally, here is the comparison for the minimum revenue needed; minimum required net revenue from the financial plan that's for sufficiency to cover our debt service and other costs, those are the green bars. The dark dotted line is what was the net revenues that were assumed in the financial plan starting FY 17 and the dark blue are the net revenues assumed with the proposed toll increase. Some points of reference, you can see that the pinch point is FY 18, which is when the debt service increases and we have our largest increase in debt service both from the normal debt service in a sense. The TIFIA Loan repayment initially was slated for FY 17 got pushed to FY 18 and that gave us the flexibility of not needing such a high increase in FY 17 but created a kind of a larger pinch point in FY 18 that needed to be addressed. The additional cushion that was previously referenced is what you can see there between the top of the dark green bars and the bottom of the blue line is revenue, net revenue an excess of what the minimum required for sufficiency. A couple of notes on that are it's a new facility and so the forecast may not be as reliable as you might see on Tacoma Narrows Bridge for example, where we've been doing the same facility year after year. So there is some desire to have room there. Construction is ongoing and so both construction schedules and reactions to the construction with the bike traffic may not be exactly as we see. So it gives the Commission some room for those possibilities. That said you will be reviewing it annually so it's something for future consideration. To see if that cushion is necessary or is otherwise being made up with changes in traffic patterns. So, with that I think that's it for that slide deck. I have an additional slide deck to talk about public input. But if there are questions now for either of us.

Commissioner Tortorelli: I have a comment. So based on projected use over the next five years the tolls will stay the same?

Carl See: Correct.

Commissioner Tortorelli: With the increase next year?

Carl See: With the two increases.

Commissioner Tortorelli: This year and next year so there provides some consistency on projected rates.

Chairman Haley: Unless traffic crashes.

Commissioner Tortorelli: Unless traffic crashes, don't say it crashes.

Commissioner Batra: The Commission will still look at this next year again to review FY 18 rates as we proposed.

Carl See: Right. Much like what was done with Tacoma Narrows Bridge. It's a two-year proposal but there's an opportunity for the Commission to review the second year of that proposal and go back through the rule-making process if you want to adjust either nighttime tolling or the 5% rate or both, based on what you're saying.

Commissioner Batra: Thank you.

Commissioner Tortorelli: Good.

Chairman Haley: Questions? We will open for public hearing.

Carl See: I do have just one additional recap. I just want to touch on some public input and the follow-up steps we've for this rate increase. So as partially covered before, the master bond resolution requires the Commission to review annually the projects financial condition and to adjust toll rates as deemed necessary to comply with the bond covenants. As part of that process, it requires some certification that the assumptions that the traffic revenue and both gross revenue and net revenue assumptions were all certified or correct to the best of our expert's opinions. So we've received those certificates, two from WSDOT or their consultants, both for the traffic consultants on toll revenue certifying that the toll revenue is based on solid assumptions, and the consulting engineering certificate for operating and maintenance expenses. They've also provided a certification for the net toll revenue forecast and then finally with those certifications in mind, the Treasurer's Office submits a certification to say that this will comply with the rate conveyances that are in place. So you have that packet in front of you and as you can tell the Treasurer's Offices certification included the other sort of certificates as reference points, so you can see they received those certificates just like we did then took that all into account as part of their overall review for their final certification. So we're good to go on the certificates. As a

recap for public input, as you recall we did have two public meetings in mid-April, one in Seattle at Union Station and one at Bellevue City Hall. We had one public comment in Seattle during the afternoon meeting and six comments at the Bellevue meeting. I believe we had about 20 people perhaps at the Bellevue meeting so some turnout at that. And there were concerns about the rate increase and about diversion and there was some concern expressed at those meetings. And again, confusion about inconsistent toll policies between facilities as well was also expressed. In addition, we received about 425 emails through our commission email account and I believe you should have in front of you the concise explanatory statement that reviews the topics that were addressed. But overall, a majority of the comments was generally in opposition to the rate increase, whether for because it's too high, for personal economic reasons, or for input on or impact on the general economy of the area. An addition, concerns about overnight tolls, operation costs and diversion were also included in the input. So we do have responses to these concerns in the concise explanatory statement that you should have with you.

Commissioner Litt: Carl, I think the one comment we had in Seattle also brought up the equity issue and the impact on low and moderate-income folks.

Carl See: Sure.

Carl See: Okay. So your next steps today, you'll have public comment then take action as mentioned on the CR 103 for adoption of new toll rates and then following that action, we will file both the CR 103 and the concise explanatory statement with the description of the input and responses. It must be filed between now and Memorial Day weekend. So, any questions?

Chairman Haley: Shall we proceed?

Carl See: Sure.

Chairman Haley: Okay, we'll open this up for any public comment. Are there any members of the public who wish to comment about the toll rate increase for State Route 520 Bridge? I don't see or hear any. I will close the public hearing and move to the action before us. The action is a two-step toll rate increase of 5% increase in Fiscal Year 2017, which is in effect July 1, 2016, and a 5% increase, plus initiation of a \$1.25 night toll Fiscal Year 2018, which takes effect July 1, 2017. Nickel rounding will be applied to weekday and weekend tolling. There will be a \$2.00 pay-by-mail toll increment that aligns State Route 520 with the toll increment for the 405 Express Toll Lane, State Route 16, and Tacoma Narrows Bridge. We were bringing the pay-by-mail fee into alignment with other facilities. Is there a motion?

Commissioner Jennings: So moved with the understanding that we will come back next year and evaluate it.

Commissioner Tortotelli: Second

Chairman Haley: It has been moved and seconded. Is there any discussion? Hearing none, all those in favor of the motion signify by saying Aye.

Commissioners: Aye

Chairman Haley: Opposed, Nay. The motion has carried. Thank you very much. The CR 103 will be filed and these rates will go into effect July 2016. And we thank all members of the public for meeting with us in Seattle or in Bellevue or online or other ways of communicating about these toll rate increases and we will review them next year in addition to looking at the two-step toll rate increase that we enacted today. Is there anything else in regards to State Route 520? We will move to the next item on the agenda.

TRANSPORTATION COMMISSION

ANNE E. HALEY, Chairman

JOE TORTORELLI, Vice-Chairman

SHIV BATRA, Member

HESTER SEREBRIN, Member

ROY JENNINGS, Member

DEBBIE YOUNG, Member

JERRY LITT, Member

ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL